

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended May 30, 1996

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)
as specified in its charter)

Wisconsin
(State or other jurisdiction
of incorporation or organization)

39-1139844
(I.R.S. Employer
Identification No.)

250 East Wisconsin Avenue - Suite 1700
Milwaukee, Wisconsin
(Address of principal executive offices)

53202-4220
(Zip Code)

Registrant's telephone number, including area code: (414) 272-6020
Securities registered pursuant to Section 12(b) of the Act: Common Stock,
\$1 par value
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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K (Section 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 stock held by
non-affiliates of the registrant as of August 9, 1996: \$353,000,000

Number of shares outstanding of each of the classes of the registrant's
capital stock as of August 9, 1996:

Common Stock, \$1 par value: 10,816,145 shares
Class B Common Stock, \$1 par value: 8,856,405 shares

PORTIONS OF THE FOLLOWING DOCUMENTS ARE INCORPORATED HEREIN BY REFERENCE:

Proxy Statement for 1996 annual meeting of shareholders (incorporated by
reference into Part III, to the extent indicated therein).

PART I

Unless the context indicates otherwise, references to the number
of the Company's various facilities set forth in this Form 10-K Annual
Report are as of May 30, 1996.

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 can generally be identified as such because the context of the statement 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 which are described in close proximity to such statements and which could cause actual results to differ materially from those currently anticipated. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made 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.

Item 1. Business.

The Marcus Corporation through its subsidiaries (collectively, the "Company") is engaged in four business segments: motels; movie theatres; hotels and resorts; and restaurants.

The Company's motel operations include a chain of 124 Budgetel Inn limited service motels in 28 states and three Woodfield Suites all-suite hotels. Of the 124 Budgetel Inns, 93 are owned or operated by the Company and 31 are franchised.

The Company operates 36 movie theatres with an aggregate of 219 screens throughout Wisconsin and in Northern Illinois.

The Company's hotel and resort operations include the Pfister and the Milwaukee Hilton which are full-service hotels in the Milwaukee, Wisconsin metropolitan area, and the Grand Geneva Resort & Spa, which is a full-facility destination resort in Lake Geneva, Wisconsin. The Company also manages two hotels for third parties: the Mead Inn in Wisconsin Rapids, Wisconsin and the Crowne-Plaza Northstar in Minneapolis, Minnesota.

The Company's restaurant division includes 31 KFC (Kentucky Fried Chicken) restaurants in Wisconsin.

The Company is currently in the third year of an aggressive multi-year expansion plan which is expected to impact all four divisions. The Company's current plans include pursuing the following goals:

- Increasing its number of Budgetel Inns to 300 by the year 2000, with up to 12 new Company-owned and 16 new franchised motels currently planned to be opened in fiscal 1997. The Company currently believes that much of this anticipated future growth will ultimately come from its increasing emphasis on opening new franchised Budgetel Inns.
- Continuing to expand the number of Company-owned Woodfield Suites, including two new facilities in fiscal 1997.
- Increasing its number of movie theatre screens to 400 by the year 2000, with planned continued expansion outside of Wisconsin. Up to 90 new screens are currently planned to be opened by the Company in fiscal 1997, including the 27 new screens at the three theatres acquired by the Company immediately after the end of fiscal 1996. Early in fiscal 1997, two new eight-plex theatres opened in Appleton and New Berlin, Wisconsin, along with a four-screen addition to an existing theatre in Green Bay, Wisconsin. Currently under construction is a new 20-screen ultraplex theatre in Addison, Illinois. Other current expansion plans include a six-screen addition to the Company's existing 14-plex in Gurnee Mills, Illinois and 17 new screens to be added to existing locations in Delafield, Mequon and New Berlin, Wisconsin and Addison, Illinois.
- Adding up to one or two hotel properties each year over the next few fiscal years, either Company-owned or managed for others.

- Expanding and enhancing the Company's KFC franchise.

The actual number, mix and timing of future new facilities or expansions will depend in large part on continuing favorable industry and general economic conditions, the Company's financial performance and available capital, the competitive environment, evolving customer needs and trends, and the 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 and there can be no assurance that the Company will succeed in achieving these goals.

Business Segment Data

Set forth below is certain business segment data for the Company's three most recent fiscal years relating to the Company's four industry segments. Intersegment sales and transfers are not material.

	Fiscal Year		
	1996	1995	1994
	(Dollars in thousands)		
Revenues from unaffiliated customers:			
Motels	\$118,679	\$104,356	\$ 89,043
Theatres	63,696	53,968	50,494
Hotels and resorts	53,498	45,292	32,330
Restaurants	25,927	74,076	70,404
Corporate items(1)	487	298	343
	-----	-----	-----
	\$262,287	\$277,990	\$242,614
	=====	=====	=====
Operating income (loss):			
Motels	\$ 36,266	\$ 31,992	\$ 26,041
Theatres	15,017	12,175	11,483
Hotels and resorts	3,374	1,473	2,550
Restaurants	1,992	3,318	1,499
Corporate items(1)	(4,834)	(2,163)	(3,689)
	-----	-----	-----
	\$ 51,815	\$ 46,795	\$ 37,884
	=====	=====	=====
Identifiable assets:			
Motels	\$247,328	\$211,112	\$182,174
Theatres	63,365	46,928	47,244
Hotels and resorts	73,045	68,731	45,787
Restaurants	29,041	53,090	51,896
Corporate items(1)	42,536	27,221	34,505
	-----	-----	-----
	\$455,315	\$407,082	\$361,606
	=====	=====	=====

(1) Corporate items include amounts not allocable to specific 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.

Motel Operations

Budgetel Inns

The Company owns, operates or franchises 124 economy motels, with over 12,000 rooms, under the name "Budgetel Inn" in 28 states. Of this total, 31 Budgetel Inns are operated through franchisees, 84 are Company-owned or operated and nine are operated under joint venture type agreements.

Targeted at the business traveler, Budgetel Inns 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 typically vary in size between 60 and 150 rooms.

The Company believes that providing amenities not typically associated with limited service motels distinguish Budgetel Inns from many of its competitors. These amenities include executive conference centers, room-delivered complimentary continental breakfasts, king-sized beds, free local telephone calls and incoming fax transmissions, non-smoking rooms, in-room coffee makers and hair dryers, remote control cable televisions, extra-long telephone cords and large working desks. To enhance customer security, the Company has converted substantially all of its Company-owned and franchised Budgetel Inn rooms to "card key" locking systems and provides well-lighted parking areas and all-night front desk staffing. The interior of each Budgetel Inn is refurbished in accordance with a strict periodic schedule.

During fiscal 1996, Budgetel Inns opened a new 7,000 square foot nationwide guest reservations center. Travelers can call 1-800-4-BUDGET toll-free to obtain Budgetel Inn room reservations and other information.

The Company has a national franchise program for its Budgetel Inns and has increased its emphasis on opening more franchised Budgetel Inns. Towards this end, the Company opened a third franchise support office in fiscal 1996. The new support office in Chicago, together with existing support offices in Atlanta and Dallas, and a service office in Florida, are intended to help support expansion of the Budgetel Inn 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.

Depending upon continuing favorable industry conditions and attractive opportunities, the Company currently plans to add up to 28 new Budgetel Inns in fiscal 1997 (including up to 12 Company-owned and 16 franchised facilities). During fiscal 1996, 11 new Company-owned units and seven new franchised units were opened.

Woodfield Suites

The Company operates three mid-priced, all-suite hotels under the name "Woodfield Suites" and currently plans to open two additional Woodfield Suites in fiscal 1997. Although the Company remains enthusiastic about the future growth potential of its Woodfield Suites concept, the number of potential additional Woodfield Suites will depend on continuing favorable industry and economic conditions, the availability of attractive site locations and customer acceptance. Woodfield Suites offers all of its guests the use of its centrally-located swimming pool, whirlpool and game room. Each suite has a bedroom and separate living room and features 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 free continental breakfast and are invited to a free cocktail hour.

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 80 luxury suites), three restaurants, two cocktail lounges, a night club, an indoor swimming pool, an exercise facility and a 275-car parking ramp. The Pfister has 20,000 square feet of banquet and convention facilities. Banquet and meeting rooms can 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. A portion of the Pfister's first-floor space is leased for use by retail tenants. In fiscal 1996, the Pfister Hotel earned its 20th 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 Milwaukee Hilton

The Company owns and operates the 500-room Milwaukee Hilton. Formerly known as the Marc Plaza Hotel, the Company secured a Hilton franchise for the hotel which reopened on June 1, 1995 after a six-month

renovation and restoration project. All 500 guest rooms, bathrooms, public areas and a significant portion of meeting space have been remodeled. The Company leases office suites on two floors of the Milwaukee Hilton to professional and other business tenants on a short-term to intermediate-term basis. The Hilton franchise affiliation has benefitted the Milwaukee Hilton through the Hilton's international centralized reservation and marketing system, advertising cooperatives and frequent stay programs. In connection with the City of Milwaukee's planned construction of a new convention facility in downtown Milwaukee, the Company plans to add up to 250 new rooms, together with ancillary facilities, and connect the Milwaukee Hilton by skywalk to the convention center by the end of fiscal 1998.

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, three speciality restaurants, two cocktail lounges, two championship golf courses, several ski-hills, four indoor and five outdoor tennis courts, four swimming pools, an executive and fitness complex, horse stables and an on-site airport.

Completed renovation projects at the Grand Geneva in fiscal 1996 included renovation of the resort's condominiums and the renovation of the renamed "Highland's" golf course, which opened during the late summer of 1996, as well as other property enhancements.

Operated and Managed Hotels

The Company operates the Crowne Plaza-Northstar Hotel in Minneapolis, Minnesota pursuant to a management agreement. 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. Although closed for a portion of fiscal 1996 due to an electrical fire, the Northstar has been reopened since May 1996.

The Company manages the Mead Inn in Wisconsin Rapids, Wisconsin, pursuant to a management agreement. The Mead Inn has 154 guest rooms, 11 meeting rooms totaling 8,180 square feet of meeting space, two cocktail lounges, two restaurants, and an indoor pool with sauna and whirlpool.

The Company completed construction of a fully-automated laundry facility in fiscal 1996. This central facility will process the laundry for the Pfister, Milwaukee Hilton and Grand Geneva Resort & Spa and is expected to provide significant efficiencies to the hotels and resorts division.

Theatre Operations

The Company operates 36 movie theatre locations with an aggregate of 219 screens in Wisconsin and Northern Illinois for an average of 6.1 screens per location, compared to an average of 5.3 screens per location at the end of fiscal 1995 and 5.0 at the end of fiscal 1994. The Company's facilities include 32 multi-screen complexes and four single-screen theatres. The theatre division's long-term growth strategy is to focus on multi-screen theatres having between eight to 20 screens and which typically vary in seating capacity from 150 to 450 seats per screen. Multi-screen theatres allow the Company to offer a 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.

In fiscal 1996, the Company opened 27 new screens, including a new ten-plex theatre in Orland Park, Illinois, an eight-plex in Green Bay, Wisconsin and a total of nine screens added to existing theatres. Three theatres with a total of seven screens were closed in fiscal 1996. Immediately after the end of fiscal 1996, the Company acquired an 11-screen theatre in Chicago Heights, Illinois and two eight-screen budget movie theatres in the Milwaukee metropolitan area. With the conversion of one of its existing first-run theatres to a budget theatre shortly after the end of fiscal 1996, the Company now operates 24 budget movie screens.

In addition to the 27 screens acquired in early fiscal 1997, the Company plans on opening up to 63 additional new screens in fiscal 1997.

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. 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 European film markets. The annual number of first-run film releases has more than doubled since the late 1970s. Fiscal 1996 featured such box office hits as Apollo 13, Toy Story, Twister, Batman Forever, Grumpier Old Men and Pocahontas.

The Company obtains its films from all of the various national motion picture production and distribution companies and is not dependent on any single motion picture supplier. Booking, advertising, refreshment 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. Many of the Company's new theatres also offer tiered high-back stadium seating and oversized "love seats." Computerized box offices permit most of the Company's movie theatres to sell tickets in advance. Most of the Company's theatres are accessible to persons with disabilities and provide wireless headphones for hearing-impaired moviegoers. The Company also operates an exclusive customer information telephone system in Milwaukee and Madison, allowing customers to call for information as to the locations, times and titles of movies being shown by the Company throughout each metropolitan area.

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 still remains the traditional favorite with moviegoers, the Company continues to upgrade its available concessions by offering a wide range of choices. For example, some of the Company's theatres offer hot dogs, pizza, ice cream, pretzel bites, frozen yogurt, coffee, mineral water and juices.

In July 1996, the Company opened its first family entertainment center, Funset Boulevard, adjacent to its new eight-screen movie theatre in Appleton, Wisconsin. Funset Boulevard features a 40,000 square foot entertainment center with a restaurant, soft play areas for toddlers, laser tag and virtual reality games for teenagers, mini golf for the family and other entertainment options.

Restaurant Operations

Significant changes occurred in the Company's restaurant division in early fiscal 1996. On June 30, 1995, the Company sold its Applebee's restaurants and associated development rights for approximately \$48.3 million, resulting in a substantial gain on investment.

The Company has non-exclusive franchise rights to operate KFC restaurants in the Milwaukee metropolitan area and in northeast Wisconsin. The Company has operated KFC restaurants for 36 years, currently operates 31 KFC restaurants and 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 40 customers, drive-thru windows and updated electronic equipment to better facilitate food preparation and order processing. In fiscal 1996, the Company closed four underperforming KFC restaurants and opened one new KFC restaurant during the fourth quarter. The Company is exploring various expansion and acquisition opportunities for its KFC operations.

In fiscal 1996, the Company's KFC restaurants introduced home

delivery service, as well as three new products, including the Colonel's Crispy Chicken Strips, Chunky Chicken Pot Pies and Tender Roast chicken by the piece. All three new products were well received by customers and contributed to increased luncheon sales.

The Company's KFC locations operate under individual franchise agreements ranging in terms from 10 to 20 years in length. Franchise royalties approximate 4% of net sales and, in addition, an initial flat fee of \$20,000 is payable for each new KFC restaurant.

The KFC franchisor specifies certain product requirements and provide for certain approved suppliers of products and supplies in order to maintain the franchise's 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. There are other facilities in close proximity to most of the Company's facilities which compete directly with those of the Company.

The Company's Budgetel Inns compete with such national limited service motel chains as Days Inn, Hampton Inn (owned by The Promus Companies Incorporated), Fairfield Inn (owned by Marriott Corporation), Red Roof Inn, La Quinta Inn, Comfort Inn and others, as well as a large number of regional and local motels.

The Company's hotels compete in the Milwaukee metropolitan area with the hotels operated by Hyatt Corporation, Marriott Corporation, Ramada Inns, Holiday Inns and Wyndham Hotels. The major competition for the Grand Geneva Resort & Spa consists primarily of independently operated full-service resorts in the Lake Geneva area and other full service and destination resorts in Wisconsin and Illinois. The Mead Inn competes with limited-service motels in Wisconsin Rapids for business, and with other central Wisconsin properties such as the Holiday Inn of Stevens Point, for groups. The Crowne Plaza in Minneapolis competes with Hilton Hotels, Hyatt Corporation, Marriott Corporation, Radisson Hotels and Holiday Inns.

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

The Company's movie theatres compete with large national movie theatre operators, such as United Artists, Cinemark, Cineplex Odeon and Carmike Cinemas, Inc., as well as with a wide array of smaller first-run and discount exhibitors. Although movie exhibitors in general also compete with the home video, pay-per-view and cable television markets, the Company believes that such markets have assisted the growth of the movie theatre industry by encouraging a significant increase in the number of first-run movies produced and released for initial movie theatre exhibition, which establishes the demand in the 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 and fourth fiscal quarters have produced the strongest operating results, since such periods coincide with the typical summer seasonality of the movie theatre industry and the spring and summer strength of the travel and food service aspects of the Company's business.

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 increased 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 1996, the Company had approximately 7,600 employees, a majority of whom were employed on a part-time basis. A majority of the Company's hotel employees in Milwaukee are covered by collective bargaining agreements. Relations with employees have been satisfactory and there have been no work stoppages due to labor disputes.

Item 2. Properties.

The Company owns a substantial portion of its facilities, including the Pfister Hotel, the Milwaukee Hilton and the Grand Geneva Resort and Spa, all of the Company-owned Budgetel Inns, the majority of its theatres and restaurants, and leases the remainder. The Company also manages two 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 as of May 30, 1996 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	Operated By Franchisees
Restaurants:							
KFC	31	30	1	0	0	0	0
Movie Theatres:							
Indoor	36	23	12	1	0	0	0
Hotels and Resorts:							
Hotels	4	2	0	0	0	2	0
Resorts	1	1	0	0	0	0	0
Motels:							
Budgetel	124	82	0	1	9	1	31
Woodfield Suites	3	3	0	0	0	0	0
TOTALS	199	141	13	2	9	3	31
	===	===	===	==	==	==	===

<FN>

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

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

Assuming exercise by the Company of all renewal and extension options, the terms of the Company's operating property leases expire on various dates, with over 90% of the leases expiring after 1997.

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 1996 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 1996 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	61
Bruce J. Olson	Group Vice President	46
H. Fred Delmenhorst	Vice President-Human Resources	55
Kenneth A. MacKenzie	Chief Financial Officer and Treasurer	62
Thomas F. Kissinger	General Counsel and Secretary	36
Douglas A. Neis	Corporate Controller	37

Stephen H. Marcus became Chairman of the Board of the Company in December 1991. He also served as Treasurer of the Company prior to the election of Mr. MacKenzie to such position in September 1987. In December 1988, he became the Chief Executive Officer of the Company, in addition to Chief Operating Officer. Mr. Marcus has been with the Company for 35 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.

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

Kenneth A. MacKenzie was elected Treasurer of the Company in September 1987 and Chief Financial Officer in June 1994. He was the Controller of the Company or its Marcus Restaurants, Inc. subsidiary June 1979 through September 1995.

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. In November 1987, Mr. Neis was promoted to Controller of Marcus Restaurants. In July 1991, he 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.

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 following data has been adjusted, where necessary, to retroactively adjust for the Company's three-for-two stock split effected in the form of a 50% stock dividend distributed on November 14, 1995.

Last Sale Price Range of Common Stock

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	Fiscal Year Ended May 30, 1996			
High	\$21.33	\$23.67	\$28.00	\$28.25
Low	\$19.08	\$19.83	\$22.25	\$25.00
	Fiscal Year Ended May 25, 1995			
High	\$19.08	\$18.67	\$18.67	\$20.50
Low	\$16.42	\$16.67	\$16.00	\$17.08

On August 9, 1996, there were 1,740 shareholders of record for the Common Stock and 34 shareholders of record for the Class B Common Stock.

See Item 6 for information on the Company's cash dividends paid on its Common Stock. Cash dividends paid on the Company's Class B Common Stock were \$0.31 and \$0.21 per share in fiscal 1996 and 1995, respectively. In April 1996, the Company announced that its Board of Directors intended to commence paying regular quarterly dividends on or about the middle of February, May, August and November of each year, subject to future specific Board of Directors' authorization and declaration in each case based on, among other factors, the Company's financial performance and condition.

Item 6. Selected Financial Data.

	Fiscal Year					
	1996(1)	1995	1994	1993	1992	1991
Operating Results (Dollars In Thousands)						
Revenues	\$262,287	\$277,990	\$242,614	\$212,910	\$204,297	\$188,008
Net earnings	\$ 42,307	\$ 24,136	\$ 22,829	\$ 16,482	\$ 13,289	\$ 11,618
Common Stock Data(2)						
Net earnings per share	\$ 2.14	\$ 1.23	\$ 1.16	\$ 0.95	\$ 0.79	\$ 0.68
Cash dividends per common						

share	\$ 0.34	\$ 0.23	\$ 0.19	\$ 0.17	\$ 0.15	\$ 0.13
Average shares outstanding (In Thousands)	19,808	19,691	19,661	17,472	16,883	17,046
Book value per share	\$ 12.77	\$ 10.94	\$ 9.92	\$ 8.93	\$ 7.46	\$ 6.81
Financial Position (Year End) (In Thousands)						
Total assets	\$455,315	\$407,082	\$361,606	\$309,455	\$274,394	\$255,117
Long-term debt	\$127,135	\$116,364	\$107,681	\$ 78,995	\$100,032	\$ 96,183
Shareholders' equity	\$251,248	\$214,464	\$193,918	\$173,980	\$124,874	\$114,697
Capital expenditures	\$ 83,689	\$ 77,083	\$ 75,825	\$ 47,237	\$ 27,238	\$ 39,861
Financial Ratios						
Current ratio (year end)	0.62	0.41	0.67	0.90	0.73	0.65
Debt/capitalization ratio (year-end)	0.35	0.37	0.37	0.34	0.46	0.47
Return on revenues	16.1%	8.7%	9.4%	7.7%	6.5%	6.2%
Return on average shareholders' equity	18.2%	11.8%	12.4%	11.0%	11.1%	10.5%

	Fiscal Year				
	1990	1989	1988	1987	1986
Operating Results (Dollars In Thousands)					
Revenues	\$176,592	\$166,710	\$162,393	\$152,531	\$141,202
Net earnings	\$ 10,781	\$ 10,042	\$ 10,073	\$ 8,078	\$ 8,719
Common Stock Data (2)					
Net earnings per share	\$ 0.63	\$ 0.58	\$ 0.58	\$ 0.47	\$ 0.50
Cash dividends per common share	\$ 0.12	\$ 0.11	\$ 0.10	\$ 0.10	\$ 0.09
Average shares outstanding (In Thousands)	17,226	17,306	17,364	17,364	17,315
Book value per share	\$ 6.25	\$ 5.74	\$ 5.29	\$ 4.80	\$ 4.43
Financial Position (Year End) (In Thousands)					
Total assets	\$230,789	\$197,898	\$181,354	\$167,289	\$156,343
Long-term debt	\$ 85,563	\$ 64,163	\$ 56,635	\$ 55,255	\$ 52,316
Shareholders' equity	\$106,983	\$ 98,250	\$ 91,318	\$ 82,952	\$ 76,328
Capital expenditures	\$ 42,385	\$ 34,253	\$ 23,591	\$ 28,234	\$ 38,865
Financial Ratios					
Current ratio (year end)	0.91	0.75	1.00	0.94	1.13
Debt/capitalization ratio (year-end)	0.45	0.41	0.40	0.41	0.42
Return on revenues	6.1%	6.0%	6.2%	5.3%	6.2%
Return on average shareholders' equity	10.5%	10.6%	11.6%	10.1%	12.0%

<FN>

(1) Includes an after-tax gain of \$14.8 million, or \$0.75 per share, on the sale of certain restaurant locations.

(2) All per share and shares outstanding data have been adjusted to

reflect stock splits in fiscal 1996, 1993 and 1987.

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

Certain statements herein constitute "forward-looking statements." See "Special Note Regarding Forward-Looking Statements" included in the forepart of this report.

RESULTS OF OPERATIONS

GENERAL

The Marcus Corporation and its four divisions report their consolidated and individual segment results of operations on either a 52- or 53-week fiscal year. Fiscal 1996 was a 53-week fiscal year for the Company and its theatre division, while the Company's remaining divisions reported on a 52-week fiscal year. Fiscal 1995 and 1994 were 52-week years for the Company and each of its divisions. Fiscal 1997 will be a 53-week fiscal year for the Company's motel and hotels/resorts divisions, while the Company and each of its other divisions will report on a 52-week fiscal year.

Total consolidated revenues for fiscal 1996 were \$262.3 million, a decrease of \$15.7 million, or 5.6%, compared to fiscal 1995 consolidated revenues of \$278.0 million. The anticipated decline in fiscal 1996 revenues from the prior year was due to the loss of approximately \$46 million in restaurant division revenues in fiscal 1996, resulting from the Company's June 1995 sale of its 18 Applebee's restaurants and February 1995 disposition through lease of its 11 Marc's Cafe & Coffee Mill restaurants. However, as described below, the loss of revenues from the disposition of these restaurants was substantially offset by increased 1996 revenues by all of the Company's other divisions. The Company increasingly overcame this loss of revenue throughout fiscal 1996, with the Company's fiscal 1996 fourth quarter revenues equal to fiscal 1995 fourth quarter revenues. The additional week of results reported for the theatre division in fiscal 1996 contributed an additional \$2.0 million in revenues and \$550,000 in operating income to the Company's fourth quarter and fiscal 1996 results.

Excluding the after-tax gain of \$14.8 million, or \$0.75 per share, resulting from the Company's sale of restaurants, fiscal 1996 earnings were \$27.5 million, or \$1.39 per share. This represented a 14.1% increase from net earnings of \$24.1 million, or \$1.23 per share, in fiscal 1995. Including the gain from the sale of restaurants, net earnings were \$42.3 million, or \$2.14 per share, for fiscal 1996. Weighted average shares outstanding were 19.8 million in fiscal 1996 and 19.7 million in 1995. 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 November 14, 1995.

The Company's income tax expense for fiscal 1996 was \$27.8 million, an increase of \$11.7 million from fiscal 1995. The Company's effective tax rate for fiscal 1996 was 39.6% versus the prior fiscal year's 40.0%.

Historically, the Company's first and fourth fiscal quarters have produced the strongest operating results, since these periods coincide with the typical summer seasonality of the movie theatre industry and the spring and summer strength of the Company's travel and food service businesses.

The Company is currently in the third year of an aggressive multi-year expansion plan which is expected to impact all four divisions. The Company's current plans include the following goals:

- Increasing its number of Budgetel Inns to 300 by the year 2000, with up to 12 new Company-owned and 16 new franchised motels currently planned to be opened in fiscal 1997. The Company currently believes that much of this anticipated future growth will ultimately come from its increasing emphasis on opening new franchised Budgetel Inns.

- Continuing to expand its number of Company-owned Woodfield Suites, including two new facilities in fiscal 1997.
- Increasing its number of movie theatre screens to 400 by the year 2000, with continued expansion outside of Wisconsin. Up to 90 new screens are currently planned to be opened by the Company in fiscal 1997, including the 27 new screens at the three theatres acquired by the Company immediately after the end of fiscal 1996. Early in fiscal 1997, two eight-plexes opened in Appleton and New Berlin, Wisconsin, along with a four-screen addition to an existing theatre in Green Bay, Wisconsin. Currently under construction is a new 20-screen ultraplex theatre in Addison, Illinois. Other current expansion plans include a six-screen addition to the Company's existing 14-plex in Gurnee Mills, Illinois and 17 new screens to be added to existing locations in Delafield, Mequon and New Berlin, Wisconsin and Addison, Illinois.
- Adding up to one or two hotel properties each year over the next few fiscal years, either Company-owned or managed for others.
- Expanding and enhancing the Company's KFC franchise.

The actual number, mix and timing of potential future new facilities and expansions will depend in large part on continuing favorable industry and general economic conditions, the Company's financial performance and available capital, the competitive environment, evolving customer needs and trends, 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 and there can be no assurance that these current goals will be achieved.

MOTELS

Fiscal 1996 Versus Fiscal 1995

Total revenues in fiscal 1996 for the motel division were \$118.7 million, an increase of \$14.3 million, or 13.7%, compared to \$104.4 million in fiscal 1995. The motel division's operating income in fiscal 1996 totaled \$36.3 million, an increase of \$4.3 million, or 13.4%, over the division's fiscal 1995 operating income of \$32.0 million.

Average daily room rates increased by 4.2% at the Company's motels in fiscal 1996 compared to fiscal 1995 principally as a result of scheduled selective price increases and continued favorable lodging and general economic conditions. The Company's motel occupancy percentage in fiscal 1996 fell slightly compared to fiscal 1995 but still remained well above industry averages. Factors contributing to this slight decline included severe weather conditions and two federal government shutdowns during the third quarter.

At May 30, 1996, there were 124 Budgetel Inns (93 Company owned or operated and 31 franchised) and three Woodfield Suites in operation, compared to 106 Budgetel Inns (82 Company owned and operated and 24 franchised) and three Woodfield Suites at 1995 fiscal year end. Eleven new Company-owned Budgetel locations and seven new franchised Budgetel locations were opened in fiscal 1996. The Company's newly opened motels contributed additional revenues of \$5.3 million and nominal operating income in fiscal 1996. Similar comparative operating results are expected for new facilities to be opened in fiscal 1997.

Fiscal 1995 Versus Fiscal 1994

Total revenues in fiscal 1995 for the motel division were \$104.4 million, an increase of \$15.4 million, or 17.2%, compared to \$89.0 million in fiscal 1994. The motel division's operating income in fiscal 1995 totaled \$32.0 million, an increase of \$6.0 million, or 22.9%, over the division's fiscal 1994 operating income of \$26.0 million.

Average daily room rates increased by 6.3% at the Company's motels in fiscal 1995 principally as a result of increased demand from continued favorable lodging industry and general economic conditions. The

Company's motel occupancy percentage in fiscal 1995 remained consistent with fiscal 1994, well above industry averages.

At the end of fiscal 1995, there were 106 Budgetel Inns and three Woodfield Suites in operation, compared to 98 Budgetel Inns and one Woodfield Suites at 1994 fiscal year end. Together with the two new Woodfield Suites, the Company's new motels contributed additional revenues of \$9.9 million and nominal operating income in fiscal 1995.

THEATRES

Fiscal 1996 Versus Fiscal 1995

The theatre division's fiscal 1996 revenues were \$63.7 million, an increase of \$9.7 million, or 18.0%, over \$54.0 million in fiscal 1995. The division's operating income for fiscal 1996 was \$15.0 million, an increase of \$2.8 million or 23.3%, from \$12.2 million in fiscal 1995. The additional week of operations included in the theatre division's fiscal 1996 results (which included the Memorial Day holiday weekend) contributed an additional \$2.0 million to the division's fiscal 1996 revenues.

At May 30, 1996, the Company operated 219 screens at 36 locations in Wisconsin and Illinois, compared to 199 screens at 37 locations at the end of fiscal 1995. Consistent with the Company's long-term strategic plan to focus on operating large multi-screen theatres, the Company opened 27 new screens, including a new ten-plex theatre in Orland Park, Illinois and an eight-plex in Green Bay, Wisconsin. Additionally, three theatres with a total of seven screens were closed in fiscal 1996. These closed theatres had a minimal impact on fiscal 1996 operations. The addition of the new screens in fiscal 1996 generated additional revenues of over \$7.0 million compared to fiscal 1995. Immediately after the end of fiscal 1996, the Company acquired an 11-screen theatre in Chicago Heights, Illinois and two budget-film, eight-plex theatres in the metropolitan Milwaukee area. The Company also switched the emphasis of one of its Appleton, Wisconsin theatres from first-run movies to budget movies, bringing the Company's total number of budget oriented screens to 24. Compared to first-run theatres, budget theatres generally have lower box office revenues and associated film costs and higher concession sales as a percentage of box office. Additionally, the Company's first family entertainment center opened in late July 1996 in Appleton, Wisconsin. The 95,000 square foot Hollywood-themed indoor amusement facility includes an eight-plex theatre and a restaurant, party rooms, a laser tag center, virtual reality games, a miniature golf course and an arcade.

Revenues of 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. Fiscal 1996 included such box office hits as Apollo 13, Toy Story, Twister, Batman Forever, Grumpier Old Men and Pocahontas. Each of these films produced box office receipts in excess of \$1 million for the theatre division in fiscal 1996. Approximately the same number of first-run films were released in fiscal 1996 as in fiscal 1995. The Company exhibited five films which contributed box office receipts in excess of \$1 million in fiscal 1995.

Total box office receipts in fiscal 1996 were \$44.4 million, an increase of \$6.1 million, or 15.9%, from \$38.3 million in fiscal 1995. This increase can be attributed to a 9.2% increase in attendance and a 6.0% increase in the average ticket price. The increase in attendance in fiscal 1996 was due to the addition of new screens, including the new Orland Park ten-plex. Attendance at the Company's other comparable locations was virtually the same between fiscal years.

Vending revenues in fiscal 1996 were \$17.7 million, an increase of \$3.1 million, or 20.9%, over \$14.6 million in fiscal 1995. Vending revenues increased due to the increase in theatre attendance from the Company's added screens and the 10.4% increase in the average concession sales per person in fiscal 1996 from fiscal 1995.

Fiscal 1995 Versus Fiscal 1994

The theatre division's fiscal 1995 revenues were \$54.0 million, an increase of \$3.5 million, or 6.9%, over \$50.5 million in fiscal 1994. Operating income for fiscal 1995 was \$12.2 million, an increase of almost

\$700,000, or 6.0%, from \$11.5 million in fiscal 1994.

At the end of fiscal 1995, the Company operated 199 screens at 37 locations in Wisconsin and Illinois, compared to 189 screens at 36 locations at the end of fiscal 1994. The Company opened a new eight-plex theatre in Delafield, Wisconsin, in November 1994 and added two screens to an existing theatre in Racine, Wisconsin. The addition of the new Delafield theatre for a part of the fiscal year and the operation of the Gurnee Mills ten-plex theatre for an entire year generated additional revenues of over \$3.8 million compared to fiscal 1994.

In fiscal 1995, over 160 first-run films were released, including such box office hits as The Lion King, Forrest Gump, The Santa Clause, True Lies and Speed. Each of these films produced box office receipts in excess of \$1 million for the theatre division. Approximately the same number of first-run films were released in fiscal 1994. The Company exhibited six films which contributed box office receipts in excess of \$1 million in fiscal 1994.

Total box office receipts in fiscal 1995 were \$38.3 million, an increase of \$2.8 million, or 8.0%, from \$35.5 million in fiscal 1994. This increase can be attributed to a 3.1% increase in attendance and a 4.8% increase in the average ticket price. The increase in attendance was due solely to the addition of the new Delafield theatre for the last half of the fiscal year and the operation of Gurnee Mills for an entire fiscal year. Attendance at other comparable locations decreased 2.0% between fiscal years.

Vending revenues in fiscal 1995 were \$14.6 million, an increase of \$1 million, or 7.3%, over \$13.6 million in fiscal 1994, due to the increase in theatre attendance and the 3.5% increase in the average concession sales per person in fiscal 1995 from fiscal 1994.

HOTELS AND RESORTS

Fiscal 1996 Versus Fiscal 1995

Total revenues from the Company's hotels and resorts division in fiscal 1996 increased by \$8.2 million, or 18.1%, to \$53.5 million, compared to the \$45.3 million recognized in the previous fiscal year, while operating income increased by \$1.9 million, or 129%, to \$3.4 million, compared to the \$1.5 million earned in fiscal 1995.

Increased occupancy at the Grand Geneva Resort & Spa as a result of greater market awareness and the reduction of start-up related expenses, together with the revenue from having the restored and renovated Milwaukee Hilton (formerly the Marc Plaza) open for the entire 1996 fiscal year and the impact of increased average daily room rates at all three of the Company's owned hotels, were the primary reasons for the division's increased fiscal 1996 revenues and operating income compared to the prior year. However, the amortization of the Hilton's pre-opening costs, the loss of revenue from the nonrenewal of the operating agreement for the Sheraton-Mayfair Inn, together with the effects on occupancy of adverse winter weather, negatively impacted the division's fiscal 1996 operating results. Construction of a new central laundry facility during fiscal 1996 is expected to reduce future housekeeping expenses for the division and further improve the division's profitability.

Fiscal 1995 Versus Fiscal 1994

Total revenues from the Company's hotels and resorts division in fiscal 1995 increased by \$13.0 million, or 40.1%, to \$45.3 million, compared to the \$32.3 million recognized in the previous fiscal year, while operating income decreased by \$1.1 million, or 42.2%, to \$1.5 million, compared to the \$2.6 million earned in fiscal 1994. The reason for the reduction in operating income was the continuing non-capitalized start-up and renovation expenses incurred for ongoing upgrades at the Grand Geneva Resort & Spa.

The division's increase in revenues in fiscal 1995 was attributable principally to an 11.4% increase in occupancy rates and a 16.5% increase in room rates. The increase in occupancy rates was due primarily to generally favorable economic conditions and the increase in room rates was mainly due to the relatively higher room rates at the newly renovated Grand Geneva which was open for the entire fiscal year. These

factors contributed \$14.2 million to the division's revenues in fiscal 1995. Additionally, the continuing favorable customer response to the fiscal 1994 renovation of the Pfister Hotel contributed positively to fiscal 1995 revenues, while the temporary closing of the Marc Plaza for major renovation and remodeling for the last half of fiscal 1995 modestly reduced revenues. The remainder of the fiscal 1995 revenue increase was derived from an entire fiscal year of management fees from operating the Mead Inn and the Crowne Plaza-Northstar. The Company elected not to renew its Sheraton-Mayfair Inn operating agreement for fiscal 1996. The Marc Plaza Hotel reopened as the Milwaukee Hilton on June 1, 1995.

RESTAURANTS

Fiscal 1996 Versus Fiscal 1995

Fiscal 1996 restaurant division revenues totaled \$25.9 million, a decrease of \$48.1 million, or 65.0%, from \$74.1 million in fiscal 1995. The division's operating income for fiscal 1996 was \$2.0 million, a decrease of \$1.3 million, or 40.0%, from operating income of \$3.3 million in fiscal 1995. The sale of the Company's Applebee's restaurants, together with the fiscal 1995 divestiture of the Marc's Cafe & Coffee Mill and other restaurants, reduced fiscal 1996 restaurant division revenues by approximately \$46 million and reduced 1996 operating income by \$1.2 million. Annual rental income of approximately \$1 million from leasing the 11 divested Marc's Cafes and one of the sold Applebee's was included as restaurant division revenue in fiscal 1996.

The Company's KFC restaurants experienced a 1.4% decrease in aggregate revenues and a 25.0% decrease in aggregate operating income during fiscal 1996 compared to fiscal 1995. The decreased revenues were the result of the loss of \$1.0 million in revenues from the closure of four underperforming KFC restaurants during fiscal 1996. The decrease in operating income was almost entirely the result of start-up costs associated with the introduction of home delivery services. Same-store KFC restaurants sales increased 4.3% during fiscal 1996 compared to fiscal 1995 because guest counts increased 3.3% due to increased lunch-time traffic, the introduction of home delivery service and the introduction of several new franchisor products. Average check amounts increased over fiscal 1995 levels. The Company opened a new KFC during the fiscal 1996 fourth quarter and, at the end of fiscal 1996, operated 31 KFC restaurants compared to 34 at the end of fiscal 1995. The Company is currently exploring various KFC expansion and acquisition opportunities.

Fiscal 1995 Versus Fiscal 1994

During fiscal 1995, the Company divested 11 Marc's Cafe & Coffee Mill restaurants by leasing the restaurants to a group of former restaurant division employees and closed its three remaining Marc's Big Boy, two Big Boy Expresses, one KFC and one Original Gino's East of Chicago restaurants.

Restaurant division revenues totaled almost \$74.1 million for fiscal 1995, an increase of almost \$3.7 million, or 5.2%, from \$70.4 million in fiscal 1994. The revenue increase was due almost entirely to the Company's five newly opened Applebee's, the operation of three additional Applebee's for an entire fiscal year, and increasing customer counts and average check amounts at the Company's 10 continuing Applebee's and 34 KFC restaurants. The division's operating income for fiscal 1994 was \$3.3 million, an increase of \$1.8 million, or 121.3%, from operating income of \$1.5 million in fiscal 1994. Fiscal 1995 operating income improvements were derived principally from improved same store sales at continuing Applebee's and KFCs and expense savings realized from divesting its underperforming restaurants.

The Company's KFC operating income increased significantly in fiscal 1995 over fiscal 1994. KFC's decreased fiscal 1995 guest counts were more than offset by an increase in average check amounts, resulting in a same store sales increase of 1.7% in fiscal 1995 over fiscal 1994. The Company believes that this result was largely caused by the focus of the franchisor's promotional campaign on higher priced family meals. The Company closed one underperforming KFC restaurant in fiscal 1995.

FINANCIAL CONDITION

The Company's lodging, movie theatre and restaurant 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 \$44.5 million in unused credit lines at fiscal 1996 year end, should be adequate to support the ongoing operational liquidity needs of the Company's businesses.

Net cash provided by operating activities decreased by \$15.8 million, or 27.5%, in fiscal 1996 to \$41.8 million compared to \$57.6 million in fiscal 1995. The decrease was primarily the result of approximately \$10 million of income taxes incurred on the gain on the sale of restaurants, combined with timing differences in the payment of accounts payable and receipt of accounts receivable.

Net cash used in investing activities decreased by \$27.4 million, or 40.1%, to \$40.8 million in fiscal 1996. The net proceeds of \$48.9 million from disposals of property, equipment and other assets (principally from the sale of Applebee's) more than offset increased advances to joint ventures and a \$6.6 million, or 8.6%, increase in capital expenditures. Capital expenditures in fiscal 1996 included \$51.5 million spent on motel division capital projects, \$20.3 million on theatre division projects and \$8.0 million on hotels and resorts division projects. In fiscal 1995, \$32.9 million was spent on motel division projects, \$11.0 million on theatre division projects, \$27.2 million on hotels and resorts division projects and \$5.9 million on restaurant division projects.

Principally as a result of funding a portion of the Company's fiscal 1996 facility expansions and renovations, the Company's total debt increased to \$136.2 million at the close of fiscal 1996, compared to \$125.6 million at the end of fiscal 1995, primarily through increased borrowings on its lines of credit. Net cash provided by financing activities was \$5.7 million in fiscal 1996, a decrease of \$3.7 million, or 39.2%, from fiscal 1995, as the Company financed more of its capital requirements from cash generated from operating and investing activities. The Company issued \$19.6 million of new notes payable and long-term debt in fiscal 1996 compared to \$18.0 million in the prior year and made \$7.9 million of debt principal payments in fiscal 1996 compared to \$4.5 million in fiscal 1995. The Company's debt-capitalization ratio was 0.35 at May 30, 1996, compared to 0.37 at the prior fiscal year end.

Total capital expenditures (including normal continuing capital maintenance projects) of \$83.7 million and \$77.1 million were incurred in fiscal 1996 and 1995, respectively. Total capital expenditures in fiscal 1997 are expected to exceed fiscal 1996 expenditures and are expected to be funded by cash generated from operations and additional debt, including potentially up to \$85 million of additional institutional debt.

Item 8. Financial Statements and Supplementary Data.

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 30, 1996 and May 25, 1995, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended May 30, 1996. 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 generally accepted auditing standards. 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 30, 1996 and May 25, 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 30, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 7 to the consolidated financial statements, effective May 28, 1993, the Company changed its method of accounting for income taxes.

Milwaukee, Wisconsin
July 19, 1996

ERNST & YOUNG LLP

THE MARCUS CORPORATION
CONSOLIDATED BALANCE SHEETS

	May 30, 1996	May 25, 1995
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 15,466	\$ 8,798
Accounts and notes receivable (Note 3)	8,780	6,166
Receivables from joint ventures (Note 9)	4,890	1,861
Other current assets	2,463	4,817
	-----	-----
Total current assets	31,599	21,642
PROPERTY AND EQUIPMENT, net (Note 3)	411,563	374,284
OTHER ASSETS:		
Investments in joint ventures (Notes 8 and 9)	1,295	629
Other (Note 10)	10,858	10,527
	-----	-----
Total other assets	12,153	11,156
	-----	-----
Total assets	\$455,315	\$407,082
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable (Note 9)	\$ 5,555	\$ 4,452
Accounts payable	15,646	17,886
Income taxes	1,393	2,069
Taxes other than income taxes	8,323	9,091
Accrued compensation	1,380	1,458
Other accrued liabilities	9,352	8,052
Current maturities on long-term debt (Note 4)	9,069	9,245
	-----	-----
Total current liabilities	50,718	52,253
LONG-TERM DEBT (Note 4)	127,135	116,364
DEFERRED INCOME TAXES (Note 7)	20,027	19,957
DEFERRED COMPENSATION AND OTHER (Note 6)	6,187	4,044
COMMITMENTS, LICENSE RIGHTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY (Note 5):		
Preferred Stock, \$1 par; authorized 1,000,000 shares; none issued		
Common Stock:		
Common Stock, \$1 par; authorized 30,000,000 shares; issued 11,529,962 shares in 1996 and 7,522,368 shares in 1995	11,530	7,522
Class B Common Stock, \$1 par; authorized 20,000,000 shares; issued and outstanding 8,856,605 shares in 1996 and 6,068,952 shares in 1995	8,857	6,069
Capital in excess of par	38,832	45,154

Retained earnings	195,643	159,675
	-----	-----
	254,862	218,420
Less cost of Common Stock in treasury (718,352 shares in 1996 and 525,847 shares in 1995)	3,614	3,956
	-----	-----
Total shareholders' equity	251,248	214,464
	-----	-----
Total liabilities and shareholders' equity	\$455,315	\$407,082
	=====	=====

See accompanying notes.

THE MARCUS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
THREE YEARS ENDED MAY 30, 1996

	May 30, 1996	May 25, 1995	May 26, 1994
(In Thousands, Except Per Share Data)			
REVENUES:			
Rooms and telephone	\$137,961	\$119,705	\$100,691
Food and beverage	43,193	89,755	81,948
Theatre operations	63,099	53,733	50,263
Other income	18,034	14,797	9,712
	-----	-----	-----
Total revenues	262,287	277,990	242,614
COSTS AND EXPENSES:			
Rooms and telephone	51,346	42,780	37,100
Food and beverage	32,014	69,137	63,470
Theatre operations	38,055	32,612	30,212
Advertising and marketing	15,273	16,241	13,348
Administrative	25,532	23,080	21,569
Depreciation and amortization	25,117	23,570	20,385
Rent (Note 8)	2,461	3,727	3,572
Property taxes	9,416	9,488	8,873
Other operating expenses	11,258	10,560	6,201
	-----	-----	-----
Total costs and expenses	210,472	231,195	204,730
OPERATING INCOME	51,815	46,795	37,884
OTHER INCOME (LOSS):			
Investment income	2,378	1,525	2,162
Interest expense	(8,696)	(8,587)	(6,931)
Gain on disposition of property and equipment (Note 2)	24,595	463	1,539
	-----	-----	-----
	18,277	(6,599)	(3,230)
	-----	-----	-----
EARNINGS BEFORE INCOME TAXES AND CHANGE IN ACCOUNTING PRINCIPLE	70,092	40,196	34,654
INCOME TAXES (Note 7)	27,785	16,060	13,607
	-----	-----	-----
EARNINGS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	42,307	24,136	21,047
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES (Note 7)			
	-	-	1,782
	-----	-----	-----
NET EARNINGS	\$ 42,307	\$ 24,136	\$ 22,829
	=====	=====	=====
EARNINGS PER SHARE:			
Earnings before change in accounting principle	\$2.14	\$1.23	\$1.07
Cumulative effect of change in accounting for income taxes	-	-	.09
	-----	-----	-----
Net earnings	\$2.14	\$1.23	\$1.16

	=====	=====	=====
WEIGHTED AVERAGE SHARES			
OUTSTANDING (Note 5)	19,808	19,691	19,661
	=====	=====	=====

See accompanying notes.

THE MARCUS CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
THREE YEARS ENDED MAY 30, 1996

	Common Stock	Class B Common Stock	Capital in Excess of Par (In Thousands)	Retained Earnings	Treasury Stock
BALANCES AT MAY 27, 1993	\$ 7,269	\$6,322	\$44,557	\$120,429	\$(4,597)
Cash dividends:					
\$.17 per share Class B Common Stock	-	-	-	(1,609)	-
\$.19 per share Common Stock	-	-	-	(1,872)	-
Exercise of stock options	-	-	(38)	-	389
Purchase of treasury stock	-	-	-	-	(148)
Savings and profit-sharing contribution	-	-	224	-	160
Reissuance of treasury stock	-	-	2	-	1
Conversion of Class B Common Stock	97	(97)	-	-	-
Net earnings for the year	-	-	-	22,829	-
	-----	-----	-----	-----	-----
BALANCES AT MAY 26, 1994	7,366	6,225	44,745	139,777	(4,195)
Cash dividends:					
\$.21 per share Class B Common Stock	-	-	-	(1,924)	-
\$.23 per share Common Stock	-	-	-	(2,314)	-
Exercise of stock options	-	-	-	-	186
Savings and profit-sharing contribution	-	-	404	-	49
Reissuance of treasury stock	-	-	5	-	4
Conversions of Class B Common Stock	156	(156)	-	-	-
Net earnings for the year	-	-	-	24,136	-
	-----	-----	-----	-----	-----
BALANCES AT MAY 25, 1995	7,522	6,069	45,154	159,675	(3,956)
Cash dividends:					
\$.31 per share Class B Common Stock	-	-	-	(2,770)	-
\$.34 per share Common Stock	-	-	-	(3,559)	-
Three-for-two stock split	3,764	3,032	(6,796)	(10)	-
Exercise of stock options	-	-	118	-	403
Purchase of treasury stock	-	-	-	-	(145)
Savings and profit-sharing contribution	-	-	350	-	83
Reissuance of treasury stock	-	-	6	-	1
Conversions of Class B Common Stock	244	(244)	-	-	-
Net earnings for the year	-	-	-	42,307	-
	-----	-----	-----	-----	-----
BALANCES AT MAY 30, 1996	\$11,530	\$8,857	\$38,832	\$195,643	\$(3,614)
	=====	=====	=====	=====	=====

See accompanying notes.

THE MARCUS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE YEARS ENDED MAY 30, 1996

	May 30, 1996	May 25, 1995	May 26, 1994
OPERATING ACTIVITIES			
Net earnings	\$42,307	\$24,136	\$22,829
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings on investments in joint ventures, net of distributions	(406)	33	308
Gain on disposition of property and equipment	(24,595)	(463)	(1,539)
Depreciation and amortization	25,117	23,570	20,385
Deferred income taxes	70	3,958	1,643
Deferred compensation and other	2,143	703	901
Contribution of Company stock to savings and profit-sharing plan	433	453	384
Changes in assets and liabilities:			
Accounts and notes receivable	(2,614)	193	(862)
Other current assets	1,767	(1,768)	(1,375)
Accounts payable	(2,240)	4,638	6,398
Income taxes	(676)	(727)	2,535
Taxes other than income taxes	(768)	1,784	(12)

Accrued compensation	(78)	10	(106)
Other accrued liabilities	1,300	1,074	1,272
	-----	-----	-----
Total adjustments	(547)	33,458	29,932
Cumulative effect of change in accounting for income taxes (Note 7)	-	-	(1,782)
	-----	-----	-----
Net cash provided by operating activities	41,760	57,594	50,979
INVESTING ACTIVITIES			
Capital expenditures	(83,689)	(77,083)	(75,825)
Net proceeds from disposals of property, equipment and other assets	48,914	1,695	3,349
Purchase of interest in joint ventures, net of cash acquired	(260)	-	(692)
Loan to affiliated hotel	-	-	(2,860)
(Increase) decrease in other assets	(2,770)	1,049	(1,986)
Cash received from (advanced to) joint ventures	(3,029)	6,122	2,389
	-----	-----	-----
Net cash used in investing activities	(40,834)	(68,217)	(75,625)
FINANCING ACTIVITIES			
Debt transactions:			
Net proceeds from issuance of notes payable and long-term debt	19,603	17,984	64,650
Principal payments on notes payable and long-term debt	(7,905)	(4,494)	(42,594)
Equity transactions:			
Treasury stock transactions, except for stock options	(138)	9	(145)
Exercise of stock options	521	186	351
Dividends paid	(6,339)	(4,238)	(3,481)
	-----	-----	-----
Net cash provided by financing activities	5,742	9,447	18,781
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	6,668	(1,176)	(5,865)
Cash and cash equivalents at beginning of year	8,798	9,974	15,839
	-----	-----	-----
Cash and cash equivalents at end of year	\$15,466	\$ 8,798	\$ 9,974
	=====	=====	=====

See accompanying notes.

THE MARCUS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 30, 1996

1. Description of Business and Summary of Significant Accounting Policies

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

- Motels: Operates and franchises lodging facilities under the names Budgetel Inns and Woodfield Suites, primarily located in the eastern half of the United States.
- Theatres: Operates multi-screen motion picture theatres in Wisconsin and Illinois.
- Hotels/Resorts: Owns and operates full service hotels and resorts in Wisconsin and manages full service hotels in Wisconsin and Minnesota.
- Restaurants: Operates KFC restaurants under a license agreement for certain areas in the state of Wisconsin.

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 Theatres and Corporate segments had a 53-week year in fiscal 1996. All other segments in 1996 and all segments in fiscal 1995 and 1994 had 52-week years.

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.

Inventories - Inventories, consisting principally of food and beverages,

are stated at average cost or at first-in, first-out cost.

Preopening Costs - Certain costs incurred prior to opening new or remodeled motels and remodeled hotels are deferred and charged to operations over the 12 months subsequent to the opening. Similar expenses incurred in connection with the opening and remodeling of theatres and all restaurants are deferred and charged to operations at the time of opening.

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

	Years
Land improvements	10 - 39
Buildings and improvements	10 - 39
Leasehold improvements	3 - 39
Furniture, fixtures and equipment	3 - 15

Recent Accounting Pronouncements - In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt Statement No. 121 in the first quarter of fiscal 1997, and based on current circumstances, does not believe the effect of adoption will be material.

During October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation," which will be effective for the Company beginning May 31, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) compensation cost to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply Accounting Principles Board (APB) Opinion No. 25, which recognized compensation cost based on the intrinsic value of the equity instrument award. The Company will continue to apply APB Opinion No. 25 to its stock-based compensation awards to employees.

Advertising and Marketing Costs - The Company expenses all advertising and marketing costs as incurred.

Net Earnings Per Share - Net earnings per share were computed based on the weighted average number of shares of Common Stock, Class B Common Stock and common stock equivalents (stock options) outstanding during the year.

Capitalization of Interest - The Company capitalizes interest during construction periods by adding such interest to the cost of property and equipment. Interest of approximately \$1,119,000, \$867,000 and \$726,000 was capitalized in fiscal 1996, 1995 and 1994, respectively.

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.

Reclassifications - Certain items in the accompanying fiscal 1995 and 1994 financial statements have been reclassified to conform to the fiscal 1996 presentation.

2. Disposition of Restaurant Properties

Pursuant to an asset purchase agreement dated April 12, 1995, the Company completed the sale of its 18 existing Applebee's Neighborhood Grill & Bar restaurants (Applebee's), two Applebee's under construction, five Applebee's under development and its development rights for Applebee's to Apple South, Inc. (the Purchaser). On June 5, 1995, the Company entered into a management agreement with the Purchaser, whereby the Purchaser would commence immediately managing, operating and assuming all of the Company's existing operating and development responsibilities related to the Company's Applebee's restaurant operations. The Purchaser was

entitled to all profits of the restaurants since June 5, 1995, as reimbursement for its management service.

On June 30, 1995, proceeds from the sale of approximately \$48.3 million were received in cash. The Company realized a net pretax gain of \$25.4 million. Revenues and operating income from the Company's Applebee's operations were not significant in fiscal 1996 and were as follows in fiscal 1995 and 1994:

	Year ended	
	May 25, 1995	May 26, 1994
	(In Thousands)	
Revenues	\$35,574	\$24,438
Operating Income	2,250	983

On February 27, 1995, the Company leased 11 of its Marc's Cafe and Coffee Mill restaurants to a group led by former members of the restaurants' management team. The lease terms, which include certain buyout incentives, differ for each location with the leases expiring on various dates through February 28, 2001. Revenues related to the Company's operation of the 11 restaurants were \$10,169,000 and \$14,958,000 for fiscal years ended May 25, 1995 and May 26, 1994, respectively.

3. Additional Balance Sheet Information

The composition of accounts and notes receivable is as follows:

	May 30, 1996	May 25, 1995
	(In Thousands)	
Trade receivables	\$4,981	\$2,667
Notes receivable	798	758
Other receivables	3,001	2,741
	-----	-----
	\$8,780	\$6,166
	=====	=====

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

	May 30, 1996	May 25, 1995
	(In Thousands)	
Land and improvements	\$ 60,177	\$ 54,740
Buildings and improvements	329,458	290,219
Leasehold improvements	5,688	7,562
Furniture, fixtures and equipment	137,305	128,035
Construction in progress	22,336	27,434
	-----	-----
Total property and equipment	554,964	507,990
Less accumulated depreciation and amortization	143,401	133,706
	-----	-----
	\$411,563	\$374,284
	=====	=====

4. Long-Term Debt

Long-term debt is summarized as follows:

	May 30, 1996	May 25, 1995
	(In Thousands)	
Mortgage notes due to 2001	\$ 9,890	\$ 10,513
Senior notes, unsecured, due 2005 at 10.22%	25,665	27,298
Industrial Development Revenue Bonds due to 2006	7,459	9,814
Unsecured term notes	57,719	60,000
Commercial paper	11,971	12,984
Revolving credit agreements	23,500	5,000
	-----	-----
	136,204	125,609

Less current maturities	9,069	9,245
	-----	-----
	\$127,135	\$116,364
	=====	=====

Substantially all of the mortgage notes, both fixed rate and adjustable, bear interest from 7.16% to 9.25% at May 30, 1996. Adjustable rate Industrial Development Revenue Bonds (\$3,579,000 at May 30, 1996) bear interest at 76.5% of prime plus 1% (7.31% at May 30, 1996), or are adjustable based on high quality tax-exempt obligation rates (approximately 3.75% at May 30, 1996). The Company's remaining Industrial Development Revenue Bonds bear interest at 6.3% or 8.8%.

The mortgage notes and the Industrial Development Revenue Bonds are secured by the related land, buildings and equipment.

The Company has three unsecured term notes outstanding, as follows:

	May 30, 1996	May 25, 1995
	(In Thousands)	
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 5.88% at May 30, 1996.	\$24,219	\$25,000
Note due February 1, 2001, with quarterly principal payments of \$714,286 due beginning May 1, 1997. The variable interest rate is based on the LIBOR rate with an effective rate of 6.66% at May 30, 1996.	20,000	20,000
Note due November 1, 2000, with quarterly principal payments of \$750,000. The variable interest rate is based on the LIBOR rate with an effective rate of 6.21% at May 30, 1996.	13,500	15,000
	-----	-----
	\$57,719	\$60,000
	=====	=====

The Company issues commercial paper through an agreement with a bank. The agreement requires the Company to maintain unused bank lines of credit at least equal to the principal amount of its outstanding commercial paper. At May 30, 1996, after reduction for outstanding commercial paper borrowings, the Company had \$44,529,000 of unused credit lines available under various bank revolving credit agreements. The weighted average interest rate on amounts outstanding under the revolving credit agreements was 6.4% at May 30, 1996. There is an annual commitment fee of .25% of the unused portion of \$65,000,000 of these commitments. Interest on outstanding commercial paper borrowings at May 30, 1996, ranged from 5.5% to 5.6%. The Company has the ability to replace commercial paper borrowings with long-term borrowings under its revolving credit agreement, which matures October 31, 1997. Accordingly, the Company has classified its outstanding commercial paper borrowings at May 30, 1996, as long-term debt.

Scheduled annual principal payments on long-term debt for the five years subsequent to May 30, 1996, are:

Fiscal Year	(In Thousands)
1997	\$ 9,069
1998	37,669
1999	27,296
2000	13,165
2001	12,017

Interest paid, net of amounts capitalized, in 1996, 1995 and 1994 totaled \$8,272,000, \$8,610,000, and \$7,266,000, respectively.

Two swap agreements covering \$15,000,000 were terminated during 1995 at a loss of \$185,000. The remaining swap agreement covering \$13,500,000, which is reduced by \$750,000 quarterly, expires October 31, 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 (5.47% at May 30, 1996), which effectively converts \$13,500,000 of the Company's variable rate unsecured term notes to a fixed rate. The Company recorded the net interest expense (income) related to these swap agreements as incurred, totaling (\$96,000), \$61,000 and \$94,000 in 1996, 1995 and 1994, respectively. The accompanying consolidated balance sheet at May 30, 1996, does not reflect the fair market value of the remaining swap agreement as determined by the lender, which totals approximately \$457,000.

The carrying amounts of the Company's long-term debt, based on the respective rates and prepayment provisions of the senior notes, approximate their fair value.

5. Shareholders' Equity

The Company's Board of Directors declared a three-for-two stock split, effected in the form of a 50% stock dividend, distributed on November 14, 1995, to all holders of Common and Class B Common Stock. All per share, weighted average shares outstanding and stock option data prior to November 14, 1995, have been adjusted to reflect this dividend.

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 1,668,750 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 four and one-half years after the date of the grant. At May 30, 1996, there were 895,063 shares available for grants under the plans.

Transactions with respect to the Company's stock option plans for each of the three years in the period ended May 30, 1996, are summarized as follows:

	Price Range	Number of Shares
Outstanding at May 27, 1993	\$ 4.67 - \$10.00	319,748
Granted	\$13.83 - \$18.00	211,275
Exercised	\$ 4.67 - \$10.00	(48,128)
Canceled	\$ 4.67 - \$10.00	(42,323)

Outstanding at May 26, 1994	\$ 4.67 - \$18.00	440,572
Granted	\$17.75 - \$19.17	125,550
Exercised	\$ 4.67 - \$10.00	(25,815)
Canceled	\$ 5.11 - \$18.00	(66,735)

Outstanding at May 25, 1995	\$ 4.67 - \$19.17	473,572
Granted	\$17.25 - \$25.75	124,825
Exercised	\$ 4.67 - \$18.00	(59,296)
Canceled	\$ 5.11 - \$19.50	(32,820)

Outstanding at May 30, 1996	\$ 4.67 - \$25.75	506,281
		=====
Shares exercisable at May 30, 1996		144,206
		=====

The Company's Board of Directors has approved the repurchase of up to 1,125,000 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 7,127 and 9,251 shares pursuant to this plan during 1996 and 1994, respectively. There were no purchases in 1995. At May 30, 1996, there were 347,680 shares available for repurchase under this authorization.

The Company's loan agreements include, among other covenants, restrictions on retained earnings and maintenance of certain financial ratios. At May 30, 1996, retained earnings of approximately \$69,042,000 were unrestricted.

6. 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 \$1,355,000, \$917,000 and \$1,138,000 for 1996, 1995 and 1994, respectively.

7. Income Taxes

Income tax expense consists of the following:

	May 30, 1996	Year ended May 25, 1995	May 26, 1994
		(In Thousands)	
Currently payable:			
Federal	\$22,347	\$ 9,273	\$ 9,470
State	5,368	2,829	2,494
Deferred	70	3,958	1,643
	-----	-----	-----
	\$27,785	\$16,060	\$13,607
	=====	=====	=====

Effective May 28, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this 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.

As of May 28, 1993, the Company recorded a tax benefit of \$1,782,000, or \$.09 per share, which represents the net change in its deferred income tax assets and liabilities at that date. Such amount has been reflected in the 1994 consolidated statement of earnings as the cumulative effect of change in accounting for income taxes.

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

	May 30, 1996	May 25, 1995
	(In Thousands)	
Deferred tax assets:		
Accrued employee benefits	\$ 1,297	\$ 787
Other accrued liabilities	263	294
Total deferred assets	1,560	1,081
	-----	-----
Deferred tax liability		
Depreciation and amortization	21,587	21,038
	-----	-----
Net deferred tax liability included in balance sheet	\$20,027	\$19,957
	=====	=====

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

	May 30, 1996	Year ended May 25, 1995	May 26, 1994
Expected tax expense:	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	5.1	5.3	5.3
Jobs tax credits	-	(.3)	(.6)
Other	(.5)	-	(.4)

-----	-----	-----
39.6%	40.0%	39.3%
=====	=====	=====

Income taxes paid in 1996, 1995 and 1994 totaled \$28,391,000, \$12,830,000 and \$9,445,000, respectively.

8. 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. Rent expense charged to operations under these leases was as follows:

	Year ended		
	May 30, 1996	May 25, 1995	May 26, 1994
	(In Thousands)		
Fixed minimum rentals	\$2,287	\$2,358	\$2,519
Percentage rentals	356	1,551	1,218
Sublease rental income	(182)	(182)	(165)
	-----	-----	-----
	\$2,461	\$3,727	\$3,572
	=====	=====	=====

Payments to affiliated parties for lease obligations were approximately \$268,000, \$335,000 and \$390,000 in 1996, 1995 and 1994, respectively.

Aggregate minimum rental commitments at May 30, 1996, are as follows, in thousands:

Fiscal Year	
1997	\$ 1,505
1998	1,348
1999	1,265
2000	1,218
2001	1,245
After 2001	11,464

	\$18,045
	=====

Included in the above commitments is \$1,906,000 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 \$37,000,000 at May 30, 1996.

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 totaling approximately \$12,858,000 at May 30, 1996. The debt has been collateralized by the real estate, buildings and improvements, and all equipment of each joint venture.

9. Joint Venture Transactions

At May 30, 1996 and May 25, 1995, the Company held investments of \$1,295,000 and \$629,000, respectively, in various approximately 50%-owned affiliates (joint ventures) which are accounted for under the equity method.

The Company has receivables from the joint ventures of \$4,890,000 and \$1,861,000 at May 30, 1996 and May 25, 1995, respectively. The Company earns interest on \$4,076,000 and \$1,082,000 of the receivables at approximately prime to prime plus 1.5% at May 30, 1996 and May 25, 1995, respectively.

Included in notes payable at May 30, 1996 and May 25, 1995, is \$1,515,000 and \$1,211,000, 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.

10. Business Segment Information

Following is a summary of business segment information for 1994 through 1996:

	Motels	Theatres	Hotels/ Resorts	Restaurants	Corporate Items	Total
	(In Thousands)					
1996						
Revenues	\$118,679	\$63,696	\$53,498	\$25,927	\$ 487	\$262,287
Operating income (loss)	36,266	15,017	3,374	1,992	(4,834)	51,815
Depreciation and amortization	13,815	3,265	5,467	2,191	379	25,117
Assets	247,328	63,365	73,045	29,041	42,536	455,315
Capital expenditures	51,542	20,316	8,010	619	3,202	83,689
1995						
Revenues	\$104,356	\$53,968	\$45,292	\$74,076	\$ 298	\$277,990
Operating income (loss)	31,992	12,175	1,473	3,318	(2,163)	46,795
Depreciation and amortization	12,883	2,766	4,101	3,385	435	23,570
Assets	211,112	46,928	68,731	53,090	27,221	407,082
Capital expenditures	32,880	10,999	27,207	5,900	97	77,083
1994						
Revenues	\$ 89,043	\$50,494	\$32,330	\$70,404	\$ 343	\$242,614
Operating income (loss)	26,041	11,483	2,550	1,499	(3,689)	37,884
Depreciation and amortization	11,246	2,519	3,030	3,112	478	20,385
Assets	182,174	47,244	45,787	51,896	34,505	361,606
Capital expenditures	33,377	7,305	23,654	11,039	450	75,825

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.

During 1994, the Company entered into contracts to manage two hotel properties. The Company also has loans outstanding of \$3,049,284 at May 30, 1996, to one of these hotels, which bears interest at the prime rate plus 1% and matures December 31, 2008. Interest on this note totaled approximately \$297,000 and \$292,000 for fiscal 1996 and 1995, respectively.

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 1996 Annual Meeting of Shareholders scheduled to be held September 26, 1996 ("Proxy Statement"). The required information with respect to executive officers appears at the end of Part I of this Form 10-K.

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.

1. Financial Statement Schedules.

(a) 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.

2. Exhibits and Reports on Form 8-K.

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

(b) The Company did not file a Form 8-K with the Securities and Exchange Commission during the fourth quarter of fiscal 1996.

* 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 28, 1996

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
and Financial Officer)

By: /s/ George R. Slater
George R. Slater, Director

By: /s/ Kenneth A. MacKenzie
Kenneth A. MacKenzie,
Treasurer (Chief
Accounting Officer)

By: /s/ Lee Sherman Dreyfus
Lee Sherman Dreyfus, Director

By: /s/ Bruce J. Olson
Bruce J. Olson, Director

By: /s/ Daniel F. McKeithan, Jr.
Daniel F. McKeithan, Jr.,
Director

By: /s/ John L. Murray
John L. Murray, Director

By: /s/ Diane Marcus Gershowitz
Diane Marcus Gershowitz,
Director

By: /s/ Alan H. Selig
Alan H. Selig, Director

By: /s/ Timothy E. Hoeksema
Timothy E. Hoeksema, Director

EXHIBIT INDEX

- 3.1 Articles of Incorporation. [Incorporated by reference to Exhibit 3.1 to the Company's Form S-3 Registration Statement (No. 33-57468).]
- 3.2 Bylaws, as amended as of September 28, 1995.*
- 4 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.]
- 4.1 Other than as set forth in Exhibit 4, 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 Budgetel Inns) 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 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended May 25, 1989.]
- 10.4* The Marcus Corporation 1987 Stock Option Plan. [Incorporated by reference to Exhibit A to the Company's 1987 Proxy Statement.]
- 10.5* The Marcus Corporation 1995 Equity Incentive Plan, as amended.
- 10.6* The Marcus Corporation 1994 Nonemployee Director Stock Option Plan. [Incorporated by reference to Exhibit A to the Company's 1994 Proxy Statement.]
- 21 Subsidiaries of the Company as of May 30, 1996.

23.1	Consent of Ernst & Young LLP.
27	Financial Data Schedule
99	Proxy Statement for 1996 Annual Meeting of Shareholders scheduled to be held on September 26, 1996. (To be filed with the Securities and Exchange Commission under Regulation 14A within 120 days of May 30, 1996 and, upon such filing, to be hereby incorporated by reference herein to the extent indicated).

* 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.

BY-LAWS

OF

THE MARCUS CORPORATION
(a Wisconsin corporation)

Amended 3/23/95 (Section 3.01)
Amended 9/28/95 (Sections 3.02 and new Section 3.015)

BY-LAWS

OF

THE MARCUS CORPORATION
(a Wisconsin corporation)

ARTICLE I. OFFICES

1.01. Principal and Business Offices. The corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the corporation may require from time to time.

1.02. Registered Office. The registered office of the corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the corporation shall be identical to such registered office.

ARTICLE II. SHAREHOLDERS

2.01. Annual Meeting. The annual meeting of the shareholders shall be held on such day in September or October of each year as may be designated by or under the authority of the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Wisconsin, such meeting shall be held on the next succeeding business day.

2.02. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by the Wisconsin Business Corporation Law, may be called by the Chairman of the Board, the President or the Board of Directors. The corporation shall call a special meeting of shareholders in the event that the holders of at least 10% of all of the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date and deliver to the corporation one or more written demands for the meeting describing one or more purposes for which it is to be held. The corporation shall give notice of such a special meeting within thirty days after the date that the demand is delivered to the corporation.

2.03. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual or special meeting of shareholders. If no designation is made, the place of meeting shall be the principal office of the corporation. Any meeting may be adjourned to reconvene at any place designated by vote of the shares represented thereat.

2.04. Notice of Meeting. Written notice stating the date, time and place of any meeting of shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than sixty days before the date of the meeting (unless a different time is provided by the Wisconsin Business Corporation Law or the articles of incorporation), either personally or by mail, by or at the direction of the President or the Secretary, to each shareholder of record entitled to vote at such meeting and to such other persons as required by the Wisconsin Business

Corporation Law. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock record books of the corporation, with postage thereon prepaid. If an annual or special meeting of shareholders is adjourned to a different date, time or place, the corporation shall not be required to give notice of the new date, time or place if the new date, time or place is announced at the meeting before adjournment; provided, however, that if a new record date for an adjourned meeting is or must be fixed, the corporation shall give notice of the adjourned meeting to persons who are shareholders as of the new record date.

2.045. Proper Business or Purposes of Shareholder Meetings. To be properly brought before a meeting of shareholders for voting consideration, business must be (a) specified in the notice of the meeting (or any supplement thereto) given by or at the discretion of the Board of Directors or otherwise as provided in Section 2.04 hereof; (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors; or (c) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before a meeting by a shareholder, the shareholder must have given written notification thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the corporation at its principal business office, and, in the case of an annual meeting of shareholders, such notification must be given not later than fifteen (15) days in advance of the Originally Scheduled Date of such meeting. Any such notification shall set forth as to each matter the shareholder proposes to bring before the meeting for voting consideration (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and, in the event that such business includes a proposal to amend either the articles of incorporation or bylaws of the corporation, the exact language of the proposed amendment; (ii) whether or not such business is in the nature of a precatory proposal; (iii) the name and address of the shareholder proposing such business; (iv) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business; and (v) any material interest of the shareholder in such business. No business shall be conducted at a meeting of shareholders except in accordance with this Section 2.045, and the chairperson of any meeting of shareholders may refuse to permit any business to be brought before such meeting without compliance with the foregoing procedures. For purposes of these bylaws, the "Originally Scheduled Date" of any meeting of shareholders shall be the date such meeting is scheduled to occur as specified in the notice of such meeting first generally given to shareholders regardless of whether any subsequent notice is given for such meeting or the record date of such meeting is changed. Nothing contained in this Section 2.045 shall be construed to limit the rights of a shareholder to submit proposals to the corporation which comply with Regulation 14A of the Securities Exchange Act of 1934, as amended ("Registration 14A"), for inclusion in the corporation's proxy statement for voting consideration at shareholder meetings.

2.05. Waiver of Notice. A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the articles of incorporation or these bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, contain the same information that would have been required in the notice under applicable provisions of the Wisconsin Business Corporation Law (except that the time and place of meeting need not be stated) and be delivered to the corporation for inclusion in the corporate records. A shareholder's attendance at a meeting, in person or by proxy, waives objection to all of the following: (a) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting; and (b) consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

2.06. Fixing of Record Date. The Board of Directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to notice of and to vote at any meeting of shareholders, shareholders entitled to demand a special meeting as contemplated by Section 2.02 hereof, shareholders entitled to take any

other action, or shareholders for any other purpose. Such record date shall not be more than seventy days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If no record date is fixed by the Board of Directors or by the Wisconsin Business Corporation Law for the determination of shareholders entitled to notice of and to vote at a meeting of shareholders, the record date shall be the close of business on the day before the first notice is given to shareholders. If no record date is fixed by the Board of Directors or by the Wisconsin Business Corporation Law for the determination of shareholders entitled to demand a special meeting as contemplated in Section 2.02 hereof, the record date shall be the date that the first shareholder signs the demand. Except as provided by the Wisconsin Business Corporation Law for a court-ordered adjournment, a determination of shareholders entitled to notice of and to vote at a meeting of shareholders is effective for any adjournment of such meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. The record date for determining shareholders entitled to a distribution (other than a distribution involving a purchase, redemption or other acquisition of the corporation's shares) or a share dividend is the date on which the Board of Directors authorized the distribution or share dividend, as the case may be, unless the Board of Directors fixes a different record date.

2.07. Shareholders' List for Meetings. After a record date for a special or annual meeting of shareholders has been fixed, the corporation shall prepare a list of the names of all of the shareholders entitled to notice of the meeting. The list shall be arranged by class or series of shares, if any, and show the address of and number of shares held by each shareholder. Such list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing to the date of the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder or his or her agent may, on written demand, inspect and, subject to the limitations imposed by the Wisconsin Business Corporation Law, copy the list, during regular business hours and at his or her expense, during the period that it is available for inspection pursuant to this Section 2.07. The corporation shall make the shareholders' list available at the meeting and any shareholder or his or her agent or attorney may inspect the list at any time during the meeting or any adjournment thereof. Refusal or failure to prepare or make available the shareholders' list shall not affect the validity of any action taken at a meeting of shareholders.

2.08. Quorum and Voting Requirements. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. If the corporation has only one class of stock outstanding, such class shall constitute a separate voting group for purposes of this Section 2.08. Except as otherwise provided in the articles of incorporation, any bylaw adopted under authority granted in the articles of incorporation, or the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast on the matter shall constitute a quorum of the voting group for action on that matter. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting. If a quorum exists, except in the case of the election of directors, action on a matter shall be approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the articles of incorporation, any bylaw adopted under authority granted in the articles of incorporation, or the Wisconsin Business Corporation Law requires a greater number of affirmative votes. Unless otherwise provided in the articles of incorporation, directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present. For purposes of this Section 2.08, "plurality" means that the individuals with the largest number of votes are elected as directors up to the maximum number of directors to be chosen at the meeting. Though less than a quorum of the outstanding votes of a voting group are represented at a meeting, a majority of the votes so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or

represented, any business may be transacted which might have been transacted at the meeting as originally notified.

2.09. Conduct of Meeting. The Chief Executive Officer, and in his or her absence, the Chairman of the Board or the President, as the case may be, and in their absence, a Vice President in the order provided under Section 4.09 hereof, and in their absence, any person chosen by the shareholders represented at the meeting in person or by proxy shall call the meeting of the shareholders to order and shall act as chairperson of the meeting, and the Secretary of the corporation shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.10. Proxies. At all meetings of shareholders, a shareholder may vote his or her shares in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by his or her attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent of the corporation authorized to tabulate votes. An appointment is valid for eleven months from the date of its signing unless a different period is expressly provided in the appointment form.

2.11. Voting of Shares. Except as provided in the articles of incorporation or in the Wisconsin Business Corporation Law, each outstanding share of Common Stock is entitled to one (1) vote, and each outstanding share of Class B Common Stock shall be entitled to ten (10) votes, upon each matter voted on at a meeting of shareholders.

2.12. Action without Meeting. Any action required or permitted by the articles of incorporation or these bylaws or any provision of the Wisconsin Business Corporation Law to be taken at a meeting of the shareholders may be taken without a meeting and without action by the Board of Directors if a written consent or consents, describing the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof and delivered to the corporation for inclusion in the corporate records.

2.13. Acceptance of Instruments Showing Shareholder Action. If the name signed on a vote, consent, waiver or proxy appointment corresponds to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of a shareholder. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of the shareholder if any of the following apply:

(a) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity.

(b) The name purports to be that of a personal representative, administrator, executor, guardian or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(c) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(d) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder is presented with respect to the vote, consent, waiver or proxy appointment.

(e) Two or more persons are the shareholders as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be

acting on behalf of all co-owners.

The corporation may reject a vote, consent, waiver or proxy appointment if the Secretary or other officer or agent of the corporation who is authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

ARTICLE III. BOARD OF DIRECTORS

3.01. General Powers and Number. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, the Board of Directors. The number of directors constituting the Board of Directors of the corporation shall initially be seven (7) and thereafter such number as is fixed from time to time by a majority vote of the Board of Directors then in office.

3.015. Directors Emeritus. Any person who has reached sixty-five (65) years of age and has served as a director of the corporation, including service as a director of any corporation with which the corporation is affiliated through common stock ownership, for at least ten years, or as an officer and director of the corporation for at least ten years, may, after retirement or resignation from the Board of Directors, be appointed by the Board of Directors as a Director Emeritus to serve until he or she resigns or his or her appointment is terminated by resolution adopted by a majority of the entire Board of Directors. Directors Emeritus shall serve in an advisory capacity to the Board of Directors, shall be entitled to attend meetings of the Board of Directors, shall be reimbursed for their expenses in attending meetings of the Board of Directors, and shall receive the same fees and compensation paid to directors. Directors Emeritus shall have no vote on matters brought before the Board of Directors and shall not be considered as directors under the Articles of Incorporation or Bylaws of the corporation; provided, however, that Directors Emeritus shall be entitled to the liability limitations accorded directors set forth in Section 180.0828 of the Wisconsin Business Corporation Law and the indemnification and expense reimbursement provisions accorded directors under Article VIII of these bylaws, as if such Directors Emeritus were, for such purposes only, directors of the corporation.

3.02. Tenure and Qualifications. Each director shall hold office until the next annual meeting of shareholders and until his or her successor shall have been elected and, if necessary, qualified, or until there is a decrease in the number of directors which takes effect after the expiration of his or her term, or until his or her prior death, resignation or removal. A director may be removed by the shareholders only at a meeting called for the purpose of removing the director, and the meeting notice shall state that the purpose, or one of the purposes, of the meeting is removal of the director. A director may be removed from office with or without cause if the number of votes cast to remove the director exceeds the number of votes cast not to remove such director. A director may resign at any time by delivering written notice which complies with the Wisconsin Business Corporation Law to the Board of Directors, to the President (in his or her capacity as chairperson of the board of directors) or to the corporation. A director's resignation is effective when the notice is delivered unless the notice specifies a later effective date. Directors need not be residents of the State of Wisconsin or shareholders of the corporation. The mandatory retirement of a director, who is not otherwise also serving as an officer of the corporation, from the Board of Directors shall take effect at the conclusion of the annual meeting of the shareholders next following the date on which said director attains the age of seventy (70) years. No person, other than a person who is then serving as an officer of the corporation, shall be eligible for election to the office of director after he or she shall have attained the age of seventy (70) years. In either case above, with respect to existing directors of the corporation as of September 28, 1995, the foregoing two sentences shall not take effect until immediately prior to the corporation's 1997 annual meeting of shareholders, unless any such director voluntarily retires from the Board of Directors prior to such time.

3.025. Shareholder Nomination Procedure. Nominations for the election of directors may be made by (a) the Board of Directors; (b) a committee appointed by the Board of Directors; or (c) any shareholder

entitled to vote for the election of directors at such meeting who complies fully with the requirements of this Section 3.025. Any shareholder entitled to vote for the election of directors at a meeting may nominate a person or persons for election as a director or directors only if written notice of such shareholder's intent to make any such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the corporation at its principal business office not later than fifteen (15) days in advance of the Originally Scheduled Date of such meeting. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such background and other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to Regulation 14A had each nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the written consent of each nominee to serve as a director of the corporation if so elected. The chairperson of any meeting of shareholders to elect directors and the Board of Directors may refuse to acknowledge the nomination by a shareholder of any person not made in compliance with the foregoing procedure.

3.03. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw immediately after the annual meeting of shareholders and each adjourned session thereof. The place of such regular meeting shall be the same as the place of the meeting of shareholders which precedes it, or such other suitable place as may be announced at such meeting of shareholders. The Board of Directors may provide, by resolution, the date, time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings of the Board of Directors without other notice than such resolution.

3.04. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chief Executive Officer, the Chairman of the Board, the President, the Secretary or any two directors. The President or Secretary may fix any place, either within or without the State of Wisconsin, as the place for holding any special meeting of the Board of Directors, and if no other place is fixed the place of the meeting shall be the principal office of the corporation in the State of Wisconsin.

3.05. Notice; Waiver. Notice of each meeting of the Board of Directors (unless otherwise provided in or pursuant to Section 3.03) shall be given by written notice delivered in person, by telegraph, teletype, facsimile or other form of wire or wireless communication, or by mail or private carrier, to each director at his business address or at such other address as such director shall have designated in writing filed with the Secretary, in each case not less than forty-eight (48) hours prior to the meeting. The notice need not describe the purpose of the meeting of the Board of Directors or the business to be transacted at such meeting. If mailed, such notice shall be deemed to be effective when deposited in the United States mail so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be effective when the telegram is delivered to the telegraph company. If notice is given by private carrier, such notice shall be deemed to be effective when delivered to the private carrier. Whenever any notice whatever is required to be given to any director of the corporation under the articles of incorporation or these bylaws or any provision of the Wisconsin Business Corporation Law, a waiver thereof in writing, signed at any time, whether before or after the date and time of meeting, by the director entitled to such notice shall be deemed equivalent to the giving of such notice. The corporation shall retain any such waiver as part of the permanent corporate records. A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

3.06. Quorum. Except as otherwise provided by the Wisconsin Business Corporation Law or by the articles of incorporation or these bylaws, a majority of the number of directors specified in Section 3.01 of these bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. Except as otherwise provided by the Wisconsin Business Corporation Law or by the articles of incorporation or by these bylaws, a quorum of any committee of the Board of Directors created pursuant to Section 3.12 hereof shall consist of a majority of the number of directors appointed to serve on the committee. A majority of the directors present (though less than such quorum) may adjourn any meeting of the Board of Directors or any committee thereof, as the case may be, from time to time without further notice.

3.07. Manner of Acting. The affirmative vote of a majority of the directors present at a meeting of the Board of Directors or a committee thereof at which a quorum is present shall be the act of the Board of Directors or such committee, as the case may be, unless the Wisconsin Business Corporation Law, the articles of incorporation or these bylaws require the vote of a greater number of directors.

3.08. Conduct of Meetings. The Chief Executive Officer, and in his or her absence, the Chairman of the Board or the President, as the case may be, and in their absence, a Vice President, in the order provided under Section 4.09, and in their absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall act as chairperson of the meeting. The Secretary of the corporation shall act as secretary of all meetings of the Board of Directors but in the absence of the Secretary, the presiding officer may appoint any other person present to act as secretary of the meeting. Minutes of any regular or special meeting of the Board of Directors shall be prepared and distributed to each director.

3.09. Vacancies. Except as provided below, any vacancy occurring in the Board of Directors, including a vacancy resulting from an increase in the number of directors, may be filled by any of the following: (a) the shareholders; (b) the Board of Directors; or (c) if the directors remaining in office constitute fewer than a quorum of the Board of Directors, the directors, by the affirmative vote of a majority of all directors remaining in office. In the case of a vacancy created by the removal of a director by vote of the shareholders, the shareholders shall have the right to fill such vacancy at the same meeting or any adjournment thereof. If the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group may vote to fill the vacancy if it is filled by the shareholders, and only the remaining directors elected by that voting group may vote to fill the vacancy if it is filled by the directors. A vacancy that will occur at a specific later date, because of a resignation effective at a later date or otherwise, may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

3.10. Compensation. The Board of Directors, irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the corporation as directors or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the corporation.

3.11. Presumption of Assent. A director who is present and is announced as present at a meeting of the Board of Directors or any committee thereof created in accordance with Section 3.12 hereof, when corporate action is taken, assents to the action taken unless any of the following occurs: (a) the director objects at the beginning of the meeting or promptly upon his or her arrival to holding the meeting or transacting business at the meeting; (b) the director dissents or abstains from an action taken and minutes of the meeting are prepared that show the director's dissent or abstention from the action taken; (c) the director delivers written notice that complies with the Wisconsin Business Corporation Law of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting; or (d) the director dissents

or abstains from an action taken, minutes of the meeting are prepared that fail to show the director's dissent or abstention from the action taken, and the director delivers to the corporation a written notice of that failure that complies with the Wisconsin Business Corporation Law promptly after receiving the minutes. Such right of dissent or abstention shall not apply to a director who votes in favor of the action taken.

3.12. Committees. The Board of Directors by resolution adopted by the affirmative vote of a majority of all of the directors then in office may create one or more committees, appoint members of the Board of Directors to serve on the committees and designate other members of the Board of Directors to serve as alternates. Each committee shall have two or more members who shall, unless otherwise provided by the Board of Directors, serve at the pleasure of the Board of Directors. A committee may be authorized to exercise the authority of the Board of Directors, except that a committee may not do any of the following: (a) authorize distributions; (b) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires to be approved by shareholders; (c) fill vacancies on the Board of Directors or, unless the Board of Directors provides by resolution that vacancies on a committee shall be filled by the affirmative vote of the remaining committee members, on any Board committee; (d) amend the corporation's articles of incorporation; (e) adopt, amend or repeal bylaws; (f) approve a plan of merger not requiring shareholder approval; (g) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; and (h) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee to do so within limits prescribed by the Board of Directors. Unless otherwise provided by the Board of Directors in creating the committee, a committee may employ counsel, accountants and other consultants to assist it in the exercise of its authority.

3.13. Telephonic Meetings. Except as herein provided and notwithstanding any place set forth in the notice of the meeting or these bylaws, members of the Board of Directors (and any committees thereof created pursuant to Section 3.12 hereof) may participate in regular or special meetings by, or through the use of, any means of communication by which all participants may simultaneously hear each other, such as by conference telephone. If a meeting is conducted by such means, then at the commencement of such meeting the presiding officer shall inform the participating directors that a meeting is taking place at which official business may be transacted. Any participant in a meeting by such means shall be deemed present in person at such meeting. Notwithstanding the foregoing, no action may be taken at any meeting held by such means on any particular matter which the presiding officer determines, in his or her sole discretion, to be inappropriate under the circumstances for action at a meeting held by such means. Such determination shall be made and announced in advance of such meeting.

3.14. Action Without Meeting. Any action required or permitted by the Wisconsin Business Corporation Law to be taken at a meeting of the Board of Directors or a committee thereof created pursuant to Section 3.12 hereof may be taken without a meeting if the action is taken by all members of the Board or of the committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director or committee member and retained by the corporation. Such action shall be effective when the last director or committee member signs the consent, unless the consent specifies a different effective date.

ARTICLE IV. OFFICERS

4.01. Number. The principal officers of the corporation shall be a President, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. A Chairman of the Board, any number of Vice Presidents, other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. The Board of Directors may also authorize any duly appointed officer to appoint one or more officers or assistant officers. The Chief Executive Officer, designated in accordance with Section 4.06 of these By-laws, may from time to time appoint any number of Vice Presidents as he shall determine necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as the Chief Executive

Officer shall from time to time determine. Any two or more offices may be held by the same person.

4.02. Election and Term of Office. The officers of the corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as is practicable. Each officer shall hold office until his or her successor shall have been duly elected or until his or her prior death, resignation or removal.

4.03. Removal. The Board of Directors may remove any officer and, unless restricted by the Board of Directors or these By-laws, an officer may remove any officer or assistant officer appointed by that officer, at any time, with or without cause and notwithstanding the contract rights, if any, of the officer removed. The appointment of an officer does not of itself create contract rights.

4.04. Resignation. An officer may resign at any time by delivering notice to the corporation that complies with the Wisconsin Business Corporation Law. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date and the corporation accepts the later effective date.

4.05. Vacancies. A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term. If a resignation of an officer is effective at a later date as contemplated by Section 4.04 hereof, the Board of Directors may fill the pending vacancy before the effective date if the Board provides that the successor may not take office until the effective date.

4.06. Chief Executive Officer. The Board of Directors shall from time to time designate the Chairman of the Board, if any, or the President of the corporation as the Chief Executive Officer of the corporation. The President shall be the Chief Executive Officer whenever the office of Chairman of the Board of the corporation is vacant. Subject to the control of the Board of Directors, the Chief Executive Officer shall in general supervise and control all of the business and affairs of the corporation. He shall preside at all meetings of the shareholders and of the Board of Directors. He shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint and remove such agents and employees of the corporation as he shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. He shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, securities, contracts, leases, reports, and all other documents or other instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or the Board of Directors, he may authorize any elected Vice President or other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his place and stead. In general, he shall perform all duties incident to the office of Chief Executive Officer of the corporation and such other duties as may be prescribed by the Board of Directors from time to time.

4.07. Chairman of the Board. The Chairman of the Board, if one be chosen by the Board of Directors, when present, and in the absence of the Chief Executive Officer if the President is designated as the Chief Executive Officer, shall preside at all meetings of the Board of Directors and of the shareholders and shall perform all duties incident to the office of Chairman of the Board of the corporation and such other duties as may be prescribed by the Board of Directors from time to time.

4.08. President. The President shall be the principal executive officer of the corporation and, subject to the direction of the Board of Directors, shall in general supervise and control all of the business and affairs of the corporation; provided, however, that should the Board of Directors elect a Chairman of the Board, any or all of the powers customarily incidental to the office of President may be assigned by the Board of Directors to the Chairman of the Board. If the Chairman of the Board is designated as the Chief Executive Officer, the President shall be the chief operating officer of the corporation. Unless the Board of Directors otherwise provides, in the absence of the Chairman of the

Board or in the event of his inability or refusal to act, or in the event of a vacancy in the office of the Chairman of the Board, the President shall perform the duties of the Chairman of the Board, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board. The President shall, when present, preside at all meetings of the shareholders and of the Board of Directors. He or she shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the corporation as he or she shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. He or she shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or the Board of Directors, he or she may authorize any Vice President or other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his or her place and stead. In general he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.09. The Vice Presidents. In the absence of the Chairman of the Board, if any, and the President or in the event of their death, inability or refusal to act, or in the event for any reason it shall be impracticable for the Chairman of the Board and the President to act personally, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Board of Directors or the Chief Executive Officer, or in the absence of any designation, then in the order of their election) shall perform the duties of the Chairman of the Board and/or the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board and/or the President. Any Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him or her by the Chief Executive Officer, the President or the Board of Directors. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence, as to third parties, of his or her authority to act in the stead of the Chairman of the Board and/or the President.

4.10. The Secretary. The Secretary shall: (a) keep minutes of the meetings of the shareholders and of the Board of Directors (and of committees thereof) in one or more books provided for that purpose (including records of actions taken by the shareholders or the Board of Directors (or committees thereof) without a meeting); (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by the Wisconsin Business Corporation Law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) maintain a record of the shareholders of the corporation, in a form that permits preparation of a list of the names and addresses of all shareholders, by class or series of shares and showing the number and class or series of shares held by each shareholder; (e) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned by the Chief Executive Officer, the President or by the Board of Directors.

4.11. The Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) maintain appropriate accounting records; (c) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Section 5.04; and (d) in general perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned by the Chief Executive Officer or by the

Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine.

4.12. Assistant Secretaries and Assistant Treasurers. There shall be such number of Assistant Secretaries and Assistant Treasurers as the Board of Directors or the Chief Executive Officer may from time to time authorize. The Assistant Secretaries may sign with the President or a Vice President certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the Secretary or the Treasurer, respectively, or by the Chief Executive Officer, the President or the Board of Directors.

4.13. Other Assistants and Acting Officers. The Board of Directors and the Chief Executive Officer shall have the power to appoint, or to authorize any duly appointed officer of the corporation to appoint, any person to act as assistant to any officer, or as agent for the corporation in his or her stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors or the Chief Executive Officer shall have the power to perform all the duties of the office to which he or she is so appointed to be an assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors or the appointing officer.

4.14. Salaries. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a director of the corporation.

ARTICLE V. CONTRACTS, LOANS, CHECKS AND DEPOSITS; SPECIAL CORPORATE ACTS

5.01. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the corporation shall be executed in the name of the corporation by the Chief Executive Officer, the President or one of the Vice Presidents and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; the Secretary or an Assistant Secretary, when necessary or required, shall affix the corporate seal, if any, thereto; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

5.02. Loans. No indebtedness for borrowed money shall be contracted on behalf of the corporation and no evidences of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

5.03. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

5.04. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as may be selected by or under the authority of a resolution of the Board of Directors.

5.05. Voting of Securities Owned by this Corporation.

Subject always to the specific directions of the Board of Directors, (a) any shares or other securities issued by any other corporation and owned or controlled by this corporation may be voted at any meeting of security holders of such other corporation by the President of this corporation if he or she be present, or in his or her absence by any Vice President of this corporation who may be present, and (b) whenever, in the judgment of the President, or in his or her absence, of any Vice President, it is desirable for this corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by this corporation, such proxy or consent shall be executed in the name of this corporation by the President or one of the Vice Presidents of this corporation, without necessity of any authorization by the Board of Directors, affixation of corporate seal, if any, or countersignature or attestation by another officer. Any person or persons designated in the manner above stated as the proxy or proxies of this corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this corporation the same as such shares or other securities might be voted by this corporation.

ARTICLE VI. CERTIFICATES FOR SHARES; TRANSFER OF SHARES

6.01. Certificates for Shares. Certificates representing shares of the corporation shall be in such form, consistent with the Wisconsin Business Corporation Law, as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except as provided in Section 6.06 hereof.

6.02. Facsimile Signatures and Seal. The seal of the corporation, if any, on any certificates for shares may be a facsimile. The signature of the President or Vice President and the Secretary or Assistant Secretary upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or a registrar, other than the corporation itself or an employee of the corporation.

6.03. Signature by Former Officers. The validity of a share certificate is not affected if a person who signed the certificate (either manually or in facsimile) no longer holds office when the certificate is issued.

6.04. Transfer of Shares. Prior to due presentment of a certificate for shares for registration of transfer the corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and power of an owner. Where a certificate for shares is presented to the corporation with a request to register for transfer, the corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the corporation had no duty to inquire into adverse claims or has discharged any such duty. The corporation may require reasonable assurance that such endorsements are genuine and effective and compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors.

6.05. Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the corporation upon the transfer of such shares.

6.06. Lost, Destroyed or Stolen Certificates. Where the owner claims that certificates for shares have been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the corporation has notice that such shares have been acquired by a bona fide purchaser, (b) files with the

corporation a sufficient indemnity bond if required by the Board of Directors or any principal officer, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

6.07. Consideration for Shares. The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, contracts for services to be performed or other securities of the corporation. Before the corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for the shares to be issued is adequate. The determination of the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid and nonassessable. The corporation may place in escrow shares issued in whole or in part for a contract for future services or benefits, a promissory note, or other property to be issued in the future, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the benefits or property are received or the promissory note is paid. If the services are not performed, the benefits or property are not received or the promissory note is not paid, the corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited.

6.08. Stock Regulations. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with law as it may deem expedient concerning the issue, transfer and registration of shares of the corporation.

ARTICLE VII. SEAL

7.01. The Board of Directors may provide for a corporate seal for the corporation.

ARTICLE VIII. INDEMNIFICATION

8.01. Certain Definitions. All capitalized terms used in this Article VIII and not otherwise hereinafter defined in this Section 8.01 shall have the meaning set forth in Section 180.0850 of the Statute. The following capitalized terms (including any plural forms thereof) used in this Article VIII shall be defined as follows:

(a) "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Corporation.

(b) "Authority" shall mean the entity selected by the Director or Officer to determine his or her right to indemnification pursuant to Section 8.04.

(c) "Board" shall mean the entire elected and serving Board of Directors of the corporation, including all Directors Emeritus and all members of the Board of Directors of the corporation and Directors Emeritus who are Parties to the subject Proceeding or any related Proceeding.

(d) "Breach of Duty" shall mean the Director or Officer breached or failed to perform his or her duties to the Corporation and his or her breach of or failure to perform those duties is determined, in accordance with Section 8.04, to constitute misconduct under Section 180.0851(2) (a) 1, 2, 3 or 4 of the Statute.

(e) "Corporation," as used herein and as defined in the Statute and incorporated by reference into the definitions of certain other capitalized terms used herein, shall mean this Corporation, including, without limitation, any successor corporation or entity to this Corporation by way of merger, consolidation or acquisition of all or substantially all of the capital stock or assets of this Corporation.

(f) "Director" or "Officer" shall have the meaning set forth in the Statute and shall also include all Directors Emeritus for purposes of the definition of 'Director' under this Article VIII; provided, that, for purposes of this Article VIII, it shall be conclusively presumed that any Director or Officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an Affiliate shall be so serving at the request of the corporation."

(g) "Disinterested Quorum" shall mean a quorum of the Board who are not Parties to the subject Proceeding or any related Proceeding.

(h) "Party" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, the term "Party" shall also include any Director or Officer or employee of the Corporation who is or was a witness in a Proceeding at a time when he or she has not otherwise been formally named a Party thereto.

(i) "Proceeding" shall have the meaning set forth in the Statute; provided, that, in accordance with Section 180.0859 of the Statute and for purposes of this Article VIII, the term "Proceeding" shall also include all Proceedings (i) brought under (in whole or in part) the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, their respective state counterparts, and/or any rule or regulation promulgated under any of the foregoing; (ii) brought before an Authority or otherwise to enforce rights hereunder; (iii) any appeal from a Proceeding; and (iv) any Proceeding in which the Director or Officer is a plaintiff or petitioner because he or she is a Director or Officer; provided, however, that any such Proceeding under this subsection (iv) must be authorized by a majority vote of a Disinterested Quorum.

(j) "Statute" shall mean Sections 180.0850 through 180.0859, inclusive, of the Wisconsin Business Corporation Law, Chapter 180 of the Wisconsin Statutes, as the same shall then be in effect, including any amendments thereto, but, in the case of any such amendment, only to the extent such amendment permits or requires the Corporation to provide broader indemnification rights than the Statute permitted or required the Corporation to provide prior to such amendment.

8.02. Mandatory Indemnification of Directors and Officers. To the fullest extent permitted or required by the Statute, the Corporation shall indemnify a Director or Officer against all Liabilities incurred by or on behalf of such Director or Officer in connection with a Proceeding in which the Director or Officer is a Party because he or she is a Director or Officer.

8.03. Procedural Requirements.

(a) A Director or Officer who seeks indemnification under Section 8.02 shall make a written request therefor to the Corporation. Subject to Section 8.03(b), within sixty days of the Corporation's receipt of such request, the Corporation shall pay or reimburse the Director or Officer for the entire amount of Liabilities incurred by the Director or Officer in connection with the subject Proceeding (net of any Expenses previously advanced pursuant to Section 8.05).

(b) No indemnification shall be required to be paid by the Corporation pursuant to Section 8.02 if, within such sixty-day period, (i) a Disinterested Quorum, by a majority vote thereof, determines that the Director or Officer requesting indemnification engaged in misconduct constituting a Breach of Duty or (ii) a Disinterested Quorum cannot be obtained.

(c) In either case of nonpayment pursuant to Section 8.03(b), the Board shall immediately authorize by resolution that an Authority, as provided in Section 8.04, determine whether the Director's or Officer's conduct constituted a Breach of Duty and, therefore, whether indemnification should be denied hereunder.

(d) (i) If the Board does not authorize an Authority to determine the Director's or Officer's right to indemnification hereunder within such sixty-day period and/or (ii) if indemnification of the requested amount of Liabilities is paid by the Corporation, then it shall be conclusively presumed for all purposes that a Disinterested Quorum has affirmatively determined that the Director or Officer did not engage in misconduct constituting a Breach of Duty and, in the case of subsection (i) above (but not subsection (ii)), indemnification by the Corporation of the requested amount of Liabilities shall be paid to the Director or Officer immediately.

8.04. Determination of Indemnification.

(a) If the Board authorizes an Authority to determine a Director's or Officer's right to indemnification pursuant to Section 8.03, then the Director or Officer requesting indemnification shall have the absolute discretionary authority to select one of the following as such Authority:

(i) An independent legal counsel; provided, that such counsel shall be mutually selected by such Director or Officer and by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board;

(ii) A panel of three arbitrators selected from the panels of arbitrators of the American Arbitration Association in Wisconsin; provided, that (A) one arbitrator shall be selected by such Director or Officer, the second arbitrator shall be selected by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board, and the third arbitrator shall be selected by the two previously selected arbitrators, and (B) in all other respects (other than this Article VIII), such panel shall be governed by the American Arbitration Association's then existing Commercial Arbitration Rules; or

(iii) A court pursuant to and in accordance with Section 180.0854 of the Statute.

(b) In any such determination by the selected Authority there shall exist a rebuttable presumption that the Director's or Officer's conduct did not constitute a Breach of Duty and that indemnification against the requested amount of Liabilities is required. The burden of rebutting such a presumption by clear and convincing evidence shall be on the Corporation or such other party asserting that such indemnification should not be allowed.

(c) The Authority shall make its determination within sixty days of being selected and shall submit a written opinion of its conclusion simultaneously to both the Corporation and the Director or Officer.

(d) If the Authority determines that indemnification is required hereunder, the Corporation shall pay the entire requested amount of Liabilities (net of any Expenses previously advanced pursuant to Section 8.05), including interest thereon at a reasonable rate, as determined by the Authority, within ten days of receipt of the Authority's opinion; provided, that, if it is determined by the Authority that a Director or Officer is entitled to indemnification against Liabilities' incurred in connection with some claims, issues or matters, but not as to other claims, issues or matters, involved in the subject Proceeding, the Corporation shall be required to pay (as set forth above) only the amount of such requested Liabilities as the Authority shall deem appropriate in light of all of the circumstances of such Proceeding.

(e) The determination by the Authority that indemnification is required hereunder shall be binding upon the Corporation regardless of any prior determination that the Director or Officer engaged in a Breach of Duty.

(f) All Expenses incurred in the determination process under this Section 8.04 by either the Corporation or the Director or Officer, including, without limitation, all Expenses of the selected Authority, shall be paid by the Corporation.

8.05. Mandatory Allowance of Expenses.

(a) The Corporation shall pay or reimburse from time to time or at any time, within ten days after the receipt of the Director's or Officer's written request therefor, the reasonable Expenses of the Director or Officer as such Expenses are incurred; provided, the following conditions are satisfied:

(i) The Director or Officer furnishes to the Corporation an executed written certificate affirming his or her good faith belief that he or she has not engaged in misconduct which constitutes a Breach of Duty; and

(ii) The Director or Officer furnishes to the Corporation an unsecured executed written agreement to repay any advances made under this Section 8.05 if it is ultimately determined by an Authority that he or she is not entitled to be indemnified by the Corporation for such Expenses pursuant to Section 8.04.

(b) If the Director or Officer must repay any previously advanced Expenses pursuant to this Section 8.05, such Director or Officer shall not be required to pay interest on such amounts.

8.06. Indemnification and Allowance of Expenses of Certain Others.

(a) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify a director or officer of an Affiliate (who is not otherwise serving as a Director or Officer) against all Liabilities, and shall advance the reasonable Expenses, incurred by such director or officer in a Proceeding to the same extent hereunder as if such director or officer incurred such Liabilities because he or she was a Director or Officer, if such director or officer is a Party thereto because he or she is or was a director or officer of the Affiliate.

(b) The Corporation shall indemnify an employee who is not a Director or Officer, to the extent he or she has been successful on the merits or otherwise in defense of a Proceeding, for all reasonable Expenses incurred in the Proceeding if the employee was a Party because he or she was an employee of the Corporation.

(c) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify (to the extent not otherwise provided in Section 8.06(b) hereof) against Liabilities incurred by, and/or provide for the allowance of reasonable Expenses of, an employee or authorized agent of the Corporation acting within the scope of his or her duties as such and who is not otherwise a Director or Officer.

8.07. Insurance. The Corporation may purchase and maintain insurance on behalf of a Director or Officer or any individual who is or was an employee or authorized agent of the Corporation against any Liability asserted against or incurred by such individual in his or her capacity as such or arising from his or her status as such, regardless of whether the Corporation is required or permitted to indemnify against any such Liability under this Article VIII.

8.08. Notice to the Corporation. A Director, Officer or employee shall promptly notify the Corporation in writing when he or she has actual knowledge of a Proceeding which may result in a claim of indemnification against Liabilities or allowance of Expenses hereunder, but the failure to do so shall not relieve the Corporation of any liability to the Director, Officer or employee hereunder unless the Corporation shall have been irreparably prejudiced by such failure (as determined, in the case of Directors or Officers only, by an Authority selected pursuant to Section 8.04(a)).

8.09. Severability. If any provision of this Article VIII shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article VIII contravene public policy, this Article VIII shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or

which contravene public policy shall be deemed, without further action or deed by or on behalf of the Corporation, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable; it being understood that it is the Corporation's intention to provide the Directors and Officers with the broadest possible protection against personal liability allowable under the Statute.

8.10. Nonexclusivity of Article VIII. The rights of a Director, Officer or employee (or any other person) granted under this Article VIII shall not be deemed exclusive of any other rights to indemnification against Liabilities or allowance of Expenses which the Director, Officer or employee (or such other person) may be entitled to under any written agreement, Board resolution, vote of shareholders of the Corporation or otherwise, including, without limitation, under the Statute. Nothing contained in this Article VIII shall be deemed to limit the Corporation's obligations to indemnify against Liabilities or allow Expenses to a Director, Officer or employee under the Statute.

8.11. Contractual Nature of Article VIII; Repeal or Limitation of Rights. This Article VIII shall be deemed to be a contract between the Corporation and each Director, Officer and employee of the Corporation and any repeal or other limitation of this Article VIII or any repeal or limitation of the Statute or any other applicable law shall not limit any rights of indemnification against Liabilities or allowance of Expenses then existing or arising out of events, acts or omissions occurring prior to such repeal or limitation, including, without limitation, the right to indemnification against Liabilities or allowance of Expenses for Proceedings commenced after such repeal or limitation to enforce this Article VIII with regard to acts, omissions or events arising prior to such repeal or limitation.

ARTICLE IX. AMENDMENTS

9.01. By Shareholders. These bylaws may be amended or repealed and new bylaws may be adopted by the shareholders at any annual or special meeting of the shareholders at which a quorum is in attendance.

9.02. By Directors. Except as otherwise provided by the Wisconsin Business Corporation Law or the articles of incorporation, these bylaws may also be amended or repealed and new bylaws may be adopted by the Board of Directors by affirmative vote of a majority of the number of directors present at any meeting at which a quorum is in attendance; provided, however, that the shareholders in adopting, amending or repealing a particular bylaw may provide therein that the Board of Directors may not amend, repeal or readopt that bylaw.

9.03. Implied Amendments. Any action taken or authorized by the shareholders or by the Board of Directors which would be inconsistent with the bylaws then in effect but which is taken or authorized by affirmative vote of not less than the number of shares or the number of directors required to amend the bylaws so that the bylaws would be consistent with such action shall be given the same effect as though the bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

THE MARCUS CORPORATION
1995 EQUITY INCENTIVE PLAN
AMENDED AND RESTATED JUNE 26, 1996

(Section 6(a)(ii) amended in its entirety)

THE MARCUS CORPORATION
1995 EQUITY INCENTIVE PLAN
AMENDED AND RESTATED JUNE 26, 1996

(Section 6(a)(ii) amended in its entirety)

Section 1. Purpose

The purpose of The Marcus Corporation 1995 Equity Incentive Plan (the "Plan") is to promote the best interests of The Marcus Corporation (the "Company") and its shareholders by providing key employees of the Company and its Affiliates (as defined below) with an opportunity to acquire a, or increase their, proprietary interest in the Company. It is intended that the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those key employees who are primarily responsible for shaping and carrying out the long-range plans of the Company and securing the Company's continued growth and financial success.

Section 2. Definitions

As used in the Plan, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" shall mean any entity that, directly or through one or more intermediaries, is controlled by, controls, or is under common control with, the Company.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock or Performance Share granted under the Plan.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(e) "Commission" shall mean the Securities and Exchange Commission.

(f) "Committee" shall mean the Compensation and Nominating Committee of the Board of Directors of the Company (or any other committee thereof designated by such Board to administer the Plan); provided, however, that the Committee is composed of not less than two directors, each of whom is a "disinterested person" within the meaning of Rule 16b-3.

(g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(h) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(i) "Incentive Stock Option" shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code (or any successor provision thereto).

(j) "Key Employee" shall mean any officer or other key employee of the Company or of any Affiliate who is responsible for or contributes to the management, growth or profitability of the business of the Company or any Affiliate as determined by the Committee in its discretion.

(k) "Non-Qualified Stock Option" shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.

(l) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(m) "Participating Key Employee" shall mean a Key Employee designated to be granted an Award under the Plan.

(n) "Performance Period" shall mean, in relation to Performance Shares, any period for which a performance goal or goals have been established.

(o) "Performance Share" shall mean any right granted under Section 6(d) of the Plan that will be paid out as a Share (which, in specified circumstances, may be a Share of Restricted Stock).

(p) "Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

(q) "Released Securities" shall mean Shares of Restricted Stock with respect to which all applicable restrictions have expired, lapsed or been waived.

(r) "Restricted Securities" shall mean Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.

(s) "Restricted Stock" shall mean any Share granted under Section 6(c) of the Plan or, in specified circumstances, a Share paid in connection with a Performance Share under Section 6(e) of the Plan.

(t) "Rule 16b-3" shall mean Rule 16b-3 as promulgated by the Commission under the Exchange Act, or any successor rule or regulation thereto.

(u) "Shares" shall mean shares of common stock of the Company, \$1 par value, and such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(b) of the Plan.

(v) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the Plan.

Section 3. Administration

The Plan shall be administered by the Committee; provided, however, that if at any time the Committee shall not be in existence, the functions of the Committee as specified in the Plan shall be exercised by those members of the Board of Directors of the Company who qualify as "disinterested persons" under Rule 16b-3. Subject to the terms of the Plan and applicable laws and without limitation by reason of enumeration, the Committee shall have full discretionary power and authority to: (i) designate Participating Key Employees; (ii) determine the type or types of Awards to be granted to each Participating Key Employee under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) Awards granted to Participating Key Employees; (iv) determine the terms and conditions of any Award granted to a Participating Key Employee; (v) determine whether, to what extent and under what circumstances Awards granted to Participating Key Employees may be settled or exercised in cash, Shares, other securities, other Awards or other property, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent and under what circumstances cash, Shares, other Awards and other amounts payable with respect to an Award granted to Participating Key Employees under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan (including, without limitation, any Award Agreement); (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action

that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time or from time to time, and shall be final, conclusive and binding upon all Persons, including the Company, any Affiliate, any Participating Key Employee, any holder or beneficiary of any Award, any shareholder and any employee of the Company or of any Affiliate.

Section 4. Shares Available for Award

(a) Shares Available. Subject to adjustment as provided in Section 4(b):

(i) Number of Shares Available. The number of Shares with respect to which Awards may be granted under the Plan shall be 500,000, subject to the limitations set forth in Section 6(c)(i).

(ii) Accounting for Awards. The number of Shares covered by an Award under the Plan, or to which such Award relates, shall be counted on the date of grant of such Award against the number of Shares available for granting Awards under the Plan.

(iii) Sources of Shares Deliverable Under Awards. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(b) Adjustments. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee may, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares subject to the Plan and which thereafter may be made the subject of Awards under the Plan; (ii) the number and type of Shares subject to outstanding Awards; and (iii) the grant, purchase or exercise price with respect to any Award, or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, however, in each case, that with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b) of the Code (or any successor provision thereto); and provided further that the number of Shares subject to any Award payable or denominated in Shares shall always be a whole number.

Section 5. Eligibility

Any Key Employee, including any executive officer or employee-director of the Company or of any Affiliate, who is not a member of the Committee shall be eligible to be designated a Participating Key Employee. Ben Marcus, Stephen H. Marcus, Diane Marcus Gershowitz and any other person who beneficially owns, directly or indirectly (taking into account stock ownership attributed to such person pursuant to Section 425(d) of the Code), stock possessing more than five percent (5%) of the total combined voting power of all classes of stock of the Company or of any Affiliate of the Company shall not be eligible to receive Awards under the Plan.

Section 6. Awards

(a) Option Awards. The Committee is hereby authorized to grant Options to Key Employees with the terms and conditions as set forth below and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine in its discretion.

(i) Exercise Price. The exercise price per Share of an Option granted pursuant to this Section 6(a) shall be determined by

the Committee; provided, however, that such exercise price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.

(ii) Option Term. The term of each Option shall be fixed by the Committee; provided, however, that in no event shall the term of any Option exceed a period of ten years from the date of its grant.

(iii) Exercisability and Method of Exercise. An Option shall become exercisable in such manner and within such period or periods and in such installments or otherwise as shall be determined by the Committee. The Committee also shall determine the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other securities, other Awards, other property or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which payment of the exercise price with respect to any Option may be made or deemed to have been made.

(iv) Incentive Stock Options. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code (or any successor provision thereto) and any regulations promulgated thereunder. Notwithstanding any provision in the Plan to the contrary, no Incentive Stock Option may be granted hereunder after the tenth anniversary of the adoption of the Plan by the Board of Directors of the Company.

(b) Stock Appreciation Right Awards. The Committee is hereby authorized to grant Stock Appreciation Rights to Key Employees. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan, the grant price, term, methods of exercise, methods of settlement (including whether the Participating Key Employee will be paid in cash, Shares, other securities, other Awards, or other property or any combination thereof), and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee in its discretion. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate, including, without limitation, restricting the time of exercise of the Stock Appreciation Right to specified periods as may be necessary to satisfy the requirements of Rule 16b-3.

(c) Restricted Stock Awards.

(i) Issuance. The Committee is hereby authorized to grant Awards of Restricted Stock to Key Employees; provided, however, that the aggregate number of Shares of Restricted Stock granted under the Plan to all Participating Key Employees as a group shall not exceed 50,000 Shares (such number of Shares subject to adjustment in accordance with the terms of Section 4(b) hereof) of the total number of Shares available for Awards under Section 4(a) (i).

(ii) Restrictions. Shares of Restricted Stock granted to Participating Key Employees shall be subject to such restrictions as the Committee may impose in its discretion (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate in its discretion.

(iii) Registration. Any Restricted Stock granted under the Plan to a Participating Key Employee may be evidenced in such manner as the Committee may deem appropriate in its discretion, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan to a Participating Key Employee, such certificate shall be registered in the name of the Participating Key

Employee and shall bear an appropriate legend (as determined by the Committee) referring to the terms, conditions and restrictions applicable to such Restricted Stock.

(iv) Payment of Restricted Stock. At the end of the applicable restriction period relating to Restricted Stock granted to a Participating Key Employee, one or more stock certificates for the appropriate number of Shares, free of restrictions imposed under the Plan, shall be delivered to the Participating Key Employee or, if the Participating Key Employee received stock certificates representing the Restricted Stock at the time of grant, the legends placed on such certificates shall be removed.

(v) Forfeiture. Except as otherwise determined by the Committee in its discretion, upon termination of employment of a Participating Key Employee (as determined under criteria established by the Committee in its discretion) for any reason during the applicable restriction period, all Shares of Restricted Stock still subject to restriction shall be forfeited by the Participating Key Employee; provided, however, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock held by a Participating Key Employee.

(d) Performance Share Awards.

(i) Issuance. The Committee is hereby authorized to grant Awards of Performance Shares to Key Employees.

(ii) Performance Goals and Other Terms. The Committee shall determine in its discretion the Performance Period, the performance goal or goals to be achieved during any Performance Period, the proportion of payments, if any, to be made for performance between the minimum and full performance levels, the restrictions applicable to Shares of Restricted Stock received upon payment of Performance Shares if Performance Shares are paid in such manner, and any other terms, conditions and rights relating to a grant of Performance Shares. Performance goals established by the Committee may be based on one or more measures such as return on shareholders' equity, earnings or any other standard or standards deemed relevant by the Committee, measured internally or relative to other organizations and before or after extraordinary items.

(iii) Rights and Benefits During the Performance Period. The Committee may provide that, during a Performance Period, a Participating Key Employee shall be paid cash amounts, with respect to each Performance Share held by such Participating Key Employee, in the same manner, at the same time, and in the same amount paid, as a cash dividend on a Share. Participating Key Employees shall have no voting rights with respect to Performance Shares held by them.

(iv) Adjustments with Respect to Performance Shares. Any other provision of the Plan to the contrary notwithstanding, the Committee may in its discretion at any time or from time to time adjust performance goals (up or down) and minimum or full performance levels (and any intermediate levels and proportion of payments related thereto), adjust the manner in which performance goals are measured, or shorten any Performance Period or waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock issued in payment of Performance Shares, if the Committee determines that conditions, including but not limited to, changes in the economy, changes in competitive conditions, changes in laws or governmental regulations, changes in generally accepted accounting principles, changes in the Company's accounting policies, acquisitions or dispositions by the Company or its Affiliates, or the occurrence of other unusual, unforeseen or extraordinary events, so warrant.

(v) Payment of Performance Shares. As soon as is reasonably practicable following the end of the applicable Performance Period, one or more certificates representing the number of Shares equal to the number of Performance Shares payable shall be registered in the name of and delivered to the Participating Key Employee; provided, however, that any Shares of Restricted Stock payable in connection with Performance Shares shall, pending the

expiration, lapse, or waiver of the applicable restrictions, be evidenced in the manner as set forth in Section 6(c)(iii) hereof.

(e) General.

(i) No Consideration for Awards. Awards shall be granted to Participating Key Employees for no cash consideration unless otherwise determined by the Committee.

(ii) Award Agreements. Each Award granted under the Plan shall be evidenced by an Award Agreement in such form (consistent with the terms of the Plan) as shall have been approved by the Committee.

(iii) Awards May Be Granted Separately or Together. Awards to Participating Key Employees under the Plan may be granted either alone or in addition to, in tandem with, or in substitution for, any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to, or in tandem with, other Awards, or in addition to, or in tandem with, awards granted under any other plan of the Company or any Affiliate, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iv) Forms of Payment Under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award to a Participating Key Employee may be made in such form or forms as the Committee shall determine, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee in its discretion. Such rules and procedures may include, without limitation, provisions for the payment or crediting of interest on installment or deferred payments.

(v) Limits on Transfer of Awards. No Award (other than Released Securities), and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participating Key Employee otherwise than by will or by the laws of descent and distribution (or, in the case of an Award of Restricted Securities, to the Company); provided, however, that a Participating Key Employee at the discretion of the Committee may be entitled, in the manner established by the Committee, to designate a beneficiary or beneficiaries to exercise his or her rights, and to receive any property distributable, with respect to any Award upon the death of the Participating Key Employee. Each Award, and each right under any Award, shall be exercisable, during the lifetime of the Participating Key Employee, only by such individual or, if permissible under applicable law, by such individual's guardian or legal representative. No Award (other than Released Securities), and no right under any such Award, may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(vi) Term of Awards. Except as otherwise provided in the Plan, the term of each Award shall be for such period as may be determined by the Committee.

(vii) Rule 16b-3 Six-Month Limitations. To the extent required in order to comply with Rule 16b-3 only, any equity security offered pursuant to the Plan may not be sold for at least six months after acquisition, except in the case of death or disability, and any derivative security issued pursuant to the Plan shall not be exercisable for at least six months, except in case of death or disability of the holder thereof. Terms used in the preceding sentence shall, for the purposes of such sentence only, have the meanings, if any, assigned or attributed to them under Rule 16b-3.

(viii) Share Certificates; Representation. In addition to the restrictions imposed pursuant to Section 6(c) and Section 6(d) hereof, all certificates for Shares delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other

requirements of the Commission, New York Stock Exchange or any other stock exchange or other market upon which such Shares are then listed or traded, and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. The Committee may require each Participating Key Employee, or other Person who acquires Shares under the Plan by means of an Award originally made to a Participating Key Employee to represent to the Company in writing that such Participating Key Employee, or other Person is acquiring the Shares without a view to the distribution thereof.

Section 7. Amendment and Termination of the Plan; Correction of Defects and Omissions

(a) Amendments to and Termination of the Plan. The Board of Directors of the Company may at any time amend, alter, suspend, discontinue or terminate the Plan; provided, however, that shareholder approval of any amendment of the Plan shall also be obtained if otherwise required by: (i) the rules and/or regulations promulgated under Section 16 of the Exchange Act (in order for the Plan to remain qualified under Rule 16b-3); (ii) the Code or any rules promulgated thereunder (in order to allow for Incentive Stock Options to be granted under the Plan); or (iii) the listing requirements of the New York Stock Exchange or any other principal securities exchange or market on which the Shares are then traded (in order to maintain the listing of the Shares thereon). Termination of the Plan shall not affect the rights of Participating Key Employees with respect to Awards previously granted to them, and all unexpired Awards shall continue in force and effect after termination of the Plan except as they may lapse or be terminated by their own terms and conditions.

(b) Correction of Defects, Omissions and Inconsistencies. The Committee may in its discretion correct any defect, supply any omission or reconcile any inconsistency in any Award or Award Agreement in the manner and to the extent it shall deem desirable to carry the Plan into effect.

Section 8. General Provisions

(a) No Rights to Awards. No Key Employee, Participating Key Employee or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Key Employees, Participating Key Employees or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each Participating Key Employee.

(b) Withholding. No later than the date as of which an amount first becomes includable in the gross income of a Participating Key Employee for federal income tax purposes with respect to any Award under the Plan, the Participating Key Employee shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations arising with respect to Awards to Participating Key Employees under the Plan may be settled with Shares previously owned by the Participating Key Employee; provided, however, that the Participating Key Employee may not settle such obligations with Shares that are part of, or are received upon exercise of, the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and any Affiliate shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participating Key Employee. The Committee may establish such procedures as it deems appropriate for the settling of withholding obligations with Shares, including, without limitation, the establishment of such procedures as may be necessary to satisfy the requirements of Rule 16b-3.

(c) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) Rights and Status of Recipients of Awards. The grant of an Award shall not be construed as giving a Participating Key Employee the

right to be retained in the employ of the Company or any Affiliate. Further, the Company or any Affiliate may at any time dismiss a Participating Key Employee from employment, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement. Except for rights accorded under the Plan and under any applicable Award Agreement, Participating Key Employees shall have no rights as holders of Shares as a result of the granting of Awards hereunder.

(e) Unfunded Status of the Plan. Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company or the Committee and any Participating Key Employee or other Person. To the extent any Person holds any right by virtue of a grant under the Plan, such right (unless otherwise determined by the Committee) shall be no greater than the right of an unsecured general creditor of the Company.

(f) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the internal laws of the State of Wisconsin and applicable federal law.

(g) Severability. If any provision of the Plan or any Award Agreement or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan, any Award Agreement or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, any Award Agreement or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan, any such Award Agreement and any such Award shall remain in full force and effect.

(h) No Fractional Shares. No fractional Shares or other securities shall be issued or delivered pursuant to the Plan, any Award Agreement or any Award, and the Committee shall determine (except as otherwise provided in the Plan) whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or other securities, or whether such fractional Shares or other securities or any rights thereto shall be canceled, terminated or otherwise eliminated.

(i) Headings. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 9. Effective Date of the Plan

The Plan shall be effective as of the date the Plan is adopted by the shareholders, provided such shareholder approval of the Plan is within 12 months following the date of adoption of the Plan by the Board of Directors, and all Awards granted under the Plan prior to the date of shareholder approval shall be subject to such approval and the effective date of such Award grants shall be deemed to be the date of such shareholder approval.

Section 10. Term of the Plan

No Award shall be granted under the Plan following the tenth anniversary of its effective date. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date and, to the extent set forth in the Plan, the authority of the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award, or to waive any conditions or restrictions with respect to any such Award, and the authority of the Board of Directors of the Company to amend the Plan, shall extend beyond such date.

Subsidiaries of the Company
as of May 30, 1996

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
Marc Plaza Corporation	Wisconsin
Pfister Corporation	Wisconsin
Marcus Geneva, Inc.	Wisconsin
Marcus Hotels, Inc.	Wisconsin
Budgetel Inns, Inc.	Wisconsin

Marcus Theatres Corporation owns all of the stock of the following corporations:

Name	State of Incorporation
Appleton Theatres Corporation	Wisconsin
Centre Theatres Corporation	Wisconsin
LaCrosse Amusement Company	Wisconsin
Lake-View Drive-In Corp.	Wisconsin
Marcus Cinemas, Inc.	Wisconsin
Marcus Productions, Inc.	Wisconsin
M&S Amusement, Inc.	Wisconsin
Pilgrim Theatre Corporation	Wisconsin
Southtown Corporation	Wisconsin
Starlight-24 Corporation	Wisconsin
Stephen Amusement Corporation	Wisconsin
Tower 41-Corporation	Wisconsin
Vending Corporation	Wisconsin
41-Bowl, Inc.	Wisconsin
Marcus Amusement Co., Inc.	Wisconsin

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

Name	State of Incorporation
Budgetel Partners, Inc.	Wisconsin
Guest House Inn-Appleton, Inc.	Wisconsin
Guest House Inn of Manitowoc, Inc.	Wisconsin
Marc's Budgetel of Nebraska, Inc.	Nebraska
Budgetel Franchises International, Inc.	Wisconsin
Woodfield Refreshments of Colorado, Inc.	Colorado

Marcus Restaurants, Inc. owns all of the stock of the following corporations, except it owns 50% of 642, Inc.:

Name	State of Incorporation
Marc's Carryout Corporation	Wisconsin
Tops, Inc.	Illinois
B&G Leasing Corporation	Wisconsin
Captains-Juneau, Inc.	Wisconsin
Captains-Mayfair, Inc.	Wisconsin
Captains-Wausau, Inc.	Wisconsin
Captains-Kenosha, Inc.	Wisconsin
Colony Inns Southgate Corporation	Wisconsin
Marc's Steak House, Inc.	Wisconsin
642, Inc.	Wisconsin
Red Garter-Manitowoc, Inc.	Wisconsin
Captains-Appleton, Inc.	Wisconsin
Speciality Products Corporation of Wisconsin	Wisconsin

Glendale Refreshments, Inc.
Grand Avenue Refreshments, Inc.

Wisconsin
Wisconsin

Marcus Restaurants, Inc. has an option to purchase the remaining 50% of the stock of 642, Inc. for \$5.

Colony Inns Southgate Corporation owns 80% of the stock of Colony Inns Refreshments, Inc., a Wisconsin corporation, and has an option to purchase the remaining 20% for \$5.

Marcus Hotels, Inc. owns all of the stock of Marcus Northstar, Inc., a Minnesota corporation.

Consent of Ernst & Young LLP, Independent Auditors

We consent to the incorporation by reference in Registration Statements (Forms S-8 No. 33-18801 and No. 33-55695) of The Marcus Corporation of our report dated July 19, 1996, with respect to the consolidated financial statements of The Marcus Corporation included in the Annual Report (Form 10-K) for the year ended May 30, 1996.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
August 26, 1996

<ARTICLE> 5

<LEGEND>

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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