FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 26, 1994

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 0-7426

THE MARCUS CORPORATION
(Exact name of registrant)
as specified in its charter)

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

Registrant's telephone number, including area code: (414) 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 [X] 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 12, 1994: $178,886,700.

Number of shares outstanding of each of the classes of the registrant's capital stock as of August 12, 1994:

Common Stock, $1 par value: 6,808,864 shares
Class B Common Stock, $1 par value: 6,223,893 shares

PORTIONS OF THE FOLLOWING DOCUMENTS ARE INCORPORATED HEREIN BY REFERENCE:

Proxy Statement for 1994 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 the date of the Company's 1994 fiscal year-end, May 26, 1994.

Item 1. Business.

The Marcus Corporation and its subsidiaries (collectively referred to herein as the "Company") are engaged in four business segments: motels; hotels and resorts; restaurants; and movie theatres. The Company began in 1935 as the operator of a single movie theatre and currently owns, operates or franchises 99 motels, five hotels, one resort, 68 restaurants, and 36 movie theatres with an aggregate of 189 screens.

The Company's motel operations include a chain of 98 Budgetel Inn economy motels in 26 states and one Woodfield Suites all-suite motel in Wisconsin. Of the 98 Budgetel Inns, 76 are owned or operated by the Company and 22 are franchised.

The Company's hotel and resort operations include The Pfister and the Marc Plaza, full-service hotels in the Milwaukee, Wisconsin metropolitan area, and The Grand Geneva Resort & Spa, a full-facility destination resort in Lake Geneva, Wisconsin. The Company also operates or manages three hotels, the Sheraton Mayfair Inn in Milwaukee, Wisconsin, The Mead Inn in Wisconsin Rapids, Wisconsin, and the Crowne-Plaza Northstar in Minneapolis, Minnesota.

The Company's restaurant division includes 35 KFC (Kentucky Fried Chicken) restaurants in Wisconsin; four Marc's Big Boy restaurants in Wisconsin and Minnesota; 13 Marc's Cafe and Coffee Mill restaurants in Wisconsin; 13 Applebee's Neighborhood Grill & Bar ("Applebee's") restaurants in Wisconsin and Illinois; two Big Boy Express restaurants in Wisconsin; and one Original Gino's East of Chicago Restaurant in Wisconsin.

The Company operates 36 movie theatres with an aggregate of 189 screens throughout Wisconsin and in northern Illinois.

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. As a result of the substantial expansion of the Company's hotel and resort operations in fiscal 1994 and the increasingly different operating characteristics of the Company's hotels and resort from the Company's motels, the Company has commenced separate business segment reporting for its hotel and resort division and its motel division and has restated retroactively the following segment reporting information accordingly. Intersegment sales and transfers are not material.

	Fiscal Year(1)		
	1994	1993	1992
	(Dollars in thousands)		
Revenues from unaffiliated customers:(2)			
Motels	$88,973	$80,596	$74,575
Hotels and resort	32,391	28,485	28,101
Restaurants	71,108	59,138	56,110
Theatres	51,389	43,880	42,959
Corporate items(3)	2,454	1,919	2,552
	$246,315	$214,018	$204,297

Operating profit or (loss):			
Motels	$ 25,971	$ 23,775	$ 19,874
Hotels and resort	2,611	2,116	1,830
Restaurants	2,203	723	434
Theatres	12,378	9,660	9,130
Corporate items(3)	(8,509)	(9,232)	(9,302)
	$ 34,654	$ 27,042	$ 21,966
Identifiable assets:			
Motels	$182,174	$166,193	$154,578
Hotels and resort	45,787	24,041	21,747
Restaurants	51,896	46,282	35,800
Theatres	47,244	36,898	35,994
Corporate items(3)	34,505	36,041	26,275
	$361,606	$309,455	$274,394

(1) Fiscal year 1992 consisted of 53 weeks in each of the hotels and resort, motels and restaurants segments; all other segments and years consisted of 52 weeks.

(2) Included revenues from affiliated customers are not material.

(3) Corporate items include amounts not allocable to specific business segments. Revenues consist principally of earnings on cash equivalents. Operating profit includes earnings on cash equivalents, less interest expense and general corporate expenses. Assets include primarily 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 98 economy motels, with over 10,000 rooms, under the name "Budgetel Inn" in 26 states. The Company operates 22 Budgetel Inns through franchisees. The remaining Budgetel Inns are either Company-owned (68) or operated under joint venture agreements (eight).

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. Budgetel Inn daily room rates generally vary between $30 and $45 per night.

The Company believes that providing amenities not typically associated with economy-priced motels help 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, no smoking rooms, in-room coffeemakers and hair dryers, remote control cable televisions, extra-long telephone cords and large working desks. To enhance customer security, the Company has converted all of its Company-owned and most of its 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.

Budgetel Inns operates a nationwide guest reservation center, where

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. Franchisees pay an initial franchise fee and annual marketing assessments, reservation system assessments and royalty fees based on room revenues. To facilitate continued growth in Budgetel Inn franchising, the Company offers certain financial assistance plans to its franchisees. The Company is qualified to sell, and anticipates ultimately selling, franchises in all 50 states.

During fiscal 1994, five new Company-owned units opened and one franchised unit was opened. Since the end of fiscal 1994, two new Company-owned Budgetel Inns have opened, with an additional five new Company-owned and two new franchised units under various stages of construction. Depending upon continuing favorable industry conditions and other factors, the Company currently plans to add a substantial number of new Budgetel Inns over the next five fiscal years through internal expansion, franchising and acquisition.

Woodfield Suites

The Company operates a mid-priced, all-suite motel under the name "Woodfield Suites" and plans to open two more Woodfield Suites in fiscal 1995 using its new prototype all-suites motel design. 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.

Hotel and Resort Operations

The Pfister Hotel

The Company owns and operates The Pfister Hotel, a 307-room, full service luxury hotel, in downtown Milwaukee. In fiscal 1994, The Pfister Hotel earned its 18th consecutive four-diamond award from the American Automobile Association. The Pfister is also a member of the Preferred Hotels and Resorts Worldwide Association, an organization of independent luxury hotels and resorts, and the Association of Historic Hotels of America.

In 1988, The Pfister Hotel initiated a five-year exterior and interior restoration and refurbishment plan which was completed prior to May 1993, when The Pfister celebrated its centennial anniversary. The renovation and centennial celebration contributed to increased occupancy levels in fiscal 1994.

The Marc Plaza Hotel

The Company owns and operates the 500-room Marc Plaza Hotel, located in downtown Milwaukee. The Company leases office suites on two floors of The Marc Plaza to professional and other business tenants on a short- to intermediate-term basis and provides such tenants with various secretarial and other office-type services.

As a result of the planned opening of a new and expanded municipal convention center adjacent to the Marc Plaza, the Company will commence work on a major refurbishment of the Marc Plaza's existing facilities in November 1994, with completion targeted for May 1995. Additionally, the Marc Plaza plans to add an additional 250 rooms.

The Grand Geneva Resort & Spa

In July 1993, the Company acquired the Americana Lake Geneva Resort in Lake Geneva, Wisconsin and renamed it the Grand Geneva Resort & Spa.

Originally opened in 1968, the Grand Geneva Resort & Spa is a full-facility destination resort located on 1,300 acres. The resort includes 355 guest rooms, a convention center, three speciality restaurants, two championship golf courses, several ski-hills, indoor tennis courts, a fitness and sports complex, horse stables and an on-site airport. The resort was closed by the Company in September 1993 for a complete renovation and reopened in May 1994.

Operated and Managed Hotels

The Company operates the 150-room Sheraton Mayfair Inn in the Milwaukee metropolitan area under a operating agreement which expires in April 1995. The Company is currently evaluating the economic feasibility of renewing this operating agreement and may enter into negotiations to continue its operation of the Sheraton Mayfair Inn if the proposed economic terms and conditions indicate that such a renewal would be in the best interests of the Company.

The Company manages the 226-room Crowne Plaza - Northstar in Minneapolis, Minnesota pursuant to a 15-year management agreement. Formerly known as the Northstar Hotel, the property was substantially remodeled in early 1994 and renamed the Crowne Plaza-Northstar, the luxury brand of the Holiday Inn system.

The Company also manages the 154-room Mead Inn in Wisconsin Rapids, Wisconsin, pursuant to a 15-year management agreement, with the Company having an option to extend the term of the agreement for three successive five-year periods.

Restaurant Operations

The restaurant division operates facilities under a number of different restaurant concepts and the Company is continually trying to position its restaurants in order to best respond to changing consumer tastes and preferences. These efforts include closing or selling less profitable locations, converting them into different concepts or remodeling them. The Company's current principal emphasis is on casual-theme dining, as evidenced through the Company's continuing expansion of its successful Applebee's facilities. The Company also actively considers developing or being the franchisee for new restaurant concepts. At the close of fiscal 1994, the Company operated 13 Applebee's Neighborhood Grill & Bars, 35 KFCs, 13 Marc's Cafe and Coffee Mills, four Marc's Big Boys, two Big Boy Expresses and one Original Gino's East of Chicago.

KFC Restaurants

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 34 years. The Company currently operates 35 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, including the introduction of the new Colonel's Rotisserie Gold non-fried chicken in fiscal 1994.

In 1988, the KFC franchisor, Pepsico, Inc., began efforts to change the KFC dining concept from providing facilities with only carryout services ("carryout stores") to providing facilities with carryout, drive-thru and sit-down service ("KFC restaurants"). In response to these efforts, the Company has renovated, rebuilt or renovated 32 of its 35 carryout stores into KFC restaurants, providing virtually all new facilities with inside seating for approximately 40 customers, drive-thru windows and updated electronic equipment to better facilitate food preparation and order processing. In fiscal 1994, the Company replaced two carryout units with new KFC restaurants in Milwaukee. The Company plans to build two or three new KFC's in late fiscal 1995.

Applebee's Neighborhood Grill & Bar Restaurants

The Company has the exclusive franchise rights to develop and operate Applebee's restaurants in the Chicago metropolitan area and surrounding counties and for substantially all of Wisconsin. The Applebee's restaurant system is franchised by Applebee's International, Inc., a publicly-held company headquartered in Kansas City, Missouri. A majority of the restaurants in the Applebee's system are operated by franchisees, such as the Company. The Company owns and operates 13 Applebee's, including four in the Milwaukee metropolitan area, two in Madison, Wisconsin, one in Appleton, Wisconsin, and six in the Chicago metropolitan area. During early fiscal 1995, the Company opened three new units, one in Green Bay, Wisconsin and two in Illinois. The Company has seven additional Applebee's in various stages of development in Wisconsin and in the Chicago metropolitan area. The Company plans to open a total of six to eight Applebee's in fiscal 1995.

Applebee's restaurants are local neighborhood establishments, with a comfortable and casual atmosphere appealing to all ages. Menu items consisting of beef, chicken, seafood and pasta entrees prepared in a variety of cuisines include traditional favorites and innovative dishes, in addition to a full range of appetizers and snack foods. The Company's Applebee's restaurants generally have about 35 to 40 tables and seat approximately 165 customers, with a centrally located bar.

Marc's Cafe and Coffee Mill Restaurants

The Company owns and operates 13 Marc's Cafe and Coffee Mill restaurants. Renovated from former Big Boy restaurants, the updated decor in each Marc's Cafe includes brass, greenery, rich upholstery and warm, relaxing colors. Local memorabilia decorate the walls for a hometown touch in each facility. Marc's Cafes are intended to provide customers with a casual, intimate atmosphere, with menus featuring, among other items, freshly-brewed specialty coffees, rotisserie chicken, beer and wine. Operating in a highly competitive segment of the restaurant industry, the Company continues to examine alternatives and refinements to this internally-developed restaurant concept.

Marc's Big Boy Restaurants/Big Boy Express

The Company operates four Marc's Big Boy restaurants and has non-exclusive franchise rights to operate restaurants under the "Big Boy" name in Wisconsin, Illinois and Iowa and exclusive rights in Minnesota. In response to changing consumer tastes and preferences, the Company has closed, sold or converted 54 of its former Big Boy restaurants over the last six years in order to focus on more promising locations and restaurant concepts. The Company expects to ultimately close or convert all of its remaining Marc's Big Boy locations as appropriate alternatives arise.

The Company operates two Big Boy Express double drive-thru, carryout restaurants in metropolitan Milwaukee, designed with a 1950s art deco motif. Intended as a test concept, Big Boy Express features outdoor patio seating and enclosed walk-up windows and serves the "Big Boy" doubledecker hamburger sandwich, other sandwiches, french fries and milkshakes. The Company continues to evaluate the potential long-term feasibility of this concept.

The Original Gino's East of Chicago Restaurants

In September 1993, the Company acquired exclusive franchise rights to operate Original Gino's East of Chicago restaurants in Wisconsin, Minnesota, Iowa and selected sights in Illinois. Gino's East specializes in Chicago-style (deep dish) pizza, together with pasta, salads, sandwiches and Italian cuisine. In fiscal 1994, the Company opened a Gino's East restaurant in Milwaukee.

Restaurant Franchise Agreements

The Company's restaurant franchise agreements impose various specifications as to the preparation of the franchised products as well as general operating procedures, including advertising, maintenance of records and protection of trademarks. Such agreements also provide, among other things, for inspection, counseling and advisory services by the franchisors.

The Company's KFC locations operate under individual franchise agreements ranging in terms from 10 to 20 years in length. Franchise fees approximate 4% of gross sales and, in addition, an initial flat fee of $20,000 is payable for each new KFC restaurant. The KFC franchise arrangement has been, and is expected to continue to be, material to the success of the Company's restaurant division.

The Company's Big Boy franchise agreement provides for payment of a franchise fee of 1% of gross sales. The Big Boy franchise is non-exclusive and continues in perpetuity, provided the Company complies with the conditions of the franchise agreement, which relate primarily to operating procedures and use of trademarks. The Company's exclusive franchise rights in Wisconsin, Illinois and Iowa terminated as of August 1, 1994 as a result of the Company not maintaining a specified minimum number of Big Boys in the franchise area. Given the Company's deemphasis of the Big Boy concept, the Company does not believe this change in its franchise rights impacts adversely its restaurant operations.

The Company's development agreements with the Applebee's franchisor for its Chicago and Wisconsin franchise territories require the Company, among other things, to build a specified number of Applebee's restaurants in each territory in accordance with a development timetable. The Applebee's franchisor charges an initial franchise fee of either $30,000 or $35,000 (depending on location) for each Applebee's restaurant developed. A royalty fee of 4% of monthly gross sales is payable to the franchisor. Additionally, as franchisee, the Company is required to pay an advertising fee to the franchisor for national advertising purposes and to spend certain amounts for local advertising. Applebee's franchise agreements have a term of 20 years and can be renewed for an additional 20 years.

The Company's franchise agreement with the Gino's East franchisor provides for an initial franchise fee of $25,000 for each Gino's East franchise opened. A royalty fee of between 3% and 7% of total gross sales is payable to the franchisor, depending upon individual franchise sales levels. The Company's master development agreement for Gino's East restaurants requires the Company, among other things, to open a specified number of Gino's East restaurants within the Company's franchised territory in accordance with a development schedule.

Each of the Company's restaurant franchisors, to varying degrees, specify certain product requirements and provide for certain approved suppliers of products and supplies in order to maintain the respective franchise's quality standards.

Theatre Operations

The Company operates 36 movie theatres with an aggregate of 189 screens in Wisconsin and northern Illinois. The Company's facilities include 32 automated multi-screen theatres, three single-screen theatres and one outdoor twin theatre. The Company's long-term growth strategy is to focus on multi-screen theatres, which typically vary in seating capacity from 150 to 450 seats per screen. Multi-plex theatres allow the Company to offer a diversified selection of films to attract additional customers, to shift movies to larger or smaller auditoriums within the same theatre depending on the popularity of the movie and to benefit from the economies of having common box office, concession, projection and lobby facilities. Virtually all of the Company's movie theatres feature exclusively first-run films.

The results of the Company's movie theatre business (and the movie

theatre industry in general) are largely dependent upon the box office appeal and marketing of available first-run films. Stimulated in large part 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 1981. Over 160 first-run films were released in fiscal 1994, including such box office hits as Mrs. Doubtfire, Philadelphia, Grumpy Old Men, Jurassic Park, The Firm, Schindler's List, Sleepless in Seattle, The Fugitive, In the Line of Fire and The Pelican Brief. In fiscal 1993, approximately 150 first-run films were released.

In fiscal 1994, the Company opened a new 10-plex theatre at Gurnee Mills, Illinois. Three theatres with a total of five screens were closed in fiscal 1994, two of which were sold; the Company also sold one of its outdoor theatres. Since the end of fiscal 1988, the number of screens in the Company's theatre circuit has grown by 49, representing a 35% increase. In fiscal 1995, the Company anticipates opening a new eight-plex theatre in Delafield, Wisconsin and adding up to 11 screens to existing theatres. The Company currently plans to add up to 33 additional screens in fiscal 1996, including additional theatres in Illinois, and to aggressively continue its expansion thereafter as appropriate opportunities arise.

The Company obtains its films from various national motion picture production and distribution companies, has never experienced difficulties in obtaining an adequate supply of available first-run films and is not dependent on any one motion picture supplier. Bookings, 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 DTS (digital sound) Dolby stereo sound systems; acoustical ceilings; side wall insulation; engineered drapery folds to eliminate sound imbalance, reverberation and distortion; tiled floors; loge seats; cup-holder chair-arms; and computer-controlled heating, air conditioning and ventilation. Computerized box offices permit most of the Company's movie theatres to sell tickets in advance and allow tracking of attendance by film title and time. Most of the Company's theatres are fully handicapped-accessible and provide wireless headphones, as well as some closed-captioned films, 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. In fiscal 1994, the Company introduced digital sound systems at seven of its screens in four of its theatres, with additional theatres scheduled to be upgraded to digital sound in fiscal 1995.

The Company sells refreshments and other concessions at all of its movie theatres. The Company believes a wide variety of food and refreshment items, properly merchandized, increases concession revenue per patron. Although popcorn still remains the traditional favorite with moviegoers, the Company continues to attempt 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, frozen yogurt, coffee, mineral water, juices and dessert.

Competition

All of the Company's business segments are highly competitive and there are other facilities in close proximity to many of the Company's facilities which compete directly with those of the Company. 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.

The Company's Budgetel Inns compete with such national economy 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 Hilton Hotels, Hyatt Corporation, Marriott Corporation, Ramada Inns, Holiday Inns and Wyndham Hotels. The Grand Geneva Resort & Spa and the Company's managed and operated hotels compete with other hotels, motels and resorts located in proximity to such facilities.

In the restaurant business, the Company's Marc's Big Boy, Marc's Cafe and Coffee Mill, Applebee's and Gino's East restaurants compete with national chains such as Denny's, Shoney's, Cracker Barrel, Perkin's, Red Lobster, TGI Friday's, Chili's and Olive Garden, among others, as well as smaller regionalized restaurant chains and individual restaurants. The Company's KFC restaurants compete locally with Hardee's, Popeye's and similar national, as well as regional, fast food chains and individual restaurants offering chicken.

The Company's movie theatres compete with national large movie theatre operators, such as United Artists, Cinemark and Carmike Cinemas, Inc., as well as with a wide array of smaller 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 in general by encouraging a significant increase in the number of first-run movies produced and released for initial movie theatre exhibition.

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 period (i.e., late spring through the July 4th holiday season) coincides with the typical summer seasonality of the movie theatre industry and the summer strength of the travel and food service aspects of the Company's business. However, the Company has been experiencing less seasonality in its theatre segment over the past several fiscal years due to the continued increased movie industry emphasis on producing films directed to more diverse and mature audiences.

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 1994, the Company had approximately 7,500 employees, a majority of whom were employed on a part-time basis. A majority of the Company's hotel employees in Milwaukee and Minneapolis 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 Marc Plaza Hotel and the Grand Geneva Resort and Spa, and leases the remainder. The Company also manages or operates three hotel properties. 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 or leased by the Company as of May 26, 1994 are summarized in the following table:

Operation	Total Number of Facilities in Operation	Owned(1)	Leased From Unrelated Parties	Leased From Related Parties	Managed for Related Parties	Managed for Unrelated Parties
Restaurants:						
Marc's Big Boy	4	3	1	0	0	0
Marc's Cafe and Coffee Mill	13	10	3	0	0	0
KFC	35	33	2	0	0	0
Applebee's	13	8	5	0	0	0
Big Boy Express	2	2	0	0	0	0
Gino's East	1	0	1	0	0	0
Movie Theatre Screens:						
Indoor	187	131	50	6	0	0
Outdoor	2	0	0	2	0	0
Hotels and Resorts						
Hotels	5	2	1	0	0	2
Resorts	1	1	0	0	0	0
Motels						
Budgetel	76	56	0	1	18	1
Woodfield Suites	1	1	0	0	0	0
TOTALS	340	247	63	9	18	3

<FN>

(1) One of the Marc's Cafe restaurants, three of the KFC restaurants, two of the Applebee's, 16 of the indoor movie theatre screens and one of the motels owned by the Company are on land leased from unrelated parties under long-term leases. The Company's partnership interests in 18 Budgetel Inns and six indoor movie theatre screens 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 1995.

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 1994 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 1994 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	59
Bruce J. Olson	Group Vice President	44
H. Fred Delmenhorst	Vice President-Human Resources	53
Kenneth A. MacKenzie	Chief Financial Officer, Treasurer and Controller	60
Thomas F. Kissinger	Secretary and Director of Legal Affairs	34

Stephen H. Marcus became Chairman of the Board of the Company in December 1991. He has been the President of the Company for more than the past five years. 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.

Bruce J. Olson has been employed in his present position with the Company since July 1991. 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.

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

Kenneth A. MacKenzie has been the Controller of the Company or its Marcus Restaurants, Inc. subsidiary since June 1979. He was elected Treasurer of the Company in September 1987 and Chief Financial Officer in June 1993.

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

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.

Last Sale Price Range of Common Stock*

First Quarter	Second Quarter	Third Quarter	Fourth Quarter

Fiscal Year Ended May 26, 1994

High	$24 1/4	$26 1/4	$29 1/4	$28 1/2
Low	$20 1/2	$23 1/4	$23 1/4	$25 3/4

Fiscal Year Ended May 27, 1993

High	$15 5/8	$17 3/4	$23 1/2	$26 3/4
Low	$11 1/2	$14 1/8	$16 1/4	$21 3/8

*The Company's Common Stock began trading on the New York Stock Exchange on December 14, 1993. Prior thereto, the Common Stock was quoted on the Nasdaq National Market.

On August 12, 1994, there were 1,749 shareholders of record for the Common Stock and 36 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 $.25 and $.23 per share in fiscal 1994 and 1993, respectively.

Item 6. Selected Financial Data.

	Fiscal Year					
	1994	1993	1992	1991	1990	1989
Operating Results (In Thousands)						
Revenues	$246,315	$214,018	$204,297	$188,008	$176,592	$166,710
Effective income tax rate	39.3%	39.1%	39.5%	38.4%	34.2%	34.5%
Net earnings	$ 22,829*	$ 16,482	$ 13,289	$ 11,618	$ 10,781	$ 10,042
Common Stock Data						
Net earnings per share	$ 1.74*	$ 1.42	$ 1.18	$ 1.02	$ .94	$ .87
Cash dividends per common share	$ 0.28	$ 0.26	$ 0.22	$ 0.20	$ 0.18	$ 0.17
Average shares outstanding (In Thousands)	13,107	11,648	11,255	11,364	11,484	11,537
Book value per share	$ 14.88	$ 13.40	$ 11.19	$ 10.22	$ 9.37	$ 8.61
Financial Position (Year-End) (In Thousands)						
Total assets	$361,606	$309,455	$274,394	$255,117	$230,789	$197,898
Long-term debt	107,681	78,995	100,032	96,183	85,563	64,163
Shareholders' equity	193,918	173,980	124,874	114,697	106,983	98,250
Capital expenditures	75,825	47,237	27,238	39,861	42,385	34,253
Financial Ratios						
Current ratio (year-end)	.67	.90	.73	.65	.91	.75
Return on revenues	9.3%	7.7%	6.5%	6.2%	6.1%	6.0%
Return on average shareholders' equity	12.4%	11.0%	11.1%	10.5%	10.5%	10.6%

	Fiscal Year				
	1988	1987	1986	1985	1984
Operating Results (In Thousands)					
Revenues	$162,393	$152,531	$141,202	$131,844	$126,720
Effective income tax rate	40.3%	45.4%	39.7%	41.8%	45.4%
Net earnings	$ 10,073	$ 8,078	$ 8,719	$ 8,215	$ 7,432
Common Stock Data					
Net earnings per share	$ .87	$ .70	$ .75	$ .71	$ .64
Cash dividends per common share	$ 0.15	$ 0.15	$ 0.13	$ 0.13	$ 0.11
Average shares outstanding (In Thousands)	11,576	11,576	11,543	11,552	11,613
Book value per share	$ 7.93	$ 7.20	$ 6.65	$ 6.04	$ 5.46
Financial Position (Year-End) (In Thousands)					
Total assets	$181,354	$167,289	$156,343	$122,170	$ 99,114
Long-term debt	56,635	55,255	52,316	31,537	18,225
Shareholders' equity	91,318	82,952	76,328	69,011	63,075
Capital expenditures	23,591	28,234	38,865	25,096	14,796
Financial Ratios					

Current ratio (year-end)	1.00	.94	1.13	1.09	1.07
Return on revenues	6.2%	5.3%	6.2%	6.2%	5.9%
Return on average shareholders' equity	11.6%	10.1%	12.0%	12.4%	12.5%

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* Includes one-time accounting change benefit of $1.8 million or $0.14 per share. See Item 7.

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

Results of Operations - General

The Marcus Corporation and its divisions report their consolidated results of operations on either a 52-or 53-week fiscal year. Both fiscal 1994 and fiscal 1993 were 52-week years for the Company and all of its divisions. Fiscal 1992 was a 53-week year for the motel, hotels and resort and restaurant divisions. Fiscal 1995 will be a 52-week fiscal year for the Company and all of its divisions.

Total consolidated revenues for fiscal 1994 were $246.3 million, an increase of $32.3 million, or 15.1%, compared to fiscal 1993 consolidated revenues of $214.0 million. Net earnings for fiscal 1994 were $22.8 million, or $1.74 per share. Net earnings increased $6.3 million, or 38.5%, over fiscal 1993 net earnings of $16.5 million, or $1.42 per share. Earnings per share in fiscal 1994 increased by a smaller percentage, 22.5%, than net earnings due to the effect on weighted average shares outstanding resulting from the 1,755,000 shares of Common Stock issued by the Company in its March 1993 public offering. Weighted average shares outstanding for fiscal 1994 were 13.1 million compared to 11.6 million for fiscal 1993. Fiscal 1994 earnings included a one-time $1.8 million tax benefit, or $0.14 per share, resulting from the Company's adoption of SFAS 109 "Accounting for Income Taxes." Excluding the tax benefit, fiscal 1994 earnings were $21.0 million, or $1.60 per share.

The Company's income tax expense for fiscal 1994 was $13.6 million, an increase of $3.0 million from fiscal 1993. The Company's effective tax rate for fiscal 1994 was 39.3% versus the prior year's 39.1%.

Inflation has not had a material impact on the Company's consolidated results of operation.

As a result of the substantial expansion of the Company's hotel and resort operations in fiscal 1994 and the increasingly different operating characteristics of the Company's hotels and resort from the Company's motels, the Company has commenced separate business segment reporting for its hotel and resort division and its motel division. All segment information has been retroactively restated to take into account the Company's change in segment reporting.

Motels

Fiscal 1994 Versus Fiscal 1993

Total revenues in fiscal 1994 for the motel division were $89.0 million, an increase of $8.4 million, or 10.4%, compared to fiscal 1993. The motel division's operating profits in fiscal 1994 totaled $26.0 million, an increase of $2.2 million, or 9.2%, over the division's fiscal 1993 operating profits of $23.8 million.

Occupancy and average daily room rates continued to increase at the Company's motels in fiscal 1994 principally as a result of improved economic conditions and an effective Budgetel advertising campaign. The Company's motel occupancy percentage increased by 1.4 percentage points in fiscal 1994 from fiscal 1993 and the average daily motel room rate increased by 4.0% in fiscal 1994 from 1993. The increased average

occupancy percentage and daily room rate contributed almost $3.8 million to the motel division's increased fiscal 1994 revenues.

At the close of fiscal 1994, there were 98 Budgetel Inns and one Woodfield Suites in operation, compared to 92 Budgetel Inns and one Woodfield Suites at 1993 fiscal year-end. Five new Company-owned Budgetel locations and one new franchised Budgetel location opened in fiscal 1994. Together, the six new facilities contributed additional revenues of $4.6 million and nominal operating profits in fiscal 1994.

The Company currently anticipates that up to seven additional Company-owned Budgetel Inns and two new Woodfield Suites will be opened during fiscal 1995, together with up to six new franchised Budgetel Inns.

Fiscal 1993 Versus Fiscal 1992

Total revenues for the motel division in fiscal 1993 were $80.6 million, an increase of $6.0 million, or 8.1%, compared to fiscal 1992. Operating profits for the motel division in fiscal 1993 totaled $23.8 million, an increase of $3.9 million, or 19.6%, over the division's fiscal 1992 operating profits of $19.9 million. The extra operating week in fiscal 1992 had an immaterial impact on the foregoing comparisons.

Theatres

Fiscal 1994 Versus Fiscal 1993

The theatre division's fiscal 1994 revenues were $51.4 million, an increase of $7.5 million, or 17.1%, over fiscal 1993. Operating profits for fiscal 1994 were $12.4 million, an increase of $2.7 million, or 28.1%, over fiscal 1993. At fiscal 1994 year-end, the Company operated 189 screens at 36 locations in Wisconsin and Illinois, compared to 184 screens at 38 locations at the end of fiscal 1993. Consistent with the Company's long-term strategic plan to focus on operating large multi-screen theatres, the Company opened its first Illinois location in fiscal 1994 at Gurnee Mills in metropolitan Chicago, sold a previously closed outdoor theatre, sold two indoor theatres having a total of three screens and closed one twin screen theatre. These theatre sales and closure resulted in a reduction of approximately $445,000 of revenues from fiscal 1993. The Company intends to add 19 screens during fiscal 1995, including a new eight-plex theatre in suburban Milwaukee and 11 screens to existing theatres.

Revenues of the theatre business are heavily dependent on the audience appeal of available films, a factor over which the Company has no control. In fiscal 1994, over 160 first-run films were released, including such box office hits as Jurassic Park, Mrs. Doubtfire, The Fugitive, Sleepless in Seattle, The Firm and Schindler's List. Each of these films produced box office receipts in excess of $1.0 million for the theatre division.

Total box office receipts in fiscal 1994 were $35.5 million, an increase of almost $5.0 million, or 16.2% from fiscal 1993. This increase can be attributed to a 7.4% increase in attendance and an 8.1% increase in the average ticket price. The increase in attendance was due principally to the abundance of high-quality popular films released in fiscal 1994 and the opening of the Gurnee Mills ten-plex theatre.

Vending revenues in fiscal 1994 were $13.6 million, an increase of $1.7 million, or 14.6%, over fiscal 1993, due to the increase in theatre attendance and the 6.4% increase in the average concession sales per person in fiscal 1994 from fiscal 1993.

Fiscal 1993 Versus Fiscal 1992

The theatre division's total fiscal 1993 revenues were $43.9 million, an increase of $921,000, or 2.1%, over fiscal 1992. Operating

profits for fiscal 1993 were $9.7 million, an increase of $530,000, or 5.8%, over fiscal 1992.

The Company opened six new screens in fiscal 1993. During fiscal 1993, the Company closed three theatres with a total of seven screens.

Hotels and Resort

Fiscal 1994 Versus Fiscal 1993

Total revenues from the Company's hotel and resort division in fiscal 1994 increased by $3.9 million, or 13.7%, to $32.4 million, over the previous fiscal year, while operating profits increased by $500,000, or 23.4%, to $2.6 million, over fiscal 1993. Fiscal 1994 occupancy rates at the Company's three continuing hotels increased by 5.8% and average room rates for the hotel division increased by 1.4% in fiscal 1994. The increase in occupancy and room rates contributed $1.2 million to the division's revenues in fiscal 1994. The remainder of the division's increase in revenues in fiscal 1994 was attributable principally to the opening of the Grand Geneva Resort & Spa and, to a significantly lesser extent, management fees derived from the partial year of operating the Company's two newly managed hotels during fiscal 1994.

As indicated above, during fiscal 1994, the hotel and resort division added three new properties totaling 735 rooms through the Company's July 1993 purchase of The Grand Geneva Resort & Spa and by entering into two hotel management contracts, one for the 226-room Crowne Plaza-Northstar in November 1993, and the other for the 154-room Mead Inn in February 1994. The Company intends to continue pursuing additional hotel and resort acquisitions and management contracts.

Fiscal 1993 Versus Fiscal 1992

Total revenues for the hotel and resort division in fiscal 1993 were $28.5 million, an increase of $400,000, or 1.4%, compared to fiscal 1992. Operating profits for the hotel and resort division in fiscal 1993 totaled $2.1 million, an increase of $286,000, or 15.6%, over the division's fiscal 1992 operating profits of $1.8 million. The hotel and resort division reported results for a 53-week year in fiscal 1992, with the additional week generating approximately $300,000 in added revenues and $100,000 in operating profits. Excluding the additional week in fiscal 1992, the division's revenue increase in fiscal 1993 was negligible over fiscal 1992, and the comparative operating profits increase was $386,000 or 22.3%.

Restaurants

Fiscal 1994 Versus Fiscal 1993

The restaurant division operates facilities under a number of different restaurant concepts and the Company is continually trying to position its restaurants in order to best respond to changing consumer tastes and preferences. These efforts include closing or selling less profitable locations, converting them into different concepts or remodeling them. The Company also actively considers developing or being the franchisee for new restaurant concepts. At the close of fiscal 1994, the Company operated 13 Applebee's Neighborhood Grill & Bars, 35 KFCs, 13 Marc's Cafe and Coffee Mills, four Marc's Big Boys, two Big Boy Expresses and one Original Gino's East of Chicago.

Restaurant division revenues totaled $71.1 million for fiscal 1994, an increase of $12.0 million, or 20.2%, from fiscal 1993. The revenue increase was due almost entirely to the Company's newly opened Applebee's and increasing customer counts and average check amounts at the Company's continuing Applebee's and KFC restaurants. The division's operating profits for fiscal 1994 were $2.2 million, an increase of $1.5 million, or 204.7%, from fiscal 1993. Fiscal 1994 operating profit

improvements were derived principally from improved same store sales at continuing Applebee's and cost savings realized from closing or selling a number of underperforming Big Boy restaurants during the last two fiscal years.

In fiscal 1994, the Company's continuing Applebee's restaurants achieved an 8.8% increase in same store sales and a 3.9% increase in guest counts. These factors contributed a $715,000 increase in the division's fiscal 1994 revenues.

Additionally, the Company opened two new Applebee's restaurants during fiscal 1994 in its metropolitan Chicago franchise market, together with one new restaurant and one expanded location in its Wisconsin franchise area. These new and expanded locations contributed $4.3 million in additional revenues in fiscal 1994, although start-up costs associated with the new restaurants resulted in a $278,000 reduction in the division's operating profits. In fiscal 1995, the Company plans to open six to eight new Applebee's restaurants.

KFC experienced an increase in guest counts, coupled with an increase in average check amounts, which resulted in a same store sales increase of 5.2%, or approximately $ 1.2 million, over fiscal 1993. During fiscal 1994, the Company's KFC restaurants introduced two new franchisor-sponsored products, The Colonel's Rotisserie Gold Chicken in the fall of 1993, and a new eight-piece fried chicken cut with larger breast pieces in May 1994. These new products contributed approximately $2 million in revenues in fiscal 1994. Additionally, the Company realized $288,000 in additional revenue during the year from the relocation of two KFC restaurants in Milwaukee. The Company plans to open two or three new KFCs late in fiscal 1995.

The Company continued to reduce its number of underperforming Marc's Big Boy restaurants by closing one Big Boy during fiscal 1994 and plans to ultimately close its remaining four Big Boy locations. The Big Boy closing, combined with the other Big Boy closings in fiscal 1993, resulted in a loss of $2.1 million of fiscal 1993 revenues, but had a positive impact of $340,000 on the division's fiscal 1994 operating profits.

The Marc's Cafe and Coffee Mill concept entered its second year in fiscal 1994, continuing its developmental process as customer counts and same store sales varied by location. On an aggregate basis, revenues and operating profits in fiscal 1994 from Marc's Cafes were flat compared to fiscal 1993. This family-oriented restaurant segment is highly competitive and the Company continues to examine alternatives and refinements to this restaurant concept in order to improve further the division's over-all results.

The Company continues to monitor closely the operating performance and consumer acceptance of its two Big Boy Express restaurant locations and its newly opened Gino's East of Chicago restaurant. These locations contributed nominally to the division's revenues in fiscal 1994 and experienced operating losses because of anticipated start-up expenses.

Fiscal 1993 Versus Fiscal 1992

Restaurant division revenues totaled $59.1 million for fiscal 1993, an increase of $3.0 million, or 5.4%, from fiscal 1992. The division's fiscal 1993 results were based on 52 weeks, versus 53 weeks in fiscal 1992. Excluding the additional week in fiscal 1992, revenues in fiscal 1993 increased approximately 6.3% from the prior year. The division's operating profits for fiscal 1993 were $723,000, an increase of $289,000, or 66.6%, from fiscal 1992 operating profits of $434,000. The operating profits from the additional week in fiscal 1992 were approximately $150,000.

Financial Condition

At the end of fiscal 1994, the Company's current ratio was .67, compared to .90 at the end of fiscal 1993. Given the cash nature of the Company's various businesses and the availability to the Company of $15 million in unused credit lines at fiscal 1994 year-end, the Company believes that the cash generated from its ongoing operations and available credit facilities are adequate to support the ongoing operational liquidity needs of the Company's businesses.

Net cash provided from operations increased $13.3 million in fiscal 1994 to $50.1 million compared to fiscal 1993. The increase resulted from increased net earnings, an increase in depreciation and amortization expense reflecting the Company's continuing facilities expansion and an increase in net liabilities resulting from differences in the timing of payments on accounts payable.

Investing activity increased $29.2 million to $74.8 million in fiscal 1994 primarily resulting from capital expenditures to support the Company's expansion. The most significant amount of capital spent by the Company during fiscal 1994 was on the renovation of the Grand Geneva Resort & Spa. The Grand Geneva renovation is expected to be completed by the fall of 1994. Other significant capital expenditures in fiscal 1994 were made in opening new motels, theatres and restaurants.

Principally as a result of funding a portion of the Company's fiscal 1994 facility expansions and renovations, the Company's total debt increased to $112.0 million at the close of fiscal 1994 compared to $89.0 million at the end of fiscal 1993. In addition to the incurrence of $23.7 million of new debt to finance expansion, approximately $41.0 million in debt was raised to refinance at reduced interest rates existing debt. The Company's debt- capitalization ratio at May 26, 1994 was .37 compared to .34 at May 27, 1993.

The Company is currently undertaking an aggressive five-year expansion plan which will impact all four of its business segments. The current aggregate estimated cost of these expansion plans is between $350 million and $400 million, with total estimated capital expenditures in fiscal 1995 (including normal continuing capital maintenance projects) expected to be almost $90 million. The Company's fiscal 1995 expansion plans are expected to be funded by cash generated from operations and up to $55 million in additional long-term 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 as of May 26, 1994 and May 27, 1993, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended May 26, 1994. 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 Marcus Corporation at May 26, 1994 and May 27, 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 26, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 6 to the consolidated financial statements, effective May 28, 1993, the Company changed its method of accounting for income taxes.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
July 22, 1994

THE MARCUS CORPORATION

CONSOLIDATED BALANCE SHEETS

	May 26, 1994	May 27, 1993
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,974	$ 15,839
Accounts and notes receivable (Note 2)	6,359	5,497
Receivables from joint ventures (Note 8)	7,983	10,372
Other current assets	3,049	1,674
Total current assets	27,365	33,382
PROPERTY AND EQUIPMENT, NET (Note 2)	321,871	267,841
OTHER ASSETS:		
Investments in joint ventures (Notes 7 and 8)	662	1,223
Other (Note 9)	11,708	7,009
Total other assets	12,370	8,232
Total assets	$361,606	$309,455
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable (Note 8)	$ 4,533	$ 5,017
Accounts payable	13,248	6,850
Income taxes	2,796	261
Taxes other than income taxes	7,307	7,319
Accrued compensation	1,448	1,554
Other accrued liabilities	6,978	5,706
Current maturities on long-term debt (Note 3)	4,357	10,503
Total current liabilities	40,667	37,210
LONG-TERM DEBT (Note 3)	107,681	78,995
DEFERRED INCOME TAXES (Note 6)	15,999	16,138

DEFERRED COMPENSATION AND OTHER (Note 5)	3,341	3,132
COMMITMENTS, LICENSE RIGHTS AND CONTINGENCIES (Note 7)		
SHAREHOLDERS' EQUITY (Note 4):		
Preferred Stock, $1 par; authorized 500,000 shares; none issued		
Common Stock:		
Common Stock, $1 par; authorized 20,000,000 shares; issued 7,365,987 shares in 1994 and 7,269,457 shares in 1993	7,366	7,269
Class B Common Stock, $1 par; authorized 9,000,000 shares; issued and outstanding 6,225,333 shares in 1994 and 6,321,863 shares in 1993	6,225	6,322
Capital in excess of par	44,745	44,557
Retained earnings	139,777	120,429
	198,113	178,577
Less cost of Common Stock in treasury (559,608 shares in 1994 and 604,117 shares in 1993)	4,195	4,597
Total shareholders' equity	193,918	173,980
Total liabilities and shareholders' equity	$361,606	$309,455

See accompanying notes.

THE MARCUS CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

THREE YEARS ENDED MAY 26, 1994

	May 26, 1994	May 27, 1993	May 28, 1992
	(In Thousands, Except Per Share Data)		
REVENUES:			
Rooms and telephone	$100,691	$ 91,332	$ 84,788
Food and beverage	81,948	69,225	66,517
Theatre operations	50,263	43,551	42,959
Other income	13,413	9,910	10,033
Total revenues	246,315	214,018	204,297
COSTS AND EXPENSES:			
Rooms and telephone	37,100	33,603	32,876
Food and beverage	64,241	54,565	52,896
Theatre operations	30,212	26,285	25,364
Administrative and selling	36,056	32,265	29,462
Depreciation and amortization	20,385	18,273	17,563
Rent (Note 7)	3,572	3,028	2,963
Property taxes	8,873	8,320	7,611

Other operating expenses	4,291	3,437	4,601
Interest	6,931	7,200	8,995
Total costs and expenses	211,661	186,976	182,331
EARNINGS BEFORE INCOME TAXES AND CHANGE IN ACCOUNTING PRINCIPLE	34,654	27,042	21,966
INCOME TAXES (Note 6)	13,607	10,560	8,677
EARNINGS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	21,047	16,482	13,289
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES (Note 6)	1,782	--	--
NET EARNINGS	$ 22,829	$ 16,482	$ 13,289
EARNINGS PER SHARE:			
EARNINGS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	$ 1.60	$ 1.42	$ 1.18
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	.14	--	--
NET EARNINGS	$ 1.74	$ 1.42	$ 1.18
WEIGHTED AVERAGE SHARES OUTSTANDING (Note 4)	13,107	11,648	11,255

See accompanying notes.

THE MARCUS CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

THREE YEARS ENDED MAY 26, 1994

	Common Stock	Class B Common Stock	Capital in Excess of Par	Retained Earnings	Treasury Stock
			(In Thousands)		
BALANCES AT MAY 30, 1991	$3,465	$4,427	$15,624	$ 95,723	$(4,542)
Cash dividends:					
$.20 per share Class B Common Stock	--	--	--	(1,328)	--
$.22 per share Common Stock	--	--	--	(1,009)	--
Exercise of stock options	--	--	9	--	118
Purchase of treasury stock	--	--	--	--	(1,126)
Savings and profit-sharing contribution	--	--	33	--	187
Reissuance of treasury stock	--	--	--	--	4
Conversions of Class B Common Stock	43	(43)	--	--	--
Net earnings for the year	--	--	--	13,289	--
BALANCES AT MAY 28, 1992	3,508	4,384	15,666	106,675	(5,359)
Cash dividends:					
$.23 per share Class B Common Stock	--	--	--	(1,203)	--
$.26 per share Common Stock	--	--	--	(1,525)	--
Three-for-two stock split	1,767	2,177	(3,944)	--	--
Secondary stock offering	1,755	--	32,856	--	--
Exercise of stock options	--	--	(226)	--	646
Purchase of treasury stock	--	--	--	--	(50)
Savings and profit-sharing					

contribution	--	--	203	--	163
Reissuance of treasury stock	--	--	2	--	3
Conversions of Class B Common Stock	239	(239)	--	--	--
Net earnings for the year	--	--	--	16,482	--
BALANCES AT MAY 27, 1993	7,269	6,322	44,557	120,429	(4,597)
Cash dividends:					
$.25 per share Class B Common Stock	--	--	--	(1,609)	--
$.28 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
Conversions 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)

See accompanying notes.

THE MARCUS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE YEARS ENDED MAY 26, 1994

	May 26, 1994	May 27, 1993	May 28, 1992
	(In Thousands)		
OPERATING ACTIVITIES			
Net earnings	$22,829	$16,482	$13,289
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings on investments in joint ventures	(533)	(641)	(444)
Loss (gain) on disposition of property and equipment	(1,539)	717	270
Depreciation and amortization	20,385	18,273	17,563
Deferred income taxes	1,643	1,580	671
Deferred compensation and other	901	211	359
Contribution of Company stock to savings and profit-sharing plan	384	366	220
Changes in assets and liabilities, net of effects from purchase of joint ventures (Note 8):			
Accounts and notes receivable	(862)	(166)	(635)
Other current assets	(1,375)	374	821
Accounts payable	6,398	(363)	2,071
Income taxes	2,535	(1,610)	(485)
Taxes other than income taxes	(12)	1,027	825
Accrued compensation	(106)	(734)	(139)
Other accrued liabilities	1,272	1,277	(1,353)
Total adjustments	29,091	20,311	19,744
Cumulative effect of change in accounting for income taxes (Note 6)	(1,782)	--	--
Net cash provided by operating activities	50,138	36,793	33,033
INVESTING ACTIVITIES			
Additions to property and equipment	(75,825)	(47,237)	(27,238)
Proceeds from disposals of property and equipment	3,349	1,782	3,298
Payment for purchase of interest in joint ventures, net of cash acquired	(692)	--	(50)
Net distributions from (investments in) joint ventures	841	--	(460)
Loan to affiliated hotel	(2,860)	--	--
Increase in other assets	(1,986)	(126)	(3,413)
Cash received from (advanced to) joint			

ventures	2,389	(24)	3,064
Net cash used in investing activities	(74,784)	(45,605)	(24,799)
FINANCING ACTIVITIES			
Debt transactions:			
Proceeds from issuance of long-term debt	64,650	3,695	6,771
Principal payments on notes payable and long-term debt	(42,594)	(19,401)	(10,976)
Equity transactions:			
Proceeds from secondary stock offering	--	34,611	--
Treasury stock transactions, except for stock options	(145)	(45)	(1,122)
Exercise of stock options	351	420	127
Cash dividends paid	(3,481)	(2,728)	(2,337)
Net cash provided by (used in) financing activities	18,781	16,552	(7,537)
Net increase (decrease) in cash and cash equivalents	(5,865)	7,740	697
Cash and cash equivalents at beginning of year	15,839	8,099	7,402
Cash and cash equivalents at end of year	$ 9,974	$15,839	$ 8,099

See accompanying notes.

THE MARCUS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 26, 1994

1. Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of The Marcus Corporation and all of its subsidiaries (the Company). Investments in 50%-owned affiliates for which the Company has the ability to exercise significant influence 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.

Cash Equivalents - The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Inventories - Inventories, consisting principally of food and beverages, are stated at average cost or at first-in, first-out cost.

Preopening Costs - Costs pertaining to new or remodeled motels and certain restaurant concepts are charged to operations over 12 months. Similar expenses incurred in connection with the opening and remodeling of theatres and all other restaurants are charged to operations at the time of opening. Costs incurred in connection with the opening of the Grand Geneva Resort have been capitalized and will be charged to operations over three years.

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

Years

Land improvements	10	33
Buildings and improvements	10	33
Leasehold improvements	3	33
Furniture, fixtures and equipment	3	15

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 on borrowed funds during construction periods by adding such interest to the cost of property and equipment. Interest of approximately $726,000, $314,000 and $177,000 was capitalized in fiscal 1994, 1993 and 1992, respectively.

2. Additional Balance Sheet Information

The composition of accounts and notes receivable is as follows:

	May 26, 1994	May 27, 1993
	(In Thousands)	
Trade receivables	$2,720	$ 2,336
Notes receivable	1,603	2,011
Other receivables	2,036	1,150
	$6,359	$5,497

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

	May 26, 1994	May 27, 1993
	(In Thousands)	
Land and improvements	$ 49,618	$ 41,919
Buildings and improvements	231,905	209,891
Leasehold improvements	7,565	8,150
Furniture, fixtures and equipment	118,123	103,935
Construction in progress	37,302	13,174
Total property and equipment	444,513	377,069
Less accumulated depreciation and amortization	122,642	109,228
	$321,871	$267,841

3. Long-Term Debt

Long-term debt is summarized as follows:

	May 26, 1994	May 27, 1993
	(In Thousands)	
Mortgage notes due to 2006	$ 13,130	$32,889
Senior notes, unsecured, due 2005 at 10.22%	28,773	30,000
Industrial Development Revenue Bonds due to 2006	10,135	14,903
Unsecured term notes	60,000	--
Commercial paper	--	8,606
Revolving credit agreement	--	3,100
	112,038	89,498
Less current maturities	4,357	10,503
	$107,681	$78,995

Substantially all of the mortgage notes, both fixed rate and adjustable, bear interest from 6% to 9% at May 26, 1994. Adjustable rate Industrial Development Revenue Bonds ($5,745,000 at May 26, 1994) bear interest at 76.5% of prime plus 1%, or are adjustable based on high quality tax-exempt obligation rates. The Company's remaining Industrial Development Revenue Bonds bear interest at approximately 8.8%.

The mortgage notes and the Industrial Development Revenue Bonds are secured by land, buildings and equipment with a cost of approximately $33,580,000 and a net book value of $21,544,000 at May 26, 1994.

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

	May 26, 1994 (In thousands)
Note due May 31, 2004, with quarterly principal payments of $781,250 due beginning May 31, 1996. The variable interest rate is based on the LIBOR rate with an effective rate of 5.375% at May 26, 1994.	$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 4.38% at May 26, 1994.	20,000
Note due November 1, 2000, with quarterly principal payments of $750,000 due beginning January 1, 1996. The variable interest rate is based on the LIBOR rate with an effective rate of 4.6875% at May 26, 1994.	15,000
	$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 26, 1994, the Company had $15,000,000 of unused credit lines available under various bank revolving credit agreements. There is an annual commitment fee of .25% of the unused portion of $10,000,000 of these commitments.

Scheduled annual principal payments on long-term debt for the five years subsequent to May 26, 1994, are:

Fiscal Year	(In Thousands)
1995	$ 4,357
1996	8,559
1997	9,566
1998	15,710
1999	11,890

Interest paid, net of amounts capitalized, in 1994, 1993 and 1992 totaled $7,266,000, $7,277,000 and $9,205,000, respectively.

The Company has entered into interest rate swap agreements on a notional amount aggregating $30,000,000. Two of the swap agreements covering $15,000,000 expire June 30, 1995, and require the Company to pay interest at defined variable rates (3.50% and 5.25%) and receive interest at defined fixed rates (4.13% and 4.57%). The remaining swap agreement covering $15,000,000 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 LIBOR. The Company recorded expense related to these swap agreements in 1994 totaling $94,000. The accompanying

consolidated balance sheet at May 26, 1994, does not reflect the fair market value of these swap agreements which totals approximately $680,000.

4. 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 6, 1992, to all holders of Common and Class B Common Stock. All per share, weighted average shares outstanding and stock option data prior to November 6, 1992, 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 562,500 shares of Common Stock under 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 26, 1994, there were 147,255 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 26, 1994, are summarized as follows:

	Price Range	Number of Shares
Outstanding at May 30, 1991	$ 7.00 - $ 9.67	226,500
Exercised	$ 7.00 - $ 9.67	(14,865)
Canceled	$ 7.00 - $ 9.67	(46,860)
Outstanding at May 28, 1992	$ 7.00 - $ 9.67	164,775
Granted	$15.00	119,550
Exercised	$ 7.00 - $ 9.67	(64,080)
Canceled	$ 7.00 - $ 9.67	(7,080)
Outstanding at May 27, 1993	$ 7.00 - $15.00	213,165
Granted	$ 20.75 - $27.00	140,850
Exercised	$ 7.00 - $15.00	(32,085)
Canceled	$ 7.00 - $15.00	(28,215)
Outstanding at May 26, 1994	$ 7.00 - $27.00	293,715
Shares exercisable at May 26, 1994	$ 7.00 - $ 7.67	24,300

The Company's Board of Directors has approved the repurchase of up to 750,000 shares of Common Stock to be held in treasury. The Company intends to reissue these shares upon the exercise of stock options. The Company purchased 6,167; 3,451 and 100,535 shares pursuant to this plan during 1994, 1993 and 1992, respectively. At May 26, 1994, there were 236,538 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 26, 1994, retained earnings of approximately $56,107,000 were unrestricted.

5. 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 operates unfunded nonqualified defined benefit and deferred compensation plans. Pension and profit-sharing expense for all plans was $1,138,000, $902,000 and $789,000 for 1994, 1993 and 1992, respectively.

6. Income Taxes

Income tax expense consists of the following:

	Year Ended		
	May 26, 1994	May 27, 1993	May 28, 1992
	(In Thousands)		
Currently payable:			
Federal, after jobs tax credits of $300,000, $250,000 and $350,000, respectively	$ 9,470	$ 7,068	$6,176
State	2,494	1,912	1,830
Deferred	1,643	1,580	671
	$13,607	$10,560	$8,677

Effective May 28, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS No. 109). SFAS No. 109 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 $.14 per share, which amount represents the net change in its deferred income tax assets and liabilities at that date. Such amount has been reflected in the consolidated statement of earnings as the cumulative effect of change in accounting for income taxes.

The components of the net deferred tax liability as of May 26, 1994, were as follows (in thousands):

Deferred tax assets:	
Tax credit carryforwards	$ 921
Accrued employee benefits	604
Other accrued liabilities	203
Total deferred assets	1,728
Deferred tax liability - Depreciation and amortization	17,727
Net deferred tax liability included in balance sheet	$15,999

Deferred income taxes in 1993 and 1992 also related principally to differences between financial and tax reporting of depreciation and amortization.

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

	Year ended		
	May 26, 1994	May 27, 1993	May 28, 1992
Expected tax expense:	35.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	5.3	5.3	5.2
Jobs tax credits	(.6)	(0.9)	(1.6)
Other	(.4)	0.7	1.9
	39.3%	39.1%	39.5%

Income taxes paid in 1994, 1993 and 1992 totaled $9,445,000, $10,610,000 and $8,502,000, respectively.

7. 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 operating leases was as follows:

	Year ended		
	May 26, 1994	May 27, 1993	May 28, 1992
	(In Thousands)		
Fixed minimum rentals	$2,519	$2,208	$1,986
Percentage rentals	1,218	1,012	1,016
Sublease rental income	(165)	(192)	(39)
	$3,572	$3,028	$2,963

Payments to affiliated parties for operating lease obligations were approximately $390,000, $491,000 and $460,000 in 1994, 1993 and 1992, respectively.

Aggregate minimum rental commitments at May 26, 1994, are as follows:

Fiscal Year	Operating Leases (In Thousands)
1995	$ 1,669
1996	1,450
1997	1,298
1998	1,089
1999	1,041
After 1999	10,994
	$17,541

Included in the above commitments is $1,675,000 in minimum rental commitments to affiliated parties.

Construction Commitments - The Company has commitments for the completion of construction at various properties totaling approximately $14,582,000 at May 26, 1994.

License Rights - The Company owns the license rights in certain areas to operate a number of its restaurants and to sell products using the Applebee s, Big Boy, Original Gino s East of Chicago and Kentucky Fried Chicken trademarks. Under the terms of the licenses, the Company is obligated to pay fees based on defined gross sales. Three of these

licenses also require the Company to pay an additional fee for each new location established.

Contingencies - The Company is contingently liable for debt guarantees of joint ventures totaling approximately $6,958,000 at May 26, 1994.

8. Joint Venture Transactions

At May 26, 1994 and May 27, 1993, the Company held investments of $662,000 and $1,223,000, respectively, in various approximately 50%-owned affiliates (joint ventures) which are accounted for under the equity method. In fiscal 1992, the Company paid $50,000 (net of $750,000 cash acquired in the purchase) to acquire complete ownership of four previously partially owned joint ventures. In connection with the acquisitions (which were accounted for using the purchase method) and consolidation of joint ventures, the assets acquired and liabilities assumed were as follows:

	(In Thousands)
Fair value of assets acquired	$15,354
Net cash paid for joint ventures	(50)
Liabilities assumed	$15,304

The Company has receivables from the joint ventures of $7,983,000 and $10,372,000 at May 26, 1994 and May 27, 1993, respectively. The Company earns interest on $7,373,000 and $9,702,000 of the receivables at approximately prime to prime plus 1.5%.

Included in notes payable at May 26, 1994 and May 27, 1993, is $1,223,000 and $1,735,000, 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.

9. Business Segment Information

The Company operates principally in four business segments: Restaurants, Theatres, Hotels/Resorts and Motels. Prior to 1994, the Company reported in three business segments. However, due to the expansion of the hotel operations and the increasingly different operating characteristics of the hotel division from the motel division, the Company has commenced separate business segment reporting in 1994 for the hotel and motel divisions, resulting in four segments. All prior year segment information has been restated to reflect this change. Following is a summary of business segment information for 1992 through 1994:

	Restaurants	Theatres	Hotels/ Resorts	Motels	Corporate Items	Total
			(In Thousands)			
1994						
Revenues	$71,108	$51,389	$32,391	$ 88,973	$ 2,454	$246,315
Operating profit (loss)	2,203	12,378	2,611	25,971	(8,509)	34,654
Depreciation and amortization	3,112	2,519	3,030	11,246	478	20,385
Assets	51,896	47,244	45,787	182,174	34,505	361,606
Capital expenditures	8,165	2,791	19,403	31,884	13,582	75,825
1993						
Revenues	$59,138	$43,880	$28,485	$ 80,596	$ 1,919	$214,018
Operating profit (loss)	723	9,660	2,116	23,775	(9,232)	27,042
Depreciation and amortization	2,503	2,463	2,572	10,224	511	18,273
Assets	46,282	36,898	24,041	166,193	36,041	309,455
Capital expenditures	12,451	4,282	6,358	22,536	1,610	47,237

1992						
Revenues	$56,110	$42,959	$28,101	$ 74,575	$ 2,552	$204,297
Operating profit (loss)	434	9,130	1,830	19,874	(9,302)	21,966
Depreciation and amortization	2,426	2,497	2,819	9,150	671	17,563
Assets	35,800	35,994	21,747	154,578	26,275	274,394
Capital expenditures	5,702	5,540	910	14,897	189	27,238

Corporate items include amounts not allocable to the business segments. Corporate revenues consist principally of earnings on cash equivalents and operating profit includes earnings on cash equivalents less interest expense and general corporate expenses. Corporate assets primarily include cash and cash equivalents, notes receivable, receivables from joint ventures and land held for development.

The 1992 results of operations for the Restaurants, Hotels/Resorts and Motels segments include 53 weeks. All other periods include 52 weeks.

During 1994, the Company entered into contracts to manage two hotel properties. The Company also loaned $2,860,000 to one of these hotels which bears interest at the prime rate plus 1% and matures December 31, 2008.

Supplementary Quarterly Consolidated Financial Data
(Unaudited, dollars in thousands, except per share data)

Fiscal 1994	12 Weeks Ended August 19, 1993	12 Weeks Ended November 11, 1993	12 Weeks Ended February 3, 1994	16 Weeks Ended May 26, 1994
Revenues	$64,746	$55,459	$51,753	$74,357
Gross profit	31,280	25,587	21,206	32,398
Net earnings	9,577	4,494	2,223	6,535
Net earnings per share	$ 0.73	$ 0.34	$ 0.17	$ 0.50

Fiscal 1993	12 Weeks Ended August 20, 1992	12 Weeks Ended November 12, 1992	12 Weeks Ended February 4, 1993	16 Weeks Ended May 27, 1993
Revenues	$54,063	$47,299	$46,312	$66,344
Gross profit	26,234	22,052	18,666	29,176
Net earnings	5,808	3,525	1,620	5,529
Net earnings per share	$ 0.51	$ 0.31	$ 0.14	$ 0.44

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Company.

The information required by this item with respect to directors is incorporated herein by reference to the information pertaining thereto set forth under the caption entitled "Election of Directors" in the 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.

(a) The following documents are filed, and incorporated by reference herein, as a part of this report:

	Form 10-K Page Reference
1. Financial Statement Schedules.	
Independent Auditors' Report - Ernst & Young LLP (incorporated by reference from Exhibit 23.1)	N/A
Schedule II - Amounts Receivable from Related Parties and Underwriters, Promoters and Employees other than Related Parties	F-1
Schedule V - Property, Plant and Equipment	F-2
Schedule VI - Accumulated Depreciation and Amortization of Property, Plant and Equipment	F-3
Schedule IX - Short-Term Borrowings	F-4
Schedule X - Supplementary Income Statement Information	F-5

All other 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) No reports on Form 8-K were required to be filed by the Company during the fourth quarter of fiscal 1994.

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* Exhibits to this Form 10-K will be furnished to shareholders upon advance payment of a fee of $0.20 per page, plus mailing expenses. Requests for copies should be addressed to Thomas F. Kissinger, 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 24, 1994

By: /s/ Stephen H. Marcus
Stephen H. Marcus,
Chairman of the Board and President

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

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

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

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

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

By: /s/ Ben Marcus
Ben Marcus, 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

THE MARCUS CORPORATION - FORM 10-K FOR YEAR-ENDED MAY 26, 1994
SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES
THREE YEARS ENDED MAY 26, 1994

(Dollars in thousands)

Name of Debtor 1992	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Balance at End of Year
Dave Lucas (1)	$163	$ 30	$ 13	--	$180
Michael Kominsky	103	--	2	--	101

Richard Slayton	203	30	27	--	207
Total	$469	$ 60	$ 42	--	$488
1993					
Dave Lucas (1)	$180	$ 30	$ 87	--	$123
Michael Kominski	101	--	101	--	--
Richard Slayton	207	30	89	--	148
Daniel Kite (2)	--	298	--	--	298
Total	$488	$358	$277	--	$569
1994					
Dave Lucas (1)	$123	$ 30	$ 23	--	$130
Michael Kominsky	148	--	148	--	--
Daniel Kite (2)	298	--	--	--	298
Total	$569	$30	$171	$--	$428

<FN>

(1) Amounts receivable are due on demand. Interest rate is prime.

(2) Amounts receivable are due on demand from a partnership in which Mr. Kite is a general partner. Interest rate is prime plus 1/2%. Secured by mortgage on real property.

THE MARCUS CORPORATION - FORM 10-K FOR YEAR-ENDED MAY 26, 1994
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
THREE YEARS ENDED MAY 26, 1994

(Dollars in thousands)

	Land and Improvements	Land Held for Development	Buildings and Improvements	Capital Leases-Buildings	Leasehold Improvements	Furniture, Fixtures and Equipment	Construction in Progress	Total
BALANCE, MAY 30, 1991	$28,975	$ 2,484	$176,882	$ 4,122	$ 8,456	$ 91,680	$ 2,043	$314,642
Additions at cost	2,117	---	11,391	---	899	10,933	1,898	27,238
Additions, through acquisition of joint ventures	2,898	---	8,565	---	---	3,070	---	14,533
Retirements	(486)	---	(3,067)	---	(892)	(8,239)	(200)	(12,884)
Reclassifications	2,484	(2,484)	1,572	---	(391)	657	(1,838)	---
BALANCE, MAY 28, 1992	35,988	---	195,343	4,122	8,072	98,101	1,903	343,529
Additions at cost	6,147	---	12,529	---	1,697	13,949	12,915	47,237
Retirements	(216)	---	(1,391)	(1,223)	(1,698)	(9,169)	---	(13,697)
Reclassifications	---	---	3,253	(2,742)	79	1,054	(1,644)	---
BALANCE, MAY 27, 1993	41,919	---	209,734	157	8,150	103,935	13,174	377,069
Additions at cost	7,854	---	17,942	---	901	13,616	35,512	75,825
Retirements	(808)	---	(1,003)	(157)	(607)	(5,790)	(16)	(8,381)
Reclassifications	653	---	5,232	---	(879)	6,362	(11,368)	---
BALANCE, MAY 26, 1994	$49,618	$ ---	$231,905	$ ---	$ 7,565	$118,123	$37,302	$444,513

THE MARCUS CORPORATION - FORM 10-K FOR YEAR-ENDED MAY 26, 1994
SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT
THREE YEARS ENDED MAY 26, 1994

(Dollars in thousands)

	Buildings and Improvements	Capital Leases - Buildings	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
BALANCE, MAY 30, 1991	$43,859	$ 1,788	$ 3,619	$44,831	$ 94,097

Additions charged to costs and expenses	6,966	125	462	9,924	17,477
Reclassifications	(201)	---	201	---	---
Retirements	(1,874)	---	(729)	(6,713)	(9,316)
BALANCE, MAY 28, 1992	48,750	1,913	3,553	48,042	102,258
Additions charged to costs and expenses	7,129	50	441	10,548	18,168
Reclassifications	49	---	(4)	(45)	---
Retirements	(228)	(1,807)	(789)	(8,374)	(11,198)
BALANCE, MAY 31, 1993	55,700	156	3,201	50,171	109,228
Additions charged to costs and expenses	7,828	---	695	11,759	20,282
Reclassifications	(682)	---	881	(199)	---
Retirements	---	(156)	(221)	(6,491)	(6,868)
BALANCE, MAY 26, 1994	$62,846	$ ---	$ 4,556	$55,240	$122,642

THE MARCUS CORPORATION - FORM 10-K FOR YEAR-ENDED MAY 26, 1994
SCHEDULE IX - SHORT-TERM BORROWINGS
THREE YEARS ENDED MAY 26, 1994

(Dollars in thousands)

Payable to Holders of Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period(B)
MAY 26, 1994: Commercial paper	---	---	$10,838	$ 2,494(A)	3.5%
MAY 27, 1993: Commercial paper	$8,606(C)	3.4%	$16,526	$8,111(A)	3.8%
MAY 28, 1992: Commercial paper	$16,526(C)	4.3%	$16,526	$7,920(A)	5.2%
Revolving credit agreements	--	--	6,000	4,418(D)	6.8%

<FN>

(A) Average amount outstanding during the period is computed by dividing the total of the daily outstanding principal balance by 365.

(B) Weighted average interest rate for the year is computed by dividing the actual short-term interest expense by the average short-term debt outstanding during the period prorated for the period outstanding.

(C) The Company has the ability to replace commercial paper borrowings and the revolving credit agreements with borrowings under a long-term revolving credit agreement. Accordingly, the Company has classified the outstanding commercial paper and revolving credit agreement borrowings as long-term debt.

(D) Average amount outstanding during the period is computed by dividing the total of the daily outstanding principal balance by 96 (beginning of the fiscal year through final payment on the revolving credit agreement on September 3, 1991).

THE MARCUS CORPORATION - FORM 10-K FOR YEAR-ENDED MAY 26, 1994
SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT
INFORMATION THREE YEARS ENDED MAY 26, 1994

(Dollars in thousands)

	1994	1993	1992
Maintenance and repairs	$10,980	$9,884	$8,804
Taxes, other than payroll and income taxes	8,570	8,067	7,690

Advertising costs	13,172	11,037	10,344

Amounts for amortization of intangible assets and royalties are not presented as such amounts are less than 1% of revenues.

EXHIBIT INDEX

		Sequential Page No.
3.1	Articles of Incorporation. [Incorporated by reference to Exhibit 3.1 to the Company's Form S-3 Registration Statement (No. 33-57468).]	N/A
3.2	Bylaws.	53
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 From 10-K for the fiscal year ended May 31, 1990.]	N/A
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.	N/A
10.1	Franchise Contract dated August 29, 1958 between Big Boy Franchises, Inc. and Marc's Big Boy Corporation. [Incorporated by reference to Exhibit 13.5 to the Company's Registration Statement on Form S-1 (Reg. No. 2-45091).]	N/A
10.2	Franchise Contract dated November 20, 1959 between Big Boy Franchises, Inc. and Marc's Big Boy Corporation. [Incorporated by reference to Exhibit 13.6 to the Company's Registration Statement on Form S-1 (Reg. No. 2-45091).]	N/A
10.3	Franchise Contract dated November 20, 1959 between Big Boy Franchises, Inc. and Marc's Big Boy Corporation. [Incorporated by reference to Exhibit 13.7 to the Company's Registration Statement on Form S-1 (Reg. No. 2-45091).]	N/A
10.4	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	N/A

	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.	
*10.5	1987 Stock Option Plan. [Incorporated by reference to Exhibit A to the Company's Proxy Statement for its Annual Meeting of Shareholders held on September 29, 1987.]	N/A
*10.6	Form of Incentive Stock Option Agreement used in connection with 1987 stock option plan. [Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Reg. No. 33-21060).]	N/A
*10.7	Form of Nonstatutory Stock Option Agreement used in connection with 1987 Stock Option Plan. [Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (Reg. No. 33-21060).]	N/A
10.8	Form of Addendum dated March 6, 1985 to Big Boy Franchise Contracts listed as Exhibits 10.2, 10.3 and 10.4 between the Company and Marriott Corporation. [Incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended May 29, 1986.]	N/A
10.9	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.]	N/A
10.10	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.]	N/A
10.11	Standard Form - Applebee's Neighborhood Grill & Bar Development Agreement for Chicago, Illinois A.D.I. dated April 8, 1994 between Marcus Restaurants, Inc. and Applebee's International, Inc.	76
10.12	Standard Form - Applebee's Neighborhood Grill & Bar Development Agreement for Milwaukee, Wisconsin, Madison, Wisconsin, La Crosse-Eau Claire, Wisconsin, Wausau-Rhinelander, Wisconsin and Green Bay-Appleton, Wisconsin A.D.I.s dated December 29, 1989 between Marcus Restaurants, Inc. and Applebee's International, Inc. [Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1990.]	N/A
10.13	Amendment to Applebee's Neighborhood Grill & Bar Development Agreement for Milwaukee,	N/A

	Madison, LaCrosse-Eau Claire, Wausau-Rhinelander and Green Bay-Appleton, Wisconsin A.D.I.s dated April 8, 1993 between Marcus Restaurants, Inc. and Applebee's International, Inc. [Incorporated by reference to Exhibit 10.14 to the Company's Form 10-K Annual Report for the year ended May 27, 1993.]	
10.14	Area Development Agreement dated September 27, 1993 between Gino's East Restaurant Corp. and Marcus Restaurants, Inc. for the State of Wisconsin Development Area. [Incorporated by reference to Exhibit 10.16 to the Company's Form 10-Q/A for its fiscal quarter ended August 19, 1993.] [Marcus Restaurants, Inc. is a party to Area Development Agreements dated September 27, 1993 with Gino's East Restaurant Corp. for the State of Iowa Development Area and State of Minnesota Development Area, respectively, each of which Area Development Agreements are substantially identical in all material respects with the Area Development Agreement incorporated by reference herein, except with respect to the designated market area and applicable restaurant development schedules. Such other Area Development Agreements are not being filed or incorporated by reference herein, but a copy thereof will be provided to the Commission upon request.]	N/A
10.15	Master Development Agreement dated September 27, 1993 between Gino's East Restaurant Corp. and Marcus Restaurants, Inc. [Incorporated by reference to Exhibit 10.17 to the Company's Form 10-Q/A for its fiscal quarter ended August 19, 1993.]	N/A
10.16	Form of Gino's East Restaurant Corp. Franchise Agreement between Gino's East Restaurant Corp. and Marcus Restaurants, Inc. [Incorporated by reference to Exhibit 10.18 to the Company's Form 10-Q/A for its fiscal quarter ended August 19, 1993.]	N/A
21	Subsidiaries of the Company as of May 26, 1994.	186
23.1	Consent of Ernst & Young LLP.	188
99	Proxy Statement for Annual Meeting of Shareholders scheduled to be held on September 30, 1994. (To be filed with the Securities and Exchange Commission under Regulation 14A within 120 days of May 26, 1994 and, upon such filing, to be hereby incorporated by reference herein to the extent indicated).	N/A

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

Exhibit 3.2

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.

3.02. 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.

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 depositaries 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 then elected and serving Board of Directors of the Corporation, including all members thereof 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; 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.

Exhibit 10.11

STANDARD FORM

APPLEBEE'S NEIGHBORHOOD GRILL & BAR

DEVELOPMENT AGREEMENT

MARCUS RESTAURANTS, INC.

APRIL 8, 1994

A PORTION OF THE CHICAGO, ILLINOIS A.D.I.

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DEVELOPMENT AGREEMENT

This Agreement is made this _____ day of _____, 19_____, by and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation ("FRANCHISOR"), MARCUS RESTAURANTS, INC., a Wisconsin corporation ("DEVELOPER") and N/A (collectively, the "PRINCIPAL SHAREHOLDERS" and, individually, a "PRINCIPAL SHAREHOLDER" of Developer).

WITNESSETH:

RECITALS

A. Franchisor has acquired rights to develop and operate a unique system of restaurants which specialize in the sale of high quality, moderately priced food and alcoholic beverages in an attractive, casual setting, which include proprietary rights in certain valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs, decor and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, a training facility and teaching techniques (the "System").

B. Franchisor has determined to establish, through its own development and operation, and through the granting of franchises, a chain of Applebee's Neighborhood Grill & Bar restaurants which are distinctive; which are similar in appearance, design and decor; and which are uniform in operation and product consistency.

C. The value of Franchisor's trade names, service marks and trademarks is based upon: (1) the maintenance of uniform high quality standards in connection with the preparation and sale of Franchisor-approved food and beverage products, (2) the uniform high standards of appearance of the individual restaurant units in the System, (3) the use of distinctive trademarks, service marks, building designs and advertising signs representing a uniformly high quality of product and services, and (4) the assumption by Franchisor and its franchisees of the obligation to maintain and enhance the goodwill and public acceptance of the System (and of Franchisor's trade names, service marks and trademarks) by strict adherence to the high standards required by Franchisor.

D. Developer desires to obtain the exclusive right to develop restaurant units franchised by Franchisor within the geographic area specified in Appendix A hereto ("Territory"), for the period specified in Subsection 1.1, pursuant to the terms, conditions and provisions which are set forth in this Agreement.

NOW, THEREFORE, in consideration of Franchisor granting to Developer the exclusive right to develop restaurant units franchised by Franchisor which employ the System ("Restaurants") in the Territory for such period, and in consideration of the mutual obligations which are provided for herein, it is hereby agreed as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1 Franchisor grants Developer the exclusive right to develop Restaurants only in the Territory for a period commencing on the date hereof and expiring on November 27, 2009, unless sooner terminated as hereinafter provided. Developer has no rights under this Agreement to develop Restaurants outside of the Territory.

1.2 During the term of this Agreement, Franchisor shall not operate a restaurant utilizing the System or license any other person to operate a restaurant utilizing the System in the Territory.

1.3 After this Agreement expires or is terminated, Franchisor shall have the complete and unrestricted right to operate or license other persons to operate a restaurant utilizing the System in the Territory.

2. INITIAL DEVELOPMENT SCHEDULE

2.1 Developer shall develop a total of ten (10)* Restaurants franchised by Franchisor in the Territory during the period commencing on the date hereof and expiring on December 31, 1997, in accordance with the following development schedule:

*This figure does not include eight (8) Restaurants located in the Territory for which franchise agreements have been previously issued, the locations of said Restaurants being more specifically described on Schedule 1, attached hereto and incorporated herein by reference.

(a) During the first Initial Development Period under this Agreement, Developer shall develop at least two (2) Restaurants within the Territory, each of which shall be open for operation and doing business on December 31, 1994 (the end of the first Initial Development Period under this Agreement).

(b) During the second Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of three (3) such Restaurants developed by Developer which are open for operation and doing business on June 30, 1995 (the end of the second Initial Development Period under this Agreement).

(c) During the third Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of four (4) such Restaurants developed by Developer which are open for operation and doing business on September 30, 1995 (the end of the third Initial Development Period under this Agreement).

(d) During the fourth Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of five (5) such Restaurants developed by Developer which are open for operation and doing business on December 31, 1995 (the end of the fourth Initial Development Period under this Agreement).

(e) During the fifth Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of six (6) such Restaurants developed by Developer which are open for operation and doing business on June 30, 1996 (the end of the fifth Initial Development Period under this Agreement).

(f) During the sixth Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of seven (7) such Restaurants developed by Developer which are open for operation and doing business on September 30, 1996 (the end of the sixth Initial Development Period under this Agreement).

(g) During the seventh Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of eight (8) such Restaurants developed by Developer which are open for operation and doing business on December 31, 1996 (the end of the seventh Initial Development Period under this Agreement).

(h) During the eighth Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within

the Territory necessary to result in the existence of nine (9) such Restaurants developed by Developer which are open for operation and doing business on June 30, 1997 (the end of the eighth Initial Development Period under this Agreement).

(i) During the ninth Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of ten (10) such Restaurants developed by Developer which are open for operation and doing business on December 31, 1997 (the end of the ninth Initial Development Period under this Agreement).

Each of the periods specified in Subparagraphs (a) through (i) hereof is sometimes referred to hereinafter as an "Initial Development Period."

2.2 During any Initial Development Period, subject to the provisions of this Agreement, Developer is free to develop more than the total minimum number of Restaurants which Developer is required to develop during that Initial Development Period. Any such Restaurants developed, open for operation and doing business during an Initial Development Period in excess of the minimum number required to be developed during that Initial Development Period shall be applied to satisfy Developer's development obligation during the next succeeding Initial Development Period or next succeeding Subsequent Development Period (as defined in Section 3 hereof), if any, as the case may be. Notwithstanding the above, Developer shall not develop more than the total number Restaurants approved by Franchisor for development under this Agreement.

2.3 Strict compliance with the development schedule specified in Subsection 2.1 hereof is of the essence of this Agreement. If Developer fails to fulfill its specified development obligation with respect to any of the Initial Development Periods specified in Subsection 2.1 hereof, this Agreement shall terminate sixty (60) days after the end of the Initial Development Period in question, unless by the end of such sixty (60) day period Developer has fulfilled the development obligation relating to such Initial Development Period.

3. SUBSEQUENT DEVELOPMENT SCHEDULE; DEVELOPMENT OBLIGATIONS GENERALLY

3.1 During the period commencing on January 1, 1998 and expiring on November 27, 2009, Developer shall develop and open for business in the Territory, from time to time in accordance with the development schedule established under Subsection 3.2, that number of additional Restaurants as is required to achieve at the end of such period a total number of Restaurants open for business within the Territory which, after including the Restaurants developed during the Initial Development Periods, would be equal to (a) one (1) Restaurant for every twenty-five thousand (25,000) households within the Territory having an income of twenty-five thousand dollars ($25,000) or more, or (b) one (1) Restaurant for every seventy-five thousand (75,000) individuals within the Territory who are between the ages of twenty (20) and forty-nine (49) years old, whichever computation results in a lesser number of Restaurants.

3.2 (a) Each consecutive twelve (12) month period, commencing with the period beginning on January 1, 1998, is hereafter referred to as a "Subsequent Development Period." Each period consisting of two (2) consecutive Subsequent Development Periods, commencing with the period beginning on January 1, 1998, is hereinafter referred to as a "Calculation Period."

(b) Franchisor and Developer shall agree in writing on or before the commencement of each Calculation Period on the number of Restaurants which Developer must develop, each of which shall be open for operation and doing business, during each of the two (2) Subsequent Development Periods included in such Calculation Period; provided that such agreement is subject to the following minimum and maximum development

requirements: (i) Minimum development requirements: Developer hereby agrees to develop during each Subsequent Development Period at least that number of Restaurants, each of which shall be open for operation and doing business, which will be equal to one-third (1/3) of the total number of Restaurants (rounded to the nearest whole number) which were required to be developed by Developer during all prior Initial Development and Calculation Periods; and (ii) Maximum development requirements: Notwithstanding the minimum development requirements, Developer shall not be required to develop during any Subsequent Development Period more than that number of Restaurants which, when added to the number of Restaurants which were required to be developed by Developer during all prior Initial Development and Calculation Periods, would exceed the number of Restaurants prescribed by the formula set forth in Subsection 3.1, if such formula had been applied to determine the total number of Restaurants required to service the Territory immediately prior to the Calculation Period in question. No later than sixty (60) days prior to the commencement of each Calculation Period, Franchisor shall provide Developer with census data necessary for Developer to ascertain, for purposes of the maximum development requirements, the number of Restaurants which would be required in the Territory by application of the formula. Franchisor shall use census figures provided by National Decision Systems, or such other generally recognized demographic service as Developer and Franchisor shall reasonably designate.

3.3 Strict compliance with the development schedule established in accordance with Subsection 3.2 hereof is of the essence of this Agreement. If Developer shall fail to fulfill its specified development obligation with respect to any Subsequent Development Period, this Agreement shall automatically terminate sixty (60) days after the end of the Subsequent Development Period in question, unless by the end of such sixty (60) day period Developer has fulfilled the development obligation relating to such Subsequent Development Period.

3.4 If, during the term of this Agreement, (a) Developer transfers or disposes of any Restaurant developed hereunder in accordance with the provisions hereof, or for any other reason ceases to operate any Restaurant developed hereunder, and (b) after such transfer or other cessation of operation the premises no longer are utilized for the operation of a Restaurant, Developer's development obligation in the Initial or Subsequent Development Period in which such transfer or other cessation of operations occurred shall increase, subject to the general limitations on Developer's development obligations set forth in Section 2 and Section 3, by the number of Restaurants which Developer so transferred, disposed of or which otherwise ceased to operate.

3.5 Franchisor represents that it is the sole owner of the service mark Applebee's Neighborhood Grill & Bar. If Franchisor determines that a third person has rights under the law of any state with respect to such mark which precludes Developer from fulfilling any portion of its development obligations pursuant to this Agreement, Franchisor and Developer shall negotiate in good faith for a revision of those development obligations, a redefinition of the Territory, or such other modifications of this Agreement as may be reasonable in the circumstances.

4. FRANCHISE FEE AND ROYALTY RATE

4.1 Developer shall pay Franchisor a franchise fee of $35,000 with respect to each Restaurant which is developed pursuant to this Agreement during the Initial Development Periods. Thereafter, Developer shall pay Franchisor a franchise fee in an amount which is equal to the amount of the franchise fee then in effect at the time of the issuance of the franchise agreement for each additional restaurant to be opened during any Subsequent Development Period. The amount of the franchise fee shall be set forth in the franchise offering circular received by the Developer from Franchisor immediately preceding the issuance of such franchise agreement. Simultaneously with the execution of this Agreement, Developer shall pay to Franchisor, by certified check, the amount of $35,000

("Franchise Fee Deposit"). Said Franchise Fee Deposit shall be equal to the greater of (a) the franchise fee for one of the Restaurants to be developed during the Initial Development Periods, or (b) ten percent (10%) of the entire franchise fees covering the ten (10) Restaurants to be developed during the first nine (9) Initial Development Periods pursuant to this Agreement (as reduced by a credit of $6,000 based on Developer's prior payment, if so paid, of a non-refundable $6,000 application fee). The remaining balance of the franchise fees for each of the Restaurants to be developed during the nine (9) Initial Development Periods shall be paid by certified check as follows: one-half (1/2) of the balance shall be paid upon signing a franchise agreement for that Restaurant and the remaining balance shall be paid fourteen (14) days prior to the scheduled opening of the Restaurant. The Franchise Fee Deposit shall be proportionately allocated to the franchise fee due with respect to each Restaurant to which it applies. The franchise fee with respect to each Restaurant to be developed during a Subsequent Development Period or with respect to any additional Restaurants developed during the Initial Development Periods shall be paid by certified check in the same manner.

4.2 Except as provided in this Subsection 4.2 and in Subsection 19.1 of the form of franchise agreement which is attached hereto as Appendix B, Developer shall have no right to recover from Franchisor, directly or indirectly, any of the franchise fees which are prepaid pursuant to Subsection 4.1 hereof. If Developer's failure to develop the total number of Restaurants specified in Subsection 2.1 of this Agreement is the result of the assertion of rights by a third party as described in Subsection 3.5 hereof, those prepaid franchise fees which relate to the Restaurants which cannot be so developed shall be refunded to Developer in cash.

4.3 As partial consideration for the rights granted to Developer pursuant to the franchise agreements covering the Restaurants which Developer develops hereunder, Developer (as franchisee under each such franchise agreement) shall pay Franchisor a monthly royalty fee as determined by Franchisor, not to exceed five percent (5%) of each calendar month's gross sales (as that term is defined in the form of franchise agreement which is attached hereto as Appendix B).

4.4 Pursuant to its obligations hereunder and under the applicable franchise agreements, Franchisor will make various expenditures in connection with the development of prospective Restaurant sites by Developer, including expenditures for travel, lodging, meals, obtaining of information about prospective sites, demographic information, traffic counts, and inquiries into local laws and ordinances. Developer shall promptly notify Franchisor of a decision to cease development of a prospective Restaurant site. In the event that Developer fails to open a restaurant at any such site, in lieu of the payment of the franchise fee therefor, Franchisor in its sole discretion may require Developer to reimburse Franchisor for Franchisor's expenditures with respect to that site. In such event, Franchisor shall provide Developer with an itemized list of Franchisor's expenditures with respect to that site within thirty (30) business days after Franchisor receives notice that Developer no longer intends to develop a Restaurant at that site, and Developer shall reimburse Franchisor for such costs within thirty (30) days after receiving such list.

5. SITE APPROVALS: PLANS AND SPECIFICATIONS

5.1 Developer assumes all cost, liability, expense and responsibility for locating, obtaining, financing and developing sites for Restaurants, and for constructing and equipping Restaurants at such sites. To assist Developer in the site selection process, Franchisor will provide Developer with certain demographic information regarding the site, will conduct an on-site inspection and will review any lease or contract under negotiation for the prospective site, such services to be provided to Developer at no additional cost. The development of a Restaurant at any site must be approved by Franchisor in accordance with its then-existing

site approval procedure. In connection with a request for approval of a proposed site for a Restaurant, Franchisee shall provide a related contract of sale or lease agreement and such other information and material as the Franchisor may reasonably require. Franchisor's approval of a prospective Restaurant site shall not be unreasonably withheld. Franchisor shall notify Developer whether it approves a proposed site and the related contract of sale or lease agreement within thirty (30) business days of receiving Developer's request for approval. Failure of Franchisor to so notify Developer within such thirty (30) business day period shall be deemed to be an approval of such site and the related contract of sale or lease agreement. Developer acknowledges that Franchisor's approval of a prospective site for a Restaurant does not constitute a representation, promise or guarantee by Franchisor that a Restaurant operated at that site will be profitable or otherwise successful. Developer shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for a Restaurant unless Franchisor has approved that site in accordance with Franchisor's then-existing site approval procedure. After Franchisor has approved a site for a Restaurant, Franchisee shall provide Franchisor with a copy of the executed contract of sale or lease, as applicable, relating to the site within a reasonable period of time.

5.2 For each Restaurant which Developer develops pursuant to this Agreement, Franchisor will make available to Developer Franchisor's specifications for a typical Restaurant. Developer will obtain architectural and engineering services independently and at its own expense. Franchisor shall have the right to review all such architectural and/or engineering plans which Developer obtains and to prohibit the implementation of any plan, or part thereof, which Franchisor, in its sole and absolute discretion, believes is not consistent with the best interests of the System. In the event that Franchisor desires to prohibit the implementation of any such plan, or part thereof, Franchisor shall so notify Developer within thirty (30) business days of receiving such architectural and/or engineering plans for review. Failure of Franchisor to so notify Developer within such thirty (30) business day period shall be deemed to be an approval of such plans. In the event Franchisor does object to any such plan, Franchisor shall provide Developer with a reasonable detailed list of changes necessary to make such plans acceptable to Franchisor. Franchisor shall, upon resubmission of such plans, with such changes as Developer has prepared, notify Developer within fifteen (15) business days of receiving such plans whether they are acceptable. Failure to so notify Developer within such fifteen (15) business day period shall be deemed to be an approval of such amended plans.

5.3 If Developer acquires a leasehold interest in a site, that leasehold interest shall be for a term which is at least as long as the term of the form of franchise agreement which is attached hereto as Appendix B, and the lease shall provide that if the applicable franchise agreement is terminated prior to the expiration of that term for whatever reason, Developer may assign the lease to Franchisor without the lessor having any right to impose conditions on such assignment or to obtain any payment in connection therewith.

6. FEES AND FRANCHISE AGREEMENTS

Not later than ninety (90) days prior to the scheduled opening of any Restaurant which has been developed pursuant to this Agreement, Developer shall deliver to Franchisor an executed franchise agreement substantially in the form which is attached hereto as Appendix B, provided however, that the franchise agreement which Developer executes shall require the payment of a franchise fee in the amount described in Subsection 4.1, royalty fees as described in Subsection 4.3, and advertising payments at the rates then established by Franchisor with respect to new Restaurants, except that in no event shall such rates exceed five percent (5%) of a Restaurant's gross sales (as defined in Subsection 9.3 of the form of a franchise agreement which is attached hereto as Appendix B).

7. DEVELOPER ORGANIZATION, AUTHORITY, FINANCIAL CONDITION AND SHAREHOLDERS

7.1 Developer and each Principal Shareholder represent and warrant that: (a) Developer is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation; (b) Developer is duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (c) the execution and delivery of this Agreement and the transactions contemplated hereby are within Developer's corporate power; (d) the execution and delivery of this Agreement have been duly authorized by the Developer; (e) the articles of incorporation and by-laws of Developer delivered to Franchisor are true, complete and correct, and there have been no changes therein since the date thereof; (f) the certified copies of the minutes electing the officers of Developer and authorizing the execution and delivery of this Agreement are true, correct and complete, and there have been no changes therein since the date(s) thereof; (g) the specimen stock certificate delivered to Franchisor is a true specimen of Developer's stock certificate; (h) the financial statement of Developer and financial statements of its Principal Shareholders, heretofore delivered to Franchisor, are true, complete and correct, and fairly present the financial positions of Developer and each Principal Shareholder, respectively, as of the date thereof; (i) such financial statements have been prepared in accordance with generally accepted accounting principles; and (j) there have been no materially adverse changes in the condition, assets or liabilities of Developer or Principal Shareholders since the date or dates thereof.

7.2 Developer and each Principal Shareholder covenant that during the term of this Agreement: (a) Developer shall do or cause to be done all things necessary to preserve and keep in full force its corporate existence and shall be in good standing as a foreign corporation in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (b) Developer shall have the corporate authority to carry out the terms of this Agreement; and (c) Developer shall print, in a conspicuous fashion on all certificates representing shares of its stock when issued, a legend referring to this Agreement and the restrictions on and obligations of Developer and Principal Shareholders hereunder, including the restrictions on transfer of Developer's shares.

7.3 Prior to development of the first Restaurant pursuant to this Agreement, Developer shall maintain an average monthly balance of five hundred thousand dollars ($500,000) in liquid assets. For purposes of this Agreement, "liquid assets" shall consist of cash, cash available to Developer pursuant to an irrevocable line of credit issued by a commercial bank in favor of Developer, marketable securities, or any other similar asset in which Franchisor's Chief Financial Officer designates in writing as a liquid asset. After development of the first Restaurant pursuant to this Agreement, and at any time thereafter in which Developer is operating one (1) Restaurant in the Territory, Developer shall maintain an average monthly balance of three hundred twenty-five thousand dollars ($325,000) in liquid assets. After development of the second Restaurant pursuant to this Agreement, and thereafter, so long as Developer is operating at least two (2) Restaurants in the Territory, Developer shall maintain an average monthly balance of one hundred fifty thousand dollars ($150,000) in liquid assets. At all times Developer shall maintain the necessary financial resources to satisfy its development obligations hereunder.

7.4 In addition to its obligations pursuant to Subsections 7.1 and 7.3 hereof, Developer and Principal Shareholders shall provide Franchisor with such financial information as Franchisor may reasonably request from time to time, including, on an annual basis, copies of the then-most current financial statements of Developer and each Principal Shareholder, dated as of the end of the last preceding fiscal year of the Developer or

Principal Shareholder, said statements to be delivered to Franchisor no later than April 15 of each year.

7.5 Developer and each Principal Shareholder represent, warrant and covenant that all Interests (as defined in Subsection 8.4 hereto) in Developer are owned as set forth on Appendix C hereto, that no Interest has been pledged or hypothecated (except in accordance with Section 8 of this Agreement), and that no change will be made in the ownership of any such Interest other than as permitted by this Agreement, or otherwise consented to in writing by Franchisor. Developer and Principal Shareholders agree to furnish Franchisor with such evidence as Franchisor may request, from time to time, for the purpose of assuring Franchisor that the Interests of Developer and Principal Shareholders remain as represented herein.

7.6 Each Principal Shareholder, jointly and severally, hereby personally and unconditionally guarantees each of Developer's financial obligations to Franchisor (including, but not limited to, all obligations relating to the payment of fees by Developer to Franchisor). Each Principal Shareholder agrees that Franchisor may resort to such Principal Shareholder (or any of them) for payment of any such financial obligation, whether or not Franchisor shall have proceeded against Developer, any other Principal Shareholder or any other obligor primarily or secondarily obligated to Franchisor with respect to such financial obligation. Each Principal Shareholder hereby expressly waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever with respect to Franchisor's enforcement of this guaranty. In addition, each Principal Shareholder agrees that if the performance or observance by Developer of any term or provision hereof is waived or the time of performance thereof extended by Franchisor, or payment of any such financial obligation is accelerated in accordance with any agreement between Franchisor and any party liable in respect thereto or extended or renewed, in whole or in part, all as Franchisor may determine, whether or not notice to or consent by any Principal Shareholder or any other party liable in respect to such financial obligations is given or obtained, such actions shall not affect or alter the guaranty of each Principal Shareholder described in this Subsection.

8. TRANSFER

8.1 There shall be no Transfer of any Interest of Developer, or of a Principal Shareholder in Developer, in whole or in part (whether voluntarily or by operation of law), directly, indirectly or contingently, except in accordance with the provisions of this Section 8. "Transfer" and "Interest" are defined in Subsections 8.2, 8.3 and 8.4.

8.2 Except as provided in Subsection 8.3, "Transfer" shall mean any assignment, sale, pledge, hypothecation, gift or any other such event which would change ownership of or create a new Interest, including, but not limited to:

(a) any change in the ownership of or rights in or to any shares of stock or other equity interest in Developer which would result from the act of any shareholder of Developer ("Shareholder"), such as a sale, exchange, pledge or hypothecation of shares, or any interest in or rights to any of Developer's profits, revenues or assets, or any such change which would result by operation of law; and

(b) any change in the percentage interest owned by any Shareholder in the shares of stock of Developer, or interests in its profits, revenues or assets which would result from any act of Developer such as a sale, pledge or hypothecation of any Restaurant assets (other than a pledge of assets to secure bona fide loans made or credit extended in connection with acquisition of the assets pledged, provided that immediately before and after such transaction Developer satisfies the applicable liquid asset requirement described in Subsection 7.3 of this Agreement); any sale or issuance of any

shares of Developer's stock; the retirement or redemption of any shares of Developer's stock; or any sale or grant to any person of any right to participate in or otherwise to share or become entitled to any part of Developer's profits, revenues, assets or equity.

8.3 "Transfer" shall not include (a) a change in the ownership of or rights to any shares or other equity interest in Developer pursuant to a public offering of Developer's securities registered under the Securities Act of 1933, or (b) a change in the ownership of or rights to any securities or other equity interest in Developer pursuant to a private offering of Developer's securities exempted from registration under such Act, provided that Developer provides Franchisor with a copy of its S-1 prospectus and/or offering memorandum ten (10) days prior to its filing with the Securities and Exchange Commission or circulation to third parties so that Franchisor may comment and, if necessary, correct any information concerning Franchisor and/or the System, and further provided that after giving effect to any such public or private offering, the Principal Shareholders, or any of them, "control" Developer. For purposes of this Section 8, "control" means either (1) holding fifty-one percent (51%) or more of the outstanding voting securities of Developer, or (2) having the contractual power presently to designate a majority of the directors of Developer.

8.4 "Interest" shall mean: when referring to interests or rights in Developer, any shares of Developer's stock, and any other equitable or legal right in or to any of Developer's stock, revenues, profits or assets; when referring to rights or assets of Developer, Developer's rights under and interest in this Agreement, any Restaurant and its revenues, profits and assets.

8.5 (a) The Interest of a Principal Shareholder may be transferred to such Principal Shareholder's spouse or children or to a person designated in such Principal Shareholder's will or trust (individually and collectively referred to as "Successor"), upon such Principal Shareholder's death or permanent incapacity, without Franchisor's approval, provided that such Successor shall agree to be bound by the restrictions contained in this Section 8, and the other agreements and covenants of the Principal Shareholders contained in this Agreement.

(b) The Interest of a Principal Shareholder may not be transferred to another Principal Shareholder without Franchisor's approval, which approval will not be unreasonably withheld.

(c) The Interest of a Successor may only be transferred in accordance with Subsection 8.5(b) or 8.8, regardless of whether such Transfer is for consideration or by gift or will or other device.

8.6 If at any time the Principal Shareholders desire to dispose of all or substantially all of the Interests of the Principal Shareholders in Developer, or the Principal Shareholders (or Developer) desire to dispose of all or substantially all of Developer's Interest in this Agreement or in the assets which Developer has acquired pursuant to this Agreement, the Principal Shareholders or Developer, as the case may be, shall notify Franchisor of that desire, in writing, thirty (30) days before announcing that fact publicly or engaging the services of a broker or sales agent.

8.7 (a) If at any time any of the Principal Shareholders or Developer, as the case may be, obtains from a third party or third parties a bona fide offer (the "Offer") in writing for the purchase of all or substantially all of the Interests of the Principal Shareholders in Developer or of all or substantially all of Developer's Interest in this Agreement or in the assets which Developer has acquired pursuant to this Agreement, the Principal Shareholders or Developer shall give notice (the "Selling Notice") to Franchisor stating that the Principal Shareholders or Developer, as the case may be, have received the Offer, identifying the prospective purchaser by name and address, specifying the proposed purchase price and attaching a true and complete copy of the Offer.

(b) Franchisor shall have an option (the "Option"), exercisable within a period of forty-five (45) days after receipt of the Selling Notice (the "Option Period"), to purchase such Interests at the price and on the conditions set forth in the Offer, except that Franchisor shall not be obligated to pay any finder's or broker's fee, and if the Offer provides for payment of consideration other than cash, or if the Offer involves certain intangible benefits, Franchisor may elect to purchase such Interests by offering a reasonable cash substitute for the non-cash part of the Offer.

(c) The Option shall be exercisable by Franchisor delivering to the Principal Shareholders or Developer, as the case may be, within the Option Period, a notice (i) stating that the Option is being exercised, and (ii) specifying the time, date and place at which such purchase and sale will take place, which date shall be within forty-five (45) days after Franchisor delivers such notice. The forty-five (45) day limitation described at the end of the preceding sentence shall not apply if at the end of said forty-five (45) day period the only issue which prevents completion of the purchase and sale is the need to effect transfers of the applicable liquor licenses. In the event of such a delay, the purchase and sale shall take place within seven (7) business days after those liquor licenses have been transferred.

(d) If the Option is not exercised, the Principal Shareholders or Developer, as the case may be, may sell the Interests in or of Developer to the third party which made the Offer, on conditions no more favorable to the third-party offerer than those set forth in the Offer, provided that Franchisor approves the proposed transferee in accordance with the criteria set forth in Appendix D and provided further that such sale takes place within ninety (90) days after the expiration of the Option Period. The ninety (90) day limitation described in the preceding sentence shall not apply if at the end of said ninety (90) day period the only issue which prevents completion of the purchase and sale is the need to effect transfers of the applicable liquor licenses. In the event of such a delay, the purchase and sale shall take place within seven (7) business days after those liquor licenses have been transferred.

(e) If the Option is not exercised, the Principal Shareholders or Developer, as the case may be, shall immediately notify Franchisor in writing of any change in the terms of an Offer. Any material change in the terms of an Offer shall cause it to be deemed a new Offer, conferring upon Franchisor a new Option pursuant to this Subsection 8.7; the Option Period with respect to the new Option shall be deemed to commence on the day on which Franchisor receives written notice of a material change in the terms of the original Offer.

8.8 (a) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and that Franchisor has entered into this Agreement in reliance on the business skill and financial capacity of Developer, and the business skill, financial capability and personal character of each Principal Shareholder. Except as otherwise provided in this Section 8, the Principal Shareholders shall at all times retain control of Developer. Except as otherwise provided in this Section 8, no Transfer of any part of Developer's Interest in this Agreement, and no Transfer of any Interest of any Principal Shareholder shall be completed except in accordance with this Subsection 8.8. In the event of such a proposed Transfer of any part of Developer's Interest in this Agreement, or of any Interest of any Principal Shareholder, the party or parties desiring to effect such Transfer shall give Franchisor notice in writing of the proposed Transfer, which notice shall set forth the name and address of the proposed transferee, its financial condition, including a copy of its financial statement dated not more than ninety (90) days prior to the date of said notice, and all the terms and conditions of the proposed Transfer. Upon receiving such notice, Franchisor may (i) approve the Transfer, or (ii) withhold its consent to the Transfer. Franchisor shall, within forty-five (45) days of receiving such notice and all the information

required therein, advise the party or parties desiring to effect the Transfer whether it (1) approves the Transfer, or (2) withholds its consent to the Transfer, giving the reasons for such disapproval. Failure of Franchisor to so advise said party or parties within that forty-five (45) day period shall be deemed to be approval of the proposed Transfer. Appendix D sets forth the criteria for obtaining Franchisor's consent to a proposed Transfer.

(b) In the event that Franchisor approves the Transfer, and the Transfer is not completed within ninety (90) days of the later of (i) expiration of the forty-five (45) day notice period, or (ii) delivery of notice of Franchisor's approval of the proposed Transfer, Franchisor's approval of the proposed Transfer shall automatically be revoked. The ninety (90) day limitation described in the preceding sentence shall not apply if at the end of said ninety (90) day period the only issue which prevents completion of the Transfer is the need to effect transfers of the applicable liquor licenses. In the event of such a delay, the Transfer shall take place within seven (7) business days after those liquor licenses have been transferred. Any subsequent proposal to complete the proposed Transfer shall be subject to Franchisor's right of approval as provided herein. The party which desires to effect the proposed Transfer shall immediately notify Franchisor in writing of any change in the terms of a Transfer. Any material change in terms of a Transfer prior to closing shall cause it to be deemed a new Transfer, revoking any approval previously given by Franchisor and conferring upon Franchisor a new right to approve such Transfer, which shall be deemed to commence on the day on which Franchisor receives written notice of such change in terms.

8.9 In connection with any request for Franchisor's approval of a proposed Transfer to this Section 8, the parties to the proposed Transfer shall pay Franchisor a fee to defray the actual cost of review and the administrative and professional expenses related to the proposed Transfer and the preparation and execution of documents and agreements, up to a maximum of two thousand five hundred dollars ($2,500).

9. TERMINATION

9.1 This Agreement shall expire on November 27, 2009, unless sooner terminated pursuant to the terms hereof.

9.2 Franchisor shall have the right to terminate this Agreement immediately upon written notice to Developer stating the reason for such termination, and Developer shall no longer have any of the rights created by this Agreement, in the event of:

(a) development by Developer of a Restaurant without first obtaining approval from Franchisor of the Restaurant site or of Developer's architectural and/or engineering plans in accordance with Section 5 hereof;

(b) any breach or default of any of the provisions of Sections 8 and 11 of this Agreement and Subsection 14.1 of any franchise agreement entered into pursuant to this Agreement;

(c) the filing by Developer of a petition in bankruptcy, an arrangement for the benefit of creditors, or a petition for reorganization; the filing against Developer of a petition in bankruptcy, an arrangement for the benefit of creditors, or petition for reorganization, not dismissed within ninety (90) days of the filing thereof; the making of an assignment by Developer for the benefit of creditors; or the appointment of a receiver or trustee for Developer, which receiver or trustee shall not have been dismissed within ninety (90) days of such appointment;

(d) the discovery by Franchisor that Developer made any material misrepresentation or omitted any material fact in the information which was furnished to Franchisor in connection with this

Agreement;

(e) failure by Developer to locate and employ a Director of Operations who is approved by Franchisor in accordance with Subsection 12.2 within ninety (90) days of the date of this Agreement or, with respect to a replacement Director of Operations, failure by Developer to locate such a replacement who is approved by Franchisor in accordance with Subsection 12.2 within one hundred eighty (180) days of the date on which the last Director of Operations who was approved by Franchisor ceased to be employed by Developer in that capacity;

(f) any part of this Agreement relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's trade names, service marks, trademarks, trade secrets or secret formulae licensed or disclosed hereunder or under any franchise agreement between Franchisor and Developer, for any reason being declared invalid or unenforceable;

(g) Developer or any Principal Shareholder being convicted of or pleading nolo contendere to a felony or any crime involving moral turpitude; or

(h) the franchisee under any franchise agreement executed pursuant to this Agreement committing a default subject to immediate termination under the franchise agreement and Franchisor terminates the franchise agreement.

9.3 Except as provided above in Subsection 9.2, if Developer defaults in the performance or observance of any of its other obligations hereunder or under any franchise agreement between Developer and Franchisor, and any such default continues for a period of thirty (30) days after written notice to Developer specifying such default, Franchisor shall have the right to terminate this Agreement upon written notice to Developer. If Developer defaults in the performance or observance of the same obligation two (2) or more times within a twelve (12) month period, Franchisor shall have the right to terminate this Agreement immediately upon commission of the second act of default, upon written notice to Developer stating the reason for such termination, without allowance for any curative period.

9.4 This Agreement shall automatically terminate under the conditions and at the times specified in Subsection 2.3 and 3.3.

10. PREREQUISITES TO OBTAINING FRANCHISES FOR INDIVIDUAL RESTAURANT UNITS

10.1 Developer understands and agrees that this Agreement does not confer upon Developer a right to obtain a franchise for any Restaurant, but is intended by the parties to set forth the terms and conditions which, if fully satisfied, shall entitle Developer to obtain such a franchise, located within the Territory.

10.2 In the event that Developer shall have obtained Franchisor's approval of a particular proposed site for a Restaurant, and if Franchisor, in the exercise of its sole discretion, has granted Developer operational, financial and legal approval, then Franchisor will grant Developer a franchise for a Restaurant at the site in question. As used herein, Franchisor will give Developer "operational", "financial" and "legal" approval under the following circumstances:

"Operational" approval will be granted if Franchisor has determined, in the exercise of its sole discretion, that Developer is conducting the operation of each of its Restaurants, and is capable of conducting the operation of the proposed Restaurant, including physical aspects thereof, (a) in accordance with the terms and conditions of this Agreement, (b) in accordance with the provisions of the respective

franchise agreements, and (c) in accordance with the standards, specifications and procedures set forth and described in the Franchise Operations Manual and in any other materials or manuals provided or made available to Developer by Franchisor (collectively, the "Manuals"), as such may be amended from time to time. Developer understands that changes in said standards, specifications and procedures may become necessary from time to time. Developer agrees to accept said changes, and Developer further agrees that it is within the sole discretion of Franchisor to make said changes.

"Financial" approval will be granted if (a) Developer is not in breach of its obligations under Subsection 7.3 hereof and has been and is faithfully performing all terms and conditions under each of its existing franchise agreements with Franchisor, (b) Developer or its affiliates is not in default of any money obligations owed to Franchisor, and (c) Developer is not in default of any financial obligation to any of its suppliers, unless any such obligation is being disputed in good faith by the Developer. Developer acknowledges and agrees that it is vital to Franchisor's interest that each of its franchisees be financially sound to avoid failure of a franchised business (which would adversely affect the reputation and good name of Franchisor and the System). Developer acknowledges and agrees that it is vital to Franchisor's interest and to the interests of the System that Developer (in its capacity as franchisee) remain current in satisfying its financial obligations to it suppliers.

"Legal" approval will be granted if Franchisor has determined, in the exercise of its sole discretion, that Developer has submitted to Franchisor, in a timely manner as requested, all information and documents requested by Franchisor prior to and as a basis for the issuance of individual franchises or pursuant to any right granted to Franchisor by this Agreement or by any franchise agreement between Developer and Franchisor, and has taken such additional actions in connection therewith as may be requested from time to time.

10.3 It is understood and agreed that the foregoing criteria apply to the operational, financial and legal aspects of any Restaurant franchised by Franchisor in which Developer or any Principal Shareholder has any legal or equitable interest. It is further understood and agreed that Developer and Principal Shareholders have an ongoing responsibility to operate each Restaurant in which Developer or any Principal Shareholder has any legal or equitable interest in a manner which satisfies the foregoing requirements for operational, financial and legal approval.

11. RESTRICTIONS

11.1 Developer and its Principal Shareholders acknowledge that over the term of this Agreement they are to receive proprietary information which Franchisor has developed over time at great expense, including, but not limited to, methods of site selection, marketing methods, product analysis and selection, and service methods and skills relating to the development and operation of Restaurants. They further acknowledge that this information, which includes, but is not necessarily limited to, that contained in the Manuals, is not generally known in the industry and is beyond their own present skills and experience, and that to develop it themselves would be expensive, time-consuming and difficult. Developer and Principal Shareholders further acknowledge that the Franchisor's information provides a competitive advantage and will be valuable to them in the development of their business, and that gaining access to it is therefore a primary reason why they are entering into this Agreement. Accordingly, Developer and its Principal Shareholders agree that Franchisor's information, as described above, which may or may not be "trade secrets" under prevailing judicial interpretations, is private and valuable, and constitutes trade secrets belonging to Franchisor; and in consideration of Franchisor's confidential disclosure to them of these trade secrets, Developer and Principal Shareholders agree as follows:

(a) During the term of this Agreement, neither Developer nor any Principal Shareholder, for so long as such Principal Shareholder owns an Interest in Developer, may, without the prior written consent of Franchisor, directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System which is either (i) located in the Territory, (ii) located in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed pursuant to this Agreement, (iii) located within a five (5) mile radius of any restaurant unit within the System, or (iv) determined by Franchisor, exercising reasonable good faith judgment, to be a direct competitor of the System.

(b) Neither Developer, for two (2) years following the termination of this Agreement, nor any Principal Shareholder, for two (2) years following the termination of all of his or her Interest in Developer or the termination of this Agreement, whichever occurs first, may directly or indirectly engage in or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System which is located either (i) in the Territory, (ii) in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed pursuant to this Agreement, (iii) within a five (5) mile radius of any restaurant unit within the System, or (iv) within any area for which an active, currently binding development agreement has been granted by Franchisor to another franchisee as of the date of termination.

11.2 Neither Developer nor any Shareholder shall at any time (a) appropriate or use the trade secrets incorporated in the System, or any portion thereof, in any other restaurant business which is not within the System, (b) disclose or reveal any portion of the System to any person other than to Developer's employees as an incident of their training, (c) acquire any right to use any name, mark or other intellectual property right which may be granted pursuant to any agreement between Franchisor and Developer, except in connection with the operation of a Restaurant, or (d) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of development or operation of a restaurant utilizing the System, which may be communicated by Franchisor in connection with the Restaurants to be developed hereunder.

11.3 Developer and Principal Shareholders agree that the provisions of this Section 11 are and have been a primary inducement to Franchisor to enter into this Agreement, and that in the event of breach thereof Franchisor would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach, or a threatened or attempted breach, of any of such provisions Franchisor shall be entitled, in addition to any other remedies which it may have hereunder or in law or in equity (including the right to terminate this Agreement), to a preliminary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

11.4 The restrictions contained in Subsection 11.1 above shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national securities exchange if such shares are owned for investment only, and are not owned by an officer, director, employee or consultant of such publicly traded company.

11.5 If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Section 11 determines that it would be invalid or unenforceable as written, then the provisions hereof shall be deemed to be modified or limited to such extent or in such manner as necessary for such provisions to be valid and enforceable to the greatest extent possible.

12. DEVELOPMENT PROCEDURES

12.1 Franchisor will use its reasonable efforts to furnish Developer with advice and assistance in developing Restaurants and in selecting sites therefor.

12.2 Developer shall designate an individual employee who shall be personally responsible for Developer's activities during the term of this Agreement, and who shall devote his or her full-time, best efforts and constant personal attention, on a day-to-day basis, to Developer's activities in the Territory (the "Director of Operations"). Developer shall require that the Director of Operations maintain his or her principal personal residence in the Territory. Franchisor reserves the right to require that, as a condition of his or her employment, the Director of Operations, as well as each supervisory employee referred to in Subsection 12.3, must successfully complete Franchisor's interview process and a psychological profile test in a manner which satisfies a uniform standard established by Franchisor. The test shall be administered by Franchisor, or by a testing agency designated by Franchisor, at Developer's expense. Developer's designation of the first Director of Operations, and any subsequent Director of Operations, shall be subject to the written approval of Franchisor, which approval shall not be arbitrarily withheld, and shall also be subject to the time limitations described in Subsection 9.2(e) hereof. Franchisor shall notify Developer in writing within fourteen (14) business days of receipt of Developer's request whether Franchisor disapproves such person. Failure by Franchisor to so notify Developer within that period shall be deemed to constitute Franchisor's approval of such person.

12.3 In the event that Developer desires to designate an employee (in addition to the Director of Operations) who will have supervisory authority over the development of operation of more than one (1) Restaurant within the Territory, Developer's designation of such a supervisory employee shall be subject to the written approval of Franchisor, which approval shall not be arbitrarily withheld. Franchisor shall notify Developer in writing within fourteen (14) business days of receipt of Developer's request whether Franchisor disapproves such person. Failure by Franchisor to so notify Developer within that period shall be deemed to constitute Franchisor's approval of such person. Developer shall require that any such supervisory employee maintain his or her principal personal residence in the Territory.

12.4 Developer shall require the Director of Operations to execute a confidentiality agreement and covenant not to compete in the form attached hereto as Appendix E. In addition, at Franchisor's request, Developer shall obtain from the Director of Operations an agreement verifying his or her employment status. Developer shall require that each other employee of Developer who will have supervisory authority over the development or operation of more than one (1) Restaurant execute a confidentiality agreement in the form attached hereto as Appendix F. Developer shall be responsible for compliance of its employees with the agreements identified in this Subsection.

12.5 (a) Developer shall require its Director of Operations and any other supervisory employee designated pursuant to Subsection 12.3 to attend, and to successfully complete to Franchisor's reasonable satisfaction, an operations training course provided by Franchisor. If the Director of Operations or any such supervisory employee fails to successfully complete Franchisor's operations training course, Franchisor

may require designation of a new Director of Operations or replacement supervisory employee, as the case may be, and Developer shall designate a new Director of Operations or replacement supervisory employee who shall be required to successfully complete such training course.

(b) The Director of Operations and supervisory employees designated pursuant to Subsection 12.3 shall, from time to time as reasonably requested by Franchisor, attend and successfully complete to Franchisor's reasonable satisfaction a Franchisor-provided refresher course in restaurant operations.

12.6 With respect to each Restaurant within the Territory developed by Developer, Developer's employees must satisfy the training requirements described in Section 6 of Appendix B hereto. After Developer opens it first Restaurant pursuant to this Agreement, Franchisor may at its option, and subject to such conditions as Franchisor deems necessary, permit Developer (at Developer's own expense) to conduct a portion of the required training at one of Developer's existing Restaurants. In that event, Developer will be required to provide qualified personnel to administer training tests and to maintain records relating to the training and performance of employees.

13. NO WAIVER OF DEFAULT

13.1 The waiver by any party to this Agreement of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein, or of any same or similar term, covenant or condition contained in any other agreement between Franchisor and any other person, shall not be deemed a waiver of any subsequent or continuing breach or default of the same or any other term, covenant or condition in this Agreement, or in any other agreement between Franchisor and any other person.

13.2 All rights and remedies of Franchisor shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. Franchisor's rights and remedies shall be continuing and shall not be exhausted by any one (1) or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement shall not discharge or release Developer or any Principal Shareholder from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or earlier termination of this Agreement.

14. FORCE MAJEURE

14.1 As used in this Agreement, the term "Force Majeure" shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government and any other similar cause not within the control of the party affected thereby.

14.2 If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure, which cannot be overcome by use of normal commercial measures, the parties shall be relieved of their respective obligations to the extent the parties are respectively necessarily prevented, hindered or delayed in such performance during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party by telephone or telegram (in each case to be confirmed in writing), setting forth the nature thereof and an estimate as to its duration, and shall be liable for

failure to give such timely notice only to the extent of damage actually caused.

15. CONSTRUCTION, SEVERABILITY, GOVERNING LAW AND JURISDICTION

15.1 If any part of this Agreement shall for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions shall remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided however, that in the event any part hereof relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's trade names, service marks, trademarks, trade secrets or secret formulae licensed or disclosed hereunder or pursuant to any franchise agreement between Franchisor and Developer is for any reason declared invalid or unenforceable, then Franchisor shall have the option of terminating this Agreement upon written notice to Developer. If any clause or provision herein would be deemed invalid or unenforceable as written, it shall be deemed to be modified or limited to such extent or in such manner as may be necessary to render the clause or provision valid and enforceable to the greatest extent possible in light of the interest of the parties expressed in that clause or provision, subject to the provisions of the preceding sentence.

15.2 DEVELOPER AND PRINCIPAL SHAREHOLDERS ACKNOWLEDGE THAT FRANCHISOR MAY ENTER INTO OTHER DEVELOPMENT AGREEMENTS THROUGHOUT THE UNITED STATES ON TERMS AND CONDITIONS SIMILAR TO THOSE SET FORTH IN THIS AGREEMENT, AND THAT IT IS OF MUTUAL BENEFIT TO DEVELOPER AND PRINCIPAL SHAREHOLDERS AND TO FRANCHISOR THAT THESE TERMS AND CONDITIONS BE UNIFORMLY INTERPRETED. THEREFORE, THE PARTIES AGREE THAT TO THE EXTENT THAT THE LAW OF THE STATE OF MISSOURI DOES NOT CONFLICT WITH LOCAL FRANCHISE STATUTES, RULES AND REGULATIONS, MISSOURI LAW SHALL APPLY TO THE CONSTRUCTION OF THIS AGREEMENT AND SHALL GOVERN ALL QUESTIONS WHICH ARISE WITH REFERENCE HERETO; PROVIDED HOWEVER, THAT PROVISIONS OF MISSOURI LAW REGARDING CONFLICTS OF LAW SHALL NOT APPLY HERETO.

15.3 THE PARTIES AGREE THAT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE PERFORMANCE THEREOF WHICH CANNOT BE AMICABLY SETTLED, EXCEPT AS OTHERWISE PROVIDED HEREIN, MAY, AT THE OPTION OF THE CLAIMANT, BE RESOLVED BY A PROCEEDING IN A COURT IN JACKSON COUNTY, MISSOURI, AND DEVELOPER AND THE PRINCIPAL SHAREHOLDERS EACH IRREVOCABLY ACCEPT THE JURISDICTION OF THE COURTS OF THE STATE OF MISSOURI AND THE FEDERAL COURTS LOCATED IN JACKSON COUNTY, MISSOURI FOR SUCH CLAIMS, CONTROVERSIES OR DISPUTES.

The parties agree that service of process in any proceeding arising out of or relating to this Agreement or the performance thereof may be made as to Developer and any Principal Shareholder by serving a person of suitable age and discretion (such as the person in charge of the office) at the address of Developer specified in this Agreement and as to Franchisor by serving the president or a vice-president of Franchisor at the address of Franchisor or by serving Franchisor's registered agent.

16. MISCELLANEOUS

16.1 All notices and other communications required or permitted to be given hereunder shall be deemed given when delivered in person or mailed by registered or certified mail addressed to the recipient at the address set forth below, unless that party shall have given written notice of change of address to the sending party, in which event the new address so specified shall be used.

FRANCHISOR: Applebee's International, Inc.
4551 W. 107th Street, Suite 100
Overland Park, Kansas 66207
Attention: President

DEVELOPER: Marcus Restaurants, Inc.
250 E. Wisconsin Avenue, Suite 1600
Milwaukee, Wisconsin 53202-4223
Attention: President

PRINCIPAL SHAREHOLDERS: N/A

16.2 All terms used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. The headings inserted in this Agreement are for reference purposes only and shall not affect the construction of this Agreement or limit the generality of any of its provisions. The term "business day" means any day other than Saturday, Sunday, or the following national holidays: New Year's Day, Martin Luther King Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving and Christmas.

16.3 This Agreement, the Uniform Franchise Offering Circular currently in effect and the documents referred to herein constitute the entire agreement between parties, superseding and canceling any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof.

16.4 Except as expressly authorized herein, no amendment or modification of this Agreement shall be binding unless executed in writing both by Franchisor and by Developer and Principal Shareholders.

16.5 In the event that any party to this Agreement initiates any legal proceeding to construe or enforce any of the terms conditions and/or provisions of this Agreement, including, but not limited to, its termination provisions, or to obtain damages or other relief to which any party may be entitled by virtue of this Agreement, the prevailing party or parties shall be paid its reasonable attorneys' fees and expenses by other party or parties.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

By:
Name: Robert T. Steinkamp Name: Abe J. Gustin, Jr.
Title: Secretary Title: President

DEVELOPER:

ATTEST: MARCUS RESTAURANTS, INC.

By:
Name: Thomas F. Kissinger Name: Stephen Marcus
Title: Secretary Title: President

SCHEDULE 1 TO DEVELOPMENT AGREEMENT

RESTAURANT LOCATIONS FOR WHICH
FRANCHISE AGREEMENTS
HAVE BEEN PREVIOUSLY ISSUED

Schuamburg, Illinois (Unit #8680)

Bloomingdale, Illinois (Unit #8719)

Deerfield, Illinois (Unit #8750)

Mt. Prospect, Illinois (Unit #8753)

Streamwood, Illinois

Hodgkins, Illinois

Naperville, Illinois

Crystal Lake, Illinois

APPENDIX A TO DEVELOPMENT AGREEMENT

TERRITORY

A PORTION OF THE CHICAGO, ILLINOIS A.D.I., CONSISTING OF:

In the state of Illinois, the counties of:

McHenry	Kane	La Salle
Kankakee	Lake	Cook
Kendall	Grundy	De Kalb
DuPage	Will	Livingston
Iroquois		

In the state of Wisconsin, the county of:

Kenosha

APPENDIX B TO DEVELOPMENT AGREEMENT

STANDARD FORM

APPLEBEE'S NEIGHBORHOOD GRILL & BAR

FRANCHISE AGREEMENT

_____
(Location Address)

_____
(Franchisee Name)

_____
(Date)

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APPLEBEE'S NEIGHBORHOOD GRILL & BAR
FRANCHISE AGREEMENT

This Agreement is made this _____ day of _____, 19_____, by and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation ("FRANCHISOR"), _____, a (_____ corporation, sole proprietorship, _____ partnership, _____ limited partnership [strike inappropriate language]) ("FRANCHISEE") and _____ _____ (collectively, the "PRINCIPAL SHAREHOLDERS" and, individually, a "PRINCIPAL SHAREHOLDER" of Franchisee if a corporation or general partner if Franchisee is a limited partnership having as its general partner a corporation) and

_____
_____
("GENERAL PARTNER" of Franchisee if Franchisee is a limited partnership).*

* (If Franchisee is not a corporation or a sole proprietorship, the parties hereto hereby agree that an Addendum shall be attached to this Agreement so as properly to reflect the responsibilities of the partners of any general partnership, the general partner of any limited partnership and the shareholders of any corporate general partner of any partnership.)

WITNESSETH:

RECITALS

A. Franchisor has acquired rights to develop and operate a unique system of restaurants which specialize in the sale of high quality, moderately priced food and alcoholic beverages in an attractive, casual setting, which includes proprietary rights in certain valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs, decor and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, a training facility and teaching techniques ("the System").

B. Franchisor has determined to establish, through its own development and operation, and through the granting of franchises, a chain of Applebee's Neighborhood Grill & Bar restaurants which are distinctive; which are similar in appearance, design and decor; and which are uniform in operation and product consistency.

C. The value of Franchisor's trade names, service marks and trademarks is based upon: (1) the maintenance of uniform high quality standards in connection with the preparation and sale of Franchisor-approved food and beverage products, (2) the uniform high standards of appearance of the individual restaurant units in the System, (3) the use of distinctive trademarks, service marks, building designs and advertising signs representing a uniformly high quality of product and services, and (4) the assumption by Franchisor and its franchisees of the obligation to maintain and enhance the goodwill and public acceptance of the System (and of Franchisor's trade names, service marks and trademarks) by strict adherence to the high standards required by Franchisor.

D. Franchisor, Franchisee and the Principal Shareholders have entered into a Development Agreement dated _____, 19_____ ("Development Agreement"), relating to the development by Franchisee of Applebee's Neighborhood Grill & Bar restaurants.

E. Franchisee desires to use the System in connection with the operation of an Applebee's Neighborhood Grill & Bar restaurant at the location which is specified in Subsection 1.1 of this Agreement, pursuant to the terms, conditions and provisions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual obligations contained herein, it is hereby agreed as follows:

1. FRANCHISE GRANT AND TERM

1.1 Franchisor grants Franchisee, for the term stated below, the right, license and privilege:

(a) to use the System incident to the operation of an Applebee's Neighborhood Grill & Bar restaurant at _____ (the "Restaurant");

(b) to use the trade names, service marks and trademarks which Franchisor shall from time to time designate as part of the System,

but only in connection with the sale at the Restaurant of those products which Franchisor has designated and approved; and

(c) to hold itself out to the public as a Franchisee of Franchisor.

1.2 The term of the franchise shall commence as of the Commencement Date, as hereinafter defined, and shall end twenty (20) years thereafter, unless this Agreement is terminated prior to that date in accordance with its provisions. "Commencement Date," as used herein, shall mean the date upon which the Restaurant opens for business. The parties agree to affix to this Agreement an addendum expressly setting forth the Commencement Date, which, when so affixed, shall become a part of this Agreement.

1.3 At the expiration of the term hereof, Franchisee shall have an option to operate the Restaurant for four (4) successive terms of five (5) years (unless the franchise agreement with respect to that additional term is sooner terminated in accordance with its provisions), provided that immediately prior to each such five (5) year term (a) Franchisee satisfies the requirements which Franchisor then-imposes on its new franchisees, (b) all other restaurant units within the System which Franchisee then-operates substantially comply, in the opinion of Franchisor, with Franchisor's then-current standards, specifications, requirements and instructions, and (c) Franchisee executes the form of franchise agreement which Franchisor is then using with respect to new restaurants within the System, with the amount of royalty and advertising fees payable at the rates then-prevailing under the franchise agreements which Franchisor is then using for new restaurants within the System, and Franchisee pays to Franchisor for each of said five (5) year periods a franchise fee equal to ten percent (10%) of the prevailing franchise fee paid by new franchisees at that time. Any franchise agreement which Franchisee executes for such additional term will also contain options to obtain an assignment of Franchisee's lease with a third party and/or to purchase certain property or to purchase or lease the Restaurant premises exercisable by Franchisor upon termination thereof and an option to purchase or lease the Restaurant premises exercisable by Franchisor upon expiration of the renewal term (subject to any then-existing renewal rights of Franchisee). Such options will contain provisions substantially similar to the provisions of Franchisor's options described in Subsection 19.4 hereof. Franchisee shall give Franchisor written notice of its desire to exercise its option to operate the Restaurant for an additional term no earlier than twelve (12) months, and no later than seven (7) months, prior to expiration of the initial term. If Franchisee gives that notice, Franchisor, in its sole discretion, reasonably exercised, shall determine whether Franchisee has satisfied the foregoing requirements. Within forty-five (45) days of receiving the notice described above, Franchisor shall notify Franchisee in writing whether or not Franchisee is eligible to exercise the option described in this Subsection.

1.4 During the period from the date of this Agreement to the expiration or earlier termination of this Agreement, Franchisor shall not establish a restaurant unit utilizing the System, or license another franchisee to establish a restaurant unit utilizing the System, at any location within the lesser of a three (3) mile radius of the Restaurant or a radius from the Restaurant which includes either a daytime or residential population of forty thousand (40,000) or more people.

1.5 Franchisee, in consideration of the benefits and privileges provided to it by this Agreement, agrees to operate the Restaurant and perform as required hereunder for the full term of this Agreement.

1.6 This Agreement is entered into pursuant to and subject to the terms and conditions which are set forth in the Development Agreement.

2. UNIFORM STANDARDS

2.1 The System is a comprehensive restaurant system for the retailing of certain uniform and quality food and beverage products (including alcoholic beverages), emphasizing a varied menu of high quality, moderately priced food products (including appetizers, creative sandwiches, dinner entrees and desserts), a selection of alcoholic and other beverages, and prompt and courteous service in a clean, wholesome, casual atmosphere. The foundation of the System is the establishment and maintenance of a reputation among the public for the operation of high quality restaurant units. A fundamental requirement of the System, this Franchise Agreement and franchises which Franchisor will grant to others is adherence by all franchisees to Franchisor's standards and policies providing for the uniform operation of all restaurant units within the System, including, but not limited to, (a) selling only those products which Franchisor has designated and approved, (b) using only Franchisor's prescribed building layout and designs, equipment, signs, interior and exterior decor items, fixtures and furnishings, (c) adhering strictly to Franchisor's standards and specifications relating to the selection, purchase, storage, preparation, packaging, service and sale of all food and beverage products being sold at the Restaurant, and (d) satisfying all of Franchisor's prescribed standards of quality, service and cleanliness. Compliance by all franchisees with the foregoing standards and policies in conjunction with the use of Franchisor's trade names, service marks and trademarks provides the basis for the wide public acceptance of the System and its valuable goodwill. Accordingly, strict adherence by all franchisees to all aspects of the System is required at all times.

2.2 The provisions of the Agreement shall be interpreted to give effect to the intent of the parties stated in this Section 2 to assure that Franchisee shall operate the Restaurant in conformity with the System, through strict adherence to Franchisor's standards and policies as they now exist and as they may be modified from time to time.

3. COMPLIANCE WITH THE SYSTEM

Franchisee acknowledges that every component of the System is important to Franchisor, to all franchisees and to the operation of the Restaurant, including the requirements (a) that only those products designated and approved by the Franchisor are sold at the Restaurant, and (b) that there is uniformity of food and beverage specifications, preparation methods, quality, appearance, building and interior design, color and decor, landscaping, facilities and service among all restaurant units in the System. Accordingly, Franchisee agrees to and shall comply with all aspects of the System (as it now exists and as it may be modified from time to time). Franchisee recognizes and agrees that Franchisor may prohibit the use of the System and its trade names, notwithstanding the granting of this Agreement, if Franchisee fails to design, construct, equip or furnish its Restaurant in compliance with the specifications designated by Franchisor, unless prior written approval has been received from Franchisor.

4. GENERAL SERVICES OF FRANCHISOR

4.1 Franchisor shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant, and at other reasonable times upon Franchisee's request. Franchisor will provide to Franchisee such of its know-how, new developments, techniques and improvements in areas of restaurant design, management, food and beverage preparation, sales promotion and service concepts as may be pertinent to the construction and operation of the Restaurant under the System. Franchisor may provide the foregoing information (a) by sending representatives to visit the Restaurant, (b) by providing written or other material, (c) at meetings or seminars, and (d) at training sessions at Franchisor's training facility and/or such other locations as may be selected by Franchisor from time to time. Franchisor also shall make available to Franchisee all additional services, facilities, rights and privileges which Franchisor makes available from time to time to its

franchisees of the System generally.

4.2 For approximately eight (8) days prior to the opening of the Restaurant and the first six (6) days that the Restaurant is open for business, Franchisor shall provide Franchisee, at Franchisor's expense, with the services of up to a maximum of six (6) of Franchisor's training personnel to facilitate proper operation of the kitchen, bar and dining room areas during that period and to assist in correcting any operational problems which may arise.

4.3 From time to time during the term of this Agreement, Franchisor will develop and test new menu items. The menu consists of approved national food and beverage selections. Franchisee shall comply with all menu changes which generally occur every six (6) months. The menu may be modified to reflect food and beverage items peculiar to Franchisee's local area, subject to Franchisor's testing and approval.

5. RESTAURANT SYSTEM AND PROCEDURES

5.1 Franchisor shall furnish Franchisee with advice and assistance in managing and operating the Restaurant, and Franchisor's representatives will visit the Restaurant periodically. Franchisor will assist Franchisee in coordinating the Restaurant's pre-opening activities, and as noted more particularly in Subsection 4.2 hereof, shall provide Franchisee with the services of certain of Franchisor's personnel to facilitate proper operation of the Restaurant when it opens for business.

5.2 Franchisee shall designate an employee who will supervise the Restaurant, and devote his or her full time, best efforts and constant personal attention to the day-to-day operation of the Restaurant (the "General Manager"). Franchisee also shall designate an employee who will supervise the Restaurant kitchen, and devote his or her full time, best efforts and constant personal attention to the day-to-day operation of the Restaurant kitchen (the "Kitchen Manager").

5.3 Franchisee shall require that the General Manager, the Kitchen Manager and each of Franchisee's employees who serve as Restaurant managers to maintain his or her principal personal residence within a usual driving time of not more than approximately one (1) hour from the Restaurant. Franchisor reserves the right to require that, as a condition of his or her employment, the General Manager must successfully complete Franchisor's interview process and a psychological profile test in a manner which satisfies a uniform standard established by Franchisor. The test shall be administered by Franchisor, or by a testing agency designated by Franchisor, at Franchisee's expense.

5.4 Unless Franchisor shall have given its prior written approval, Franchisee shall keep the Restaurant open for business only during the hours which are specified by Franchisor in the Franchise Operations Manual or in such other materials or manuals provided or made available by Franchisor to Franchisee (collectively the "Manuals"), provided that such hours do not conflict with state laws or local ordinances relating to the sale of alcoholic beverages or governing the hours during which restaurant establishments may be open for business. In addition, Franchisee expressly agrees to:

(a) operate the Restaurant in a clean, safe and orderly manner, providing courteous, first-class service to the public;

(b) diligently promote and make every reasonable effort to increase the business of the Restaurant;

(c) advertise the business of the Restaurant by the use of the Franchisor's trade names, service marks and trademarks and such other insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or established from time to time by Franchisor and included in the Manuals, subject to the limitations

of Subsections 8.4 and 8.5 hereof;

(d) prohibit and, to the best of Franchisee's ability, prevent the use of the Restaurant for any immoral or illegal purpose, or for any other purpose, business activity, use of function which is not expressly authorized hereunder or in the Manuals; and

(e) comply fully with all applicable laws and regulations, including, but not limited to, those relating to building construction, maintenance and safety, fire prevention, food safety, and the sale of alcoholic beverages.

5.5 Franchisee hereby acknowledges receipt and loan of a copy of the Manuals heretofore or hereinafter furnished to Franchisee, and agrees to faithfully, completely and continuously perform, fulfill, observe and follow all instructions, requirements, standards, specifications, systems and procedures contained therein, including (a) those relating to the construction, design, decor, building and equipping of the Restaurant, (b) those relating to the selection, purchase, storage, preparation, packaging, service and sale of all products being sold at the Restaurant, (c) those relating to the maintenance and repair of Restaurant building, grounds, equipment, signs, interior and exterior decor items, fixtures and furnishings, and (d) those relating to employee uniforms and dress, accounting, bookkeeping, record retention, and other business systems, procedures and operations. The Manuals are incorporated herein by reference and hereby made part of this Agreement. Franchisee acknowledges and agrees that the materials contained in the Manuals are integral, necessary and material elements of the System.

5.6 Franchisee understands, acknowledges and agrees that strict conformity with the System, including the standards, specifications, systems, procedures, requirements and instructions contained in this Agreement and in the Manuals, is vitally important, not only to the success of Franchisor, but to the collective success of all of Franchisor's other franchisees, by reason of the benefits which Franchisor and all of its franchisees will derive from uniformity in products sold, identity, quality, appearance, facilities and service among all restaurant units which are part of the System. Without limiting the generality of the foregoing provisions, Franchisee agrees to adhere strictly to the requirements in the Manuals relating (a) to the construction, design, decor, building and equipping of the Restaurant, (b) to the maximum permissible ratio of sales of alcoholic beverages to sales of food at the Restaurant, and (c) to the limitations on the number of video games or similar devices which may be placed on the Restaurant premises. Any failure to adhere to the standards, specifications, systems, requirements or instructions contained in this Agreement or in the Manuals shall constitute a material breach of this Agreement.

5.7 Franchisor shall have the right, at any time and from time to time, in the good faith exercise of its reasonable business judgment, consistent with the overall best interests of the System generally, having due regard for the financial burden which may be placed upon its franchisees, to revise, amend, delete from and add to the System and the material contained in the Manuals. Franchisee expressly agrees to comply with all such revisions, amendments, deletions and additions.

5.8 Franchisee shall offer for sale from the Restaurant, at all times when the Restaurant is open for business, only the products which are expressly designated in the Manuals, except, as noted more particularly in Subsection 4.3, to the extent that Franchisee has obtained Franchisor's prior written consent to a modification of that requirement. No product shall be offered or sold at or from the Restaurant under, or in connection with, any trademark or service mark other than Franchisor's designated trademarks and service marks without Franchisor's prior written consent.

5.9 Franchisee shall obtain all food and beverage products, equipments, signs, interior and exterior decor items, fixtures,

furnishings, supplies, and other products and materials required for the operation of or sold at the Restaurant solely from suppliers (including manufacturers, distributors and other sources) who demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved in writing by Franchisor and not thereafter disapproved. The Manuals contain a list of approved suppliers. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, which approval shall not be unreasonably withheld, or shall request the supplier itself to do so. Franchisor shall have the right to inspect the supplier's facilities, and to require that samples from the supplier be delivered, at Franchisor's option, either to Franchisor or to an independent, certified laboratory designated by Franchisor for testing. Franchisee or the supplier shall pay the costs of any such test. Franchisor shall notify Franchisee in writing within forty-five (45) days of receiving any such request whether it disapproves the supplier. Failure by Franchisor to so notify Franchisee within that period shall be deemed to constitute Franchisor's approval of such supplier. Franchisor reserves the right, at its option, to reinspect the facilities and retest products of any such approved supplier at any time and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's criteria. Notwithstanding the foregoing, any supplier of goods having any trademark, trade name, service mark, logo or symbol owned by Franchisor shall not be approved to supply Franchisee such goods until such supplier has entered a written agreement with Franchisor regarding the production, use and sale of such goods.

5.10 No food or beverage product, interior or exterior decor item, sign, item of equipment, fixtures, furnishings or supplies, or other product or material required for the operation of the Restaurant, which bears any of Franchisor's trade names, service marks or trademarks, shall be used or sold in or upon the Restaurant premises unless the same shall have been first submitted to and approved in writing by Franchisor.

5.11 The Manuals and all related material furnished to Franchisee hereunder are and shall remain the property of Franchisor, and must be returned to Franchisor, along with any copies made thereof, immediately upon request or upon the expiration or earlier termination of this Agreement.

6. TRAINING

6.1 Franchisor shall make its operations training course available to the General Manager, the Kitchen Manager, and Franchisee's Assistant Managers and other Restaurant managers.

6.2 Before the Restaurant opens for business, and thereafter as replacement personnel are employed by Franchisee, the General Manager, the Kitchen Manager and each Assistant Manager shall attend Franchisor's operations training facility for such period of time as Franchisor shall deem reasonably necessary, and shall successfully complete that course to Franchisor's reasonable satisfaction. If the General Manager, Kitchen Manager or an Assistant Manager fails to successfully complete Franchisor's operations training course, Franchisor may require designation of a new General Manager, Kitchen Manager or Assistant Manager, as the case may be, and Franchisee shall designate a new General Manager, Kitchen Manager or Assistant Manager, who shall be required to successfully complete such training course.

6.3 The General Manager, the Kitchen Manager and each Assistant Manager shall, from time to time as reasonably required by Franchisor, attend and successfully complete to Franchisor's reasonable satisfaction a Franchisor-provided refresher course in restaurant operations.

6.4 Franchisee shall be responsible for the Restaurant's

compliance with the operating standards, methods, techniques and material taught at Franchisor's operations training course, and shall cause the employees of the Restaurant to be trained in such standards, methods and techniques as are relevant to the performance of their respective duties.

6.5 Attendance of the General Manager, the Kitchen Manager and each Assistant Manager at any of Franchisor's training courses shall be tuition-free. Franchisee shall pay all other costs and expenses relating to the attendance of Franchisee's personnel at any of Franchisor's training courses, including, without limitation, the cost of travel, lodging, meals, and other related and incidental expenses.

7. RESTAURANT MAINTENANCE

7.1 Franchisee shall, at Franchisee's sole cost and expense, maintain the Restaurant in conformity with the standards, specifications and requirements of the System, as the same may be designated by Franchisor from time to time. Franchisee specifically agrees to repair or replace, at Franchisee's cost and expense, equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Restaurant as necessary or desirable, and to obtain, at Franchisee's cost and expense, any new or additional equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials which may be reasonably required by Franchisor for new products or procedures. Except as may be expressly provided in the Manuals, no alterations or improvements, or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Restaurant or Restaurant premises without the prior written approval of Franchisor in each instance.

7.2 In order to assure the continued success of the Restaurant, Franchisee shall, at any time from time to time after _____, _____, (i.e., six [6] years after the date of this Agreement) as reasonably required by Franchisor (taking into consideration the cost and then-remaining term of this Agreement), modernize the Restaurant premises, equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Restaurant, to Franchisor's then-current standards and specifications, provided that at the time Franchisor requires Franchisee to so modernize the Restaurant premises at least twenty-five percent (25%) of Franchisor-owned and operated Restaurants meet such standards and specifications. Franchisee's obligations under this Subsection are in addition to, and shall not relieve Franchisee from, any of its other obligations under this Agreement, including those contained in the Manuals.

7.3 If Franchisee is or becomes a lessee of the Restaurant premises, Franchisee shall have included in the lease provisions expressly permitting both Franchisee and Franchisor to take all actions and make all alterations referred to under Subsections 7.1 and 7.2 hereof, requiring the lessor thereunder to give Franchisor reasonable notice of any contemplated termination, and providing that Franchisee has the unrestricted right to assign the lease to Franchisor without the lessor having any right to impose conditions on such assignment or to obtain any payment in connection therewith. Franchisee shall not, without the prior written consent of Franchisor, execute any lease or other agreement which imposes, or purports to impose, any limitations on the ability of Franchisee and/or of Franchisor to operate additional restaurants at any particular location beyond the geographic limitation set forth in Section 1.4 hereof, or any lease the term of which is shorter than the term of this Agreement.

8. ADVERTISING

8.1 Franchisor shall develop and administer advertising, public

relations and sales promotion programs designed to promote and enhance the collective success of all restaurant units in the System. It is expressly understood, acknowledged and agreed that in all phases of such advertising and promotion, including, without limitation, type, quantity, timing, placement and choice of media and medium, market areas, advertising agencies and public relations firms, Franchisor's decisions shall be final and binding. Franchisee shall have the right to participate actively in all such advertising, public relations and sales promotion programs, but only in full and complete accordance with such terms and conditions as may be established by Franchisor for each such program.

8.2 Franchisee shall pay Franchisor, in the manner described in Section 9 hereof, a minimum dollar amount equal to one and one-half percent (1.5%) of Franchisee's gross sales, as defined in Subsection 9.3 hereof. Such funds shall become the sole and absolute property of Franchisor, to be allocated to a separate "advertising account" established by Franchisor. Franchisor shall use such funds for market studies, advertising and marketing studies or services, production of commercials, advertising copy and layouts, traffic costs, agency fees, marketing personnel, or any other costs associated with the development, marketing and testing of advertising, and for the purchase of advertising time, space or materials in national, regional or other advertising media, in a manner determined by Franchisor in its sole discretion. Within six (6) months following the end of Franchisor's fiscal year, Franchisor shall provide all franchisees with an accounting of all amounts received from them and expended by Franchisor for the matters set forth above. In addition, Franchisee shall expend a minimum dollar amount equal to one and one-half percent (1.5%) of Franchisee's gross sales, for local promotional activities, subject to the provisions of Subsections 8.4 and 8.5 hereof. Franchisor shall have the right at all times to review Franchisee's books and records, and to require Franchisee to produce evidence of its gross sales and local promotional activities, to ensure Franchisee's compliance with this Section. Any amount determined by said audit to be due Franchisor as part of the advertising fee will be paid to Franchisor by Franchisee within ten (10) days thereafter. At any time after execution of this Agreement, Franchisor may in its sole discretion increase, to a maximum of four percent (4%) of gross sales, the percentage of gross sales which Franchisee shall be required to pay to Franchisor for allocation to a separate advertising account pursuant to this Subsection 8.2. Franchisor shall use the funds paid pursuant to that increased percentage requirement solely for the purchase of advertising time, space or materials in national, regional or other advertising media, in a manner determined by Franchisor in its sole discretion, provided that in each calendar year (or other twelve [12] month period established by Franchisor) in which Franchisor makes expenditures for advertising from such an advertising account, so long as Franchisee is in compliance with its obligations hereunder, Franchisor's expenditures for advertising in the Territory encompassed by the Development Agreement (including expenditures for national or regional advertising in media which reach that Territory) shall be on a basis which is roughly proportional to Franchisee's contribution to that advertising account during that calendar year or other twelve (12) month period. Franchisor also may increase the percentage of gross sales which Franchisee shall be required to spend for local promotional activities, provided however, that in no event shall Franchisee be required to make payments pursuant to this Subsection 8.2 in a dollar amount in excess of five percent (5%) of gross sales.

8.3 Franchisee shall submit to Franchisor, for Franchisor's approval, an advertising campaign plan relating to the promotion of the opening of the Restaurant which is sufficient to meet the needs of the market. The Manuals contain a Press Release kit to assist Franchisee in this regard. Franchisee shall conduct the approved advertising campaign and make all expenditures for advertising to promote the opening of the Restaurant no later than sixty (60) days after the Restaurant opens for business. Franchisor will reimburse fifty percent (50%) of Franchisee's out-of-pocket opening advertising expenditures up to a maximum of two thousand five hundred dollars ($2,500), if Franchisee meets the following criteria:

(a) Franchisee's opening advertising expenditures are made within sixty (60) days after the opening of the Restaurant;

(b) Franchisee submits to Franchisor within one hundred twenty (120) days after the opening of the Restaurant documentation for the opening advertising expenditures, such as paid invoices from suppliers of goods or services evidencing expenditure on the opening advertising promotion; and

(c) Franchisee's opening advertising expenditures are made pursuant to the approved advertising campaign plan and in accordance with the Grand Opening Reimbursement Program Policy Guidelines set forth in the Manuals.

8.4 Nothing in the foregoing Subsections shall be deemed to prohibit Franchisee from making additional expenditures for local promotional activities. All of the Franchisee's local promotional activities shall utilize approved advertising media. "Approved advertising media" are limited to the following:

(a) Newspapers, magazines and other such periodicals;

(b) Radio and television;

(c) Outdoor advertising by signs displayed on billboards or buildings; and

(d) Handbills, flyers, door-hangers and direct mail.

In the event Franchisee wants to use a form of advertising medium not set forth above, Franchisee shall submit a description of such medium and advertising to Franchisor. Franchisor shall notify Franchisee whether it approves the use of such medium within thirty (30) days of Franchisee's request. Failure by Franchisor to so notify Franchisee within that period shall be deemed to constitute Franchisor's approval of such request. Guidelines for local promotional activities are contained in the Manuals.

8.5 All advertising copy and other materials employed by Franchisee in local promotional activities shall be in strict accordance and conformity with the standards, formats and specimens contained in the Manuals and shall receive the prior approval of Franchisor. In the event Franchisee wishes to deviate from the materials contained in the Manuals, Franchisee shall submit, in each instance, the proposed advertising copy and materials to Franchisor for approval in advance of publication. Franchisor shall notify Franchisee in writing, within fifteen (15) days of such submission, whether Franchisor disapproves such advertising copy and materials. Failure by Franchisor to so notify Franchisee within that period shall be deemed to constitute Franchisor's approval of such advertising copy and materials. In no event shall Franchisee's advertising contain any statement or material which may be considered (a) in bad taste or offensive to the public or to any group of persons, (b) defamatory of any person or an attack on any competitor, (c) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification, or (d) inconsistent with the public image of Franchisor or of the System.

9. FEES

9.1 As partial consideration for the rights granted hereunder, Franchisee shall pay Franchisor:

(a) an initial franchise fee of _____ dollars ($_____), to be paid in the manner prescribed in Subsection 4.1 of the Development Agreement as payment for the grant of the franchise;

(b) a monthly royalty fee as determined by Franchisor, not to

exceed five percent (5%) of each calendar month's gross sales, as provided in Subsection 4.3 of the Development Agreement, as payment for Franchisee's continuing right to operate the Restaurant as part of the System (see Exhibit 1); and

(c) a monthly advertising fee equal to such percentage of each calendar month's gross sales as Franchisor may require pursuant to Subsection 8.2 hereof.

Notwithstanding anything contained herein to the contrary, if the royalty fee set forth in Subsection 9.1(b) is equal to five percent (5%) of monthly gross sales, then in such an event, the advertising fee described in Subsection 9.1(c) shall not exceed four percent (4%) of monthly gross sales.

9.2 The fees referred to in Subsections 9.1(b) and (c) (the "Fees") shall be paid by check mailed and postmarked on or before the twelfth day of the next full month immediately following the month to which the Fees relate. Any Fees, including the initial franchise fee, which are not paid when due shall bear interest from and after the due dates thereof at the rate of eighteen percent (18%) per annum or the highest rate permitted by applicable law, whichever is less.

9.3 (a) Except as provided in Subsection 9.3(b) hereof, the term "gross sales," as used in this Agreement, shall mean all receipts (cash, cash equivalents or credit) or revenues from sales from all business conducted upon or from the Restaurant premises, whether evidenced by check, cash, credit, charge account, exchange or otherwise, including, but not limited to, amounts received from the sale of goods, wares and merchandise (including sales of food, beverages and tangible property of every kind and nature, promotional or otherwise), from all services performed from or at the Restaurant premises, and from all orders taken or received at the Restaurant premises, regardless of where such orders are filled. Gross sales shall not be reduced by any deductions for cash shortages incurred in connection with the transaction of business with customers, credit card company charges or theft which is reimbursed by insurance or is not reported to the appropriate police authorities. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the month during which such charge or sale shall be first made, irrespective of the time when Franchisee shall receive payment (whether full or partial) therefor.

(b) Gross sales shall not include: (i) the sale of merchandise for which cash has been refunded or, except as provided in the second sentence of Subsection 9.3(a), not received, or allowances made for merchandise, if the sales of any such returned or exchanged merchandise shall have been previously included in gross sales, (ii) the amount of any sales tax imposed by any federal, state, municipal or other governmental authority directly on sales and intended to be collected from customers, provided that the amount thereof is added to the selling price and actually paid by the Franchisee to such governmental authority, (iii) the sale of merchandise for which a gift certificate is redeemed, provided that the initial sale of said gift certificate shall have been previously included in gross sales, (iv) the sale of waste products of the Restaurant, (v) the sale of meals to employees, (vi) telephone, game and vending machine revenues, (vii) the sale of non-food items or beverages at a discount in connection with a promotional campaign, (viii) one-time sale of furniture, fixtures or equipment, and (ix) theft which is not covered by insurance and is reported to the appropriate police authorities. In addition, Franchisor may, from time to time, in writing, permit or allow certain other items to be excluded from gross sales. Any such permission or allowance may be revoked or withdrawn at Franchisor's discretion.

10. RECORD KEEPING

10.1 Franchisor shall provide Franchisee with a choice of two (2) or more approved point of sales systems, and Franchisee shall employ one (1)

of such approved systems, without modification, in connection with the business of the Restaurant. Franchisee shall use such bookkeeping and record keeping forms as shall be prescribed in the Manuals.

10.2 Franchisee shall complete and submit to Franchisor, on a regular, continuous basis, each of the following reports, in the form specified in the Manuals:

(a) monthly Restaurant reports, on or before the twelfth day of each calendar month following the month to which the report relates;

(b) annual Restaurant reports, on or before the fifteenth day of April of each year; and

(c) weekly gross sales reports, on or before the Tuesday following the calendar week to which the report relates.

10.3 The annual Restaurant reports referred to above shall include a balance sheet dated as of the end of Franchisee's fiscal year or calendar year and a profit and loss statement for such year, together with such additional financial information as Franchisor may reasonably request. Such balance sheet and profit and loss statement shall be prepared in accordance with generally accepted accounting principles, certified as correct and complete by Franchisee's chief executive officer, president, chief financial officer or controller and reported on and reviewed by an independent state-licensed certified public accountant. If Franchisee fails to provide Franchisor with such balance sheet and profit and loss statement, Franchisor shall have the right to have an independent audit made of Franchisee's books and records, and Franchisee shall promptly reimburse Franchisor for the cost thereof.

10.4 Each of the reports referred to in this Section 10 shall be completed by Franchisee or its accountant in the respective specimen forms, and in accordance with the instructions, contained in the Manuals. Subsection 10.3 notwithstanding, time is of the essence with respect to the completion and submission of each such report.

11. FRANCHISEE ORGANIZATION, AUTHORITY, FINANCIAL CONDITION AND SHAREHOLDERS

11.1 Franchisee and each Principal Shareholder represent and warrant that: (a) Franchisee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of its incorporation; (b) Franchisee is duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (c) the execution and delivery of this Agreement and the transaction contemplated hereby are within Franchisee's corporate power; (d) the execution and delivery of this Agreement has been duly authorized by the Franchisee; (e) the articles of incorporation and by-laws of Franchisee delivered to Franchisor are true, complete and correct, and there have been no changes therein since the date thereof; (f) the certified copies of the minutes electing the officers of Franchisee and authorizing the execution and delivery of this Agreement are true, correct and complete, and there have been no changes therein since the date(s) thereof; (g) the specimen stock certificate delivered to Franchisor is a true specimen of Franchisee's stock certificate; (h) the balance sheet of Franchisee as of _____, _____ ("Balance Sheet") and the balance sheets of its Principal Shareholders as of _____, _____, heretofore delivered to Franchisor, are true, complete and correct, and fairly present the financial positions of Franchisee and each Principal Shareholder, respectively, as of the dates thereof; (i) the Balance Sheet and each such balance sheet have been prepared in accordance with generally accepted accounting principles; and (j) there have been no materially adverse changes in the condition, assets or liabilities of Franchisee or Principal Shareholders since the date or dates thereof.

11.2 Franchisee and each Principal Shareholder covenant that during the term of this Agreement: (a) Franchisee shall do or cause to be done all things necessary to preserve and keep in full force its corporate existence and shall be in good standing as a foreign corporation in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (b) Franchisee shall have the corporate authority to carry out the terms of this Agreement; and (c) Franchisee shall print, in a conspicuous fashion on all certificates representing shares of its stock when issued, a legend referring to this Agreement and the restrictions on and obligations of Franchisee and Principal Shareholders hereunder, including the restrictions on transfer of Franchisee's shares.

11.3 In addition to the financial information which Franchisee is required to provide to Franchisor under Subsections 10.2 and 11.1 hereof, Franchisee and Principal Shareholders shall provide Franchisor with such other financial information as Franchisor may reasonably request from time to time, including, on an annual basis, copies of the then-most current financial statements of Franchisee and each Principal Shareholder, dated as of the end of the last preceding fiscal year of the Franchisee or Principal Shareholder, said statements to be delivered to Franchisor no later than April 15 of each year.

11.4 Franchisee and each Principal Shareholder represent, warrant and covenant that all Interests (as defined in Subsection 12.4 hereto) in Franchisee are owned as set forth on Appendix A hereto, that no Interest has been pledged or hypothecated (except in accordance with Section 12 of this Agreement), and that no change will be made in the ownership of any such Interest other than as permitted by this Agreement, or otherwise consented to in writing by Franchisor. Franchisee and Principal Shareholders agree to furnish Franchisor with such evidence as Franchisor may request, from time to time, for the purpose of assuring Franchisor that the Interests of Franchisee and Principal Shareholders remain as represented herein.

11.5 Each Principal Shareholder, jointly and severally, hereby personally and unconditionally guarantees each of Franchisee's financial obligations to Franchisor (including, but not limited to, all obligations relating to the payment of fees by Franchisee to Franchisor). Each Principal Shareholder agrees that Franchisor may resort to such Principal Shareholder (or any of them) for payment of any such financial obligation, whether or not Franchisor shall have proceeded against Franchisee, any other Principal Shareholder or any other obligor primarily or secondarily obligated to Franchisor with respect to such financial obligation. Each Principal Shareholder hereby expressly waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever with respect to Franchisor's enforcement of this guaranty. In addition, each Principal Shareholder agrees that if the performance or observance by Franchisee of any term or provision hereof is waived or the time of performance thereof extended by Franchisor, or payment of any such financial obligation is accelerated in accordance with any agreement between Franchisor and any party liable in respect thereto or extended or renewed, in whole or in part, all as Franchisor may determine, whether or not notice to or consent by any Principal Shareholder or any other party liable in respect to such financial obligations is given or obtained, such actions shall not affect or alter the guaranty of each Principal Shareholder described in this Subsection.

12. TRANSFER

12.1 There shall be no Transfer of any Interest of Franchisee, or of a Principal Shareholder in Franchisee, in whole or in part (whether voluntarily or by operation of law), directly, indirectly or contingently, except in accordance with the provisions of this Section 12. "Transfer" and "Interest" are defined in Subsections 12.2, 12.3 and 12.4. Any proposed Transfer also shall be subject to the provisions of the

Development Agreement.

12.2 Except as provided in Subsection 12.3, "Transfer" shall mean any assignment, sale, pledge, hypothecation, gift or any other event which would change ownership of or change or create a new Interest, including, but not limited to:

(a) any change in the ownership of or rights in or to any shares of stock or other equity interest in Franchisee which would result from the act of any shareholder of Franchisee ("Shareholder"), such as a sale, exchange, pledge or hypothecation of shares, or any interest in or rights to any of Franchisee's profits, revenues or assets, or any such change which would result by operation of law; and

(b) any change in the percentage interest owned by any Shareholder in the shares of stock of Franchisee, or interests in its profits, revenues or assets which would result from any act of Franchisee such as a sale, pledge or hypothecation of any Restaurant assets (other than a pledge of assets to secure bona fide loans made or credit extended in connection with acquisition of the assets pledged, provided that immediately before and after such transaction the net worth of Franchisee shall not be less than the amount which is reflected on the Balance Sheet referred to in Subsection 11.1 of this Agreement); any sale or issuance of any shares of Franchisee's stock; the retirement or redemption of any shares of Franchisee's stock; or any sale or grant to any person of any right to participate in or otherwise to share or become entitled to any part of Franchisee's profits, revenues, assets or equity.

12.3 "Transfer" shall not include (a) a change in the ownership of or rights to any shares or other equity interest in Franchisee pursuant to a public offering of Franchisee's securities registered under the Securities Act of 1933, or (b) a change in the ownership of or rights to any securities or other equity interest in Franchisee pursuant to a private offering of Franchisee's securities exempted from registration under such Act, provided that Franchisee provides Franchisor with a copy of its S-1 prospectus and/or offering memorandum ten (10) days prior to its filing with the Securities and Exchange Commission or circulation to third parties so that Franchisor may comment and, if necessary, correct any information concerning Franchisor and/or the System, and further provided that after giving effect to such public or private offering, the Principal Shareholders, or any of them, "control" Franchisee. For purposes of this Section 12, "control" means either (1) holding fifty-one percent (51%) or more of the outstanding voting securities of Franchisee, or (2) having the contractual power presently to designate a majority of the directors of Franchisee.

12.4 "Interest" shall mean: when referring to interests or rights in Franchisee, any shares of Franchisee's stock and any other equitable or legal right in or to any of Franchisee's stock, revenues, profits or assets; when referring to rights or assets of Franchisee, Franchisee's rights under and interest in this Agreement, the Restaurant and its revenues, profits and assets.

12.5 (a) The Interest of a Principal Shareholder may be transferred to such Principal Shareholder's spouse or children or to a person designated in such Principal Shareholder's will or trust (individually and collectively referred to as a "Successor"), upon such Principal Shareholder's death or permanent incapacity, without Franchisor's approval, provided that such Successor shall agree to be bound by the restrictions contained in this Section 12, and the other agreements and covenants of the Principal Shareholders contained in this Agreement.

(b) The Interest of a Principal Shareholder may not be transferred to another Principal Shareholder without Franchisor's approval, which approval shall not be unreasonably withheld.

(c) The Interest of a Successor may only be transferred in

accordance with Subsection 12.5(b) or 12.6, regardless of whether such Transfer is for consideration or by gift or will or other device.

12.6 (a) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Franchisor has entered into this Agreement in reliance on the business skill and financial capability of Franchisee, and the business skill, financial capability and personal character of each Principal Shareholder. Except as otherwise provided in this Section 12, the Principal Shareholders shall at all times retain control of Franchisee. Except as otherwise provided in this Section 12, no Transfer of any part of Franchisee's Interest in this Agreement or in the Restaurant, and no Transfer of any Interest of any Principal Shareholder, shall be completed except in accordance with this Subsection 12.6. In the event of such a proposed Transfer of any part of Franchisee's Interest in this Agreement or in the Restaurant, or of any Interest of any Principal Shareholder, the party or parties desiring to effect such Transfer shall give Franchisor notice in writing of the proposed Transfer, which notice shall set forth the name and address of the proposed transferee, its financial condition, including a copy of its financial statement dated not more than ninety (90) days prior to the date of said notice, and all the terms and conditions of the proposed Transfer. Upon receiving such notice, Franchisor may (i) approve the Transfer, or (ii) withhold its consent to the Transfer. Franchisor shall, within forty-five (45) days of receiving such notice and all of the information required therein, advise the party or parties desiring to effect the Transfer whether it (1) approves the Transfer, or (2) withholds its consent to the Transfer, giving the reasons for such disapproval. Failure of Franchisor to so advise said party or parties within that forty-five (45) day period shall be deemed to be an approval of the proposed Transfer. Appendix B sets forth the criteria for obtaining Franchisor's consent to a proposed Transfer.

(b) In the event that Franchisor approves the Transfer, and the Transfer is not completed within ninety (90) days of the later of (i) expiration of the forty-five (45) day notice period, or (ii) delivery of notice of Franchisor's approval of the proposed Transfer, Franchisor's approval of the proposed Transfer shall automatically be revoked. The ninety (90) day limitation described in the preceding sentence shall not apply if at the end of said ninety (90) day period the only issue which prevents completion of the Transfer is the need to effect transfers of the applicable liquor licenses. In the event of such a delay, the Transfer shall take place within seven (7) business days after those liquor licenses have been transferred. Any subsequent proposal to complete the proposed Transfer shall be subject to Franchisor's right of approval as provided herein. The party which desires to effect the proposed Transfer shall immediately notify Franchisor in writing of any change in the terms of a Transfer. Any material change in the terms of a Transfer prior to closing shall cause it to be deemed a new Transfer, revoking any approval previously given by Franchisor and conferring upon Franchisor a new right to approve such Transfer, which shall be deemed to commence on the day on which Franchisor receives written notice of such changes in terms.

12.7 In connection with any request for Franchisor's approval of a proposed Transfer pursuant to this Section 12, the parties to the proposed Transfer shall pay Franchisor a fee to defray the actual cost of review and the administrative and professional expenses related to the proposed Transfer and the preparation and execution of documents and agreements, up to a maximum of two thousand five hundred dollars ($2,500).

13. CONFIDENTIALITY; RESTRICTIONS

13.1 Franchisee and its Principal Shareholders acknowledge that over the term of this Agreement they are to receive proprietary information which Franchisor has developed over time at great expense, including, but not limited to, information regarding the System, methods of site selection, marketing and public relations methods, product analysis and selection, and service methods and skills relating to the development and

operation of Restaurants. They further acknowledge that this information, which includes, but is not necessarily limited to, that contained in the Manuals, is not generally known in the industry and is beyond their own present skills and experience, and that to develop it themselves would be expensive, time consuming and difficult. Franchisee and its Principal Shareholders further acknowledge that the Franchisor's information provides a competitive advantage and will be valuable to them in the development of their business, and that gaining access to it is therefore a primary reason why they are entering into this Agreement. Accordingly, Franchisee and its Principal Shareholders agree that Franchisor's information, as described above, which may or may not be "trade secrets" under prevailing judicial interpretations, is private and valuable, and constitutes trade secrets belonging to Franchisor. Accordingly, in consideration of Franchisor's confidential disclosure to them of these trade secrets, Franchisee and Principal Shareholders agree as follows (subject to the provisions of the Development Agreement and any other franchise agreement between Franchisor and Franchisee):

(a) During the term of this Agreement, neither Franchisee nor any Principal Shareholder, for so long as such Principal Shareholder owns an Interest in Franchisee, may, without the prior written consent of Franchisor, directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System which is either (i) located in the Territory, as defined in the Development Agreement, (ii) located in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed pursuant to the Development Agreement, (iii) located within a five (5) mile radius of any restaurant unit within the System, or (iv) determined by Franchisor, exercising reasonable good faith judgment, to be a direct competitor of the System.

(b) Neither Franchisee, for two (2) years following the termination of this Agreement, nor any Principal Shareholder, for two (2) years following the termination of all of his or her Interest in Franchisee or the termination of this Agreement, whichever occurs first, may directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System which is located either (i) in the Territory, as defined in the Development Agreement, (ii) in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any restaurant developed pursuant to the Development Agreement, (iii) within a five (5) mile radius of any restaurant unit within the System, or (iv) within any area for which an active, currently binding development agreement has been granted by Franchisor to another franchisee as of the date of the termination.

(c) Neither Franchisee nor any Shareholder shall at any time (i) appropriate or use the trade secrets incorporated in the System, or any portion thereof, in any restaurant business which is not within the System, (ii) disclose or reveal any portion of the System to any person, other than to Franchisee's Restaurant employees as an incident of their training, (iii) acquire any right to use any name, mark or other intellectual property right which is or may be granted by this Agreement, except in connection with the operation of the Restaurant, or (iv) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of development or operation of a restaurant utilizing the System, which may be communicated by Franchisor in connection with the franchise granted hereunder.

13.2 Franchisee and Principal Shareholders agree that the provisions of this Section 13 are and have been a primary inducement to Franchisor to enter into this Agreement, and that in the event of breach thereof Franchisor would be irreparably injured and would be without adequate remedy at law. Therefore, in the event of a breach, or a threatened or attempted breach, of any of such provisions Franchisor shall be entitled, in addition to any other remedies which it may have hereunder or at law or in equity (including the right to terminate this Agreement), to a preliminary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

13.3 The restrictions contained in Subsection 13.1(a) and (b) above shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national securities exchange if such shares are owned for investment only, and are not owned by an officer, director, employee, or consultant of such publicly traded company.

13.4 If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Section 13 determines that it would be invalid or unenforceable as written, then the provisions hereof shall be deemed to be modified or limited to such extent or in such manner as necessary for such provisions to be valid and enforceable to the greatest extent possible.

13.5 Franchisee shall require the General Manager, the Kitchen Manager and each of its Restaurant managers to execute a confidentiality agreement in the form attached hereto as Appendix C. Franchisee shall be responsible for compliance of its employees with the agreements identified in this Subsection.

14. INSPECTIONS

14.1 Franchisor shall have the right at any time, and from time to time, to have its representatives enter the Restaurant premises without notice for the purpose of inspecting the condition thereof and the operation of the Restaurant in order to determine whether Franchisee is in compliance with the standards, specifications, requirements and instructions contained in this Agreement and in the Manuals, and for any other reasonable purpose connected with the operation of the Restaurant.

14.2 Without limiting the generality of Subsection 14.1, a representative of Franchisor shall be present in the Restaurant to consult with Franchisee or its General Manager once each calendar quarter and, at least semi-annually, a representative shall conduct an inspection/ consultation at the Restaurant (which may be conducted with or without notice). During such inspection, Franchisor's representative will inspect the condition of the Restaurant and observe procedures and operations at the Restaurant. Also during the inspection/consultation, Franchisor's representative will meet with the General Manager and such other Restaurant employees as Franchisor's representative may designate, for the purpose of evaluating the condition and operation of the Restaurant and seeking to maintain or achieve compliance with the standards, specifications, requirements and instructions contained in this Agreement and in the Manuals.

14.3 Without limiting the generality of Subsection 14.1, Franchisor's representatives shall have the right at all times during normal business hours to confer with Restaurant employees and customers, and to inspect Franchisee's books, records and tax returns, or such portions thereof as pertain to the operation of the Restaurant. All such books, records and tax returns shall be kept and maintained at the principal executive offices of Franchisee or such other place as may be agreed upon by the parties in writing. If any inspection reveals that the gross sales

reported in any report or statement are less than the actual gross sales ascertained by such inspection, then the Franchisee shall immediately pay Franchisor the additional amount of fees owing by reason of the understatement of gross sales previously reported, together with interest as provided in Subsection 9.2. In the event that any report or statement understates gross sales by more than three percent (3%) of the actual gross sales ascertained by Franchisor's inspection, Franchisee shall, in addition to making the payment provided for in the immediately preceding sentence, pay and reimburse Franchisor for any and all expenses incurred in connection with its inspection, including, but not limited to, reasonable accounting and legal fees. Such payments shall be without prejudice to any other rights or remedies which Franchisor may have under this Agreement or otherwise. If any inspection reveals that the gross sales reported in any report or statement are greater than the actual gross sales ascertained by such inspection, and that Franchisee thereby has made an overpayment of fees, the amount of the overpayment (without interest) shall be offset against future fees owing by Franchisee to Franchisor.

14.4 Franchisee shall maintain an accurate stock register. In the event that the beneficial ownership of Franchisee's stock differs in any respect from record ownership, Franchisee also shall maintain a list of the names, addresses and interests of all beneficial owners of its stock. Franchisee shall produce its stock register, and any list of beneficial owners certified by the corporation's secretary to be correct, at its principal executive offices upon ten (10) days prior written request by Franchisor. Franchisor's representatives shall have the right to examine the stock register and any list of beneficial owners, and to reproduce all or any part thereof. Further, upon ten (10) days written notice, Franchisor may request a copy of the list of stockholders and owners of beneficial interests to be forwarded to it at Franchisor's principal office.

15. RELATIONSHIP OF PARTIES AND INDEMNIFICATION

15.1 Franchisee is not, and shall not represent or hold itself out as, an agent, legal representative, joint venturer, partner, employee or servant of Franchisor for any purpose whatsoever and, where permitted by law to do so, shall file a business certificate to such effect with the proper recording authorities. Franchisee is an independent contractor and is not authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on behalf of Franchisor. Franchisee agrees that Franchisor does not have any fiduciary obligation to Franchisee. Franchisee shall not use the name Applebee's Neighborhood Grill & Bar (other than in connection with the operation of the Restaurant), or Applebee's International, Inc., or any similar words as part of or in association with any trade name of any business entity which is, directly or indirectly, associated with Franchisee.

15.2 Franchisee shall indemnify and hold harmless Franchisor and its officers, directors, employees, agents, affiliates, successors and assigns from and against (a) any and all claims based upon, arising out of, or in any way related to the operation or condition of any part of the Restaurant or Restaurant premises, the conduct of business thereat, the ownership or possession of real or personal property, and any negligent act, misfeasance or nonfeasance by Franchisee or any of its agents, contractors, servants, employees or licensees (including, without limitation, the performance by Franchisee of any act required by, or performed pursuant to, any provision of this Agreement), and (b) any and all fees (including reasonable attorneys' fees), costs and other expenses incurred by or on behalf of Franchisor in the investigation of or defense against any and all such claims.

15.3 In addition to, and not in limitation of, any subsection hereof, Franchisee specifically covenants, represents and warrants that Franchisee is in compliance in all material respects with all federal, state,

municipal and local laws governing the generation, use or disposal of hazardous waste or hazardous materials, and any and all other laws designed to protect the environment and that:

(a) There have been no past, and there are no current or anticipated, releases or substantial threats of a release of a hazardous substance, pollutant or contaminant from or onto the Restaurant or real property upon which the Restaurant is located and referred to in this Agreement ("Premises") which is or may be subject to regulation under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. 9601, et seq.) or other laws designed to protect the environment;

(b) The Premises have not previously been used, are not now being used and are not contemplated to be used for the treatment, collection, storage or disposal of any refuse or objectionable waste so as to require a permit or approval from the Environmental Protection Agency pursuant to the Hazardous and Solid Waste Amendments of 1984 (96 Stat. 3221) or any other federal, state, county or municipal agency charged with the responsibility of protecting the environment;

(c) The Premises have not previously been used, are not now being used, and are not contemplated to be used, for the generation, transportation, treatment, storage or disposal of any hazardous waste;

(d) No portion of the Premises are located on or over a "sanitary landfill" or an "open dump" within the meaning of the Resource Conservation and Recovery Act (42 U.S.C. 6941 et seq.), as amended by the Hazardous and Solid Waste Amendments of 1984 (96 Stat. 3221);

(e) No asbestos fibers or materials or polychlorinated biphenyls (PCB's) are on or in the Premises;

(f) There have not been, nor are there presently pending, any federal or state enforcement actions against the Premises, nor is the Franchisee or its Landlord, if any, subject to any outstanding administrative orders which require ongoing compliance efforts in connection with compliance with laws designed to protect the environment;

(g) The Franchisee has not entered into any consent decrees or administrative consent orders with any agency charged with the responsibility of protecting the environment;

(h) There have not been any notices of violation sent to the Franchisee under the Citizens Suit Provisions of any statute;

(i) The Franchisee has not received any request for information, notice or demand letters for administrative inquiries from any governmental entity with regard to its environmental practices;

(j) The Franchisee has maintained all required records under each and every applicable environmental statute and is in full compliance with all environmental permits issued to it by any governmental or regulatory agency;

(k) The Franchisee maintains all insurance policies as may be required by any applicable law governing the environment;

(l) The Franchisee has no reason to believe that any operation of equipment on or at the Premises may be the cause of a future spill or release of a pollutant;

(m) The Franchisee has not in the past, nor is it presently, generating, transporting or disposing of a hazardous substance as

defined by Section 9601(12) of CERCLA; and

(n) The Franchisor shall have the right, at Franchisee's expense, to require an environmental audit of the Premises from a company or companies satisfactory to Franchisor.

16. INSURANCE

16.1 Franchisee shall procure before the commencement of Restaurant operations, and shall maintain in full force and effect during the entire term of this Agreement, at its sole cost and expense, an insurance policy or policies protecting Franchisee and Franchisor and their respective officers, directors and employees against any and all claims, loss, liability or expense whatsoever, arising out of or in connection with the condition, operation, use or occupancy of the Restaurant or Restaurant Premises. Franchisee shall procure workers' compensation coverage for each of its employees no later than the first date of such employee's employment. Franchisee shall also insure the Restaurant building and other improvements, equipment, signs, interior and exterior decor items, furnishings and fixtures, and any additions thereto, in accordance with standard fire and extended coverage insurance policies then in effect for similar businesses. Franchisor shall be named as an additional insured in all such policies, workers' compensation excepted, and the certificate or certificates of insurance shall state that the policy or policies shall not be subject to cancellation or alteration without at least thirty (30) days prior written notice to Franchisor. Such policy or policies shall be written by a responsible insurance company or companies satisfactory to Franchisor, and shall be in such form and contain such limits of liability as shall be satisfactory to Franchisor from time to time. In any event, such policy or policies shall include at least the following:

KIND OF INSURANCE	MINIMUM LIMITS OF LIABILITY
Workers' Compensation	Statutory
General Public Liability, including Product Liability, Injury and Liquor Liability	$1,000,000 each person, $1,000,000 each occurrence
Fire and Extended Coverage	Full replacement value
Umbrella Liability Insurance	$2,000,000

Franchisee shall, upon request, exhibit certificates of such insurance to Franchisor. The insurance afforded by the policy or policies respecting public liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor.

16.2 Within sixty (60) days after the execution of this Agreement, but in no event later than the day before the Restaurant opens for business, Franchisee shall submit to Franchisor for approval certificates of insurance showing compliance with the requirements of Subsection 16.1. Notwithstanding the foregoing, Franchisee shall submit to Franchisor for approval certificates of insurance showing compliance with the worker's compensation requirements set forth in Subsection 16.1 prior to the training of any Franchisee employee at a Restaurant operated by Franchisor. Maintenance of such insurance and the performance by Franchisee of its obligations under this Section 16 shall not relieve Franchisee of liability under the indemnity provisions of this Agreement, and shall not limit such liability.

16.3 Should Franchisee, for any reason, fail to procure or maintain the insurance coverage required by this Section, then Franchisor shall have the right and authority to immediately procure such insurance coverage and to charge the cost thereof to Franchisee, which amounts shall be paid immediately upon notice and shall be subject to charges for late payments in the manner set forth in Subsection 9.2.

16.4 No later than thirty (30) days following Franchisee's receipt of same, Franchisee shall submit to Franchisor a copy of any written report relating to the condition of the Restaurant premises, or any aspect thereof, prepared by an insurer or prospective insurer or by a representative of a federal, state or local government agency, provided that if any such report contains comments or information which could materially and detrimentally affect the Restaurant, such report shall be submitted to Franchisor within three (3) days following Franchisee's receipt thereof.

17. DEBTS AND TAXES

Franchisee shall pay or cause to be paid promptly when due all obligations incurred, directly or indirectly, in connection with the Restaurant and its operation, including, without limitation, (a) all taxes and assessments that may be assessed against the Restaurant land, building and other improvements, equipment, fixtures, signs, furnishings, and other property; (b) all liens and encumbrances of every kind and character created or placed upon or against any of said property, and; (c) all accounts and other indebtedness of every kind and character incurred by or on behalf of Franchisee in the conduct of the Restaurant business. Notwithstanding the foregoing, Franchisee will not be in default of this Agreement as a result of a non-payment or non-performance of the foregoing so long as it disputes said debt or lien and is, in the sole opinion of Franchisor, validly and in good faith pursuing a resolution of said claim or lien and has reserved sufficient sums to pay the debt/claim as is agreed to by Franchisor.

18. TRADE NAMES, SERVICE MARKS AND TRADEMARKS

18.1 Franchisee acknowledges the sole and exclusive right of Franchisor (except for rights granted under existing and future franchise agreements) to use Franchisor's trade names, service marks and trademarks in connection with the products and services to which they are or may be applied by Franchisor, and represents, warrants and agrees that Franchisee shall not, either during the term of this Agreement, or after the expiration or other termination hereof, directly or indirectly, contest or aid in contesting the validity, ownership or use thereof by Franchisor, or take any action whatsoever in derogation of the rights claimed herein by Franchisor.

18.2 The right granted to Franchisee under this Agreement to use Franchisor's trade names, service marks and trademarks is nonexclusive, and Franchisor, in its sole discretion, subject only to the limitations contained in Subsection 1.4 of this Agreement, has the right to grant other rights in, to and under those names and marks in addition to those rights already granted, and to develop and grant rights in other names and marks on any such terms and conditions as Franchisor deems appropriate. The rights granted under this Agreement do not include any right or authority of any kind whatsoever to pre-package or sell pre-packaged food products under any of Franchisor's names or marks.

18.3 Franchisee understands and acknowledges and agrees that Franchisor has the unrestricted right, subject only to the limitations contained in Subsection 1.4 of this Agreement, to engage, directly and indirectly, through its employees, representatives, licenses, assigns, agents, and others, at wholesale, retail, and otherwise, in (a) the production, distribution and sale of products under the names and marks licensed hereunder or other names or marks, and (b) the use, in connection with such production, distribution and sale, of any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used, from time to time, by Franchisor.

18.4 Nothing contained in this Agreement shall be construed to vest

in Franchisee any right, title or interest in or to any of Franchisor's names or marks, the goodwill now or hereafter associated therewith, or any right in the design of any restaurant building or premises, or the decor or trade-dress of the Restaurant, other than the rights and license expressly granted herein for the term hereof. Any and all goodwill associated with or identified by any of Franchisor's names or marks shall inure directly and exclusively to the benefit of Franchisor, including, without limitation, any goodwill resulting from operation and promotion of the Restaurant, provided that this Subsection shall not be construed to entitle Franchisor to receive any portion of the consideration paid to Franchisee and/or any Principal Shareholder as a result of a Transfer of an Interest pursuant to Section 12 hereof.

18.5 Franchisee shall adopt and use Franchisor's names and marks only in a manner expressly approved by Franchisor, and shall not use any of Franchisor's names or marks in connection with any statement or material which may, in the judgment of Franchisor, be in bad taste or inconsistent with Franchisor's public image, or tend to bring disparagement, ridicule or scorn upon Franchisor, any of Franchisor's names or marks, or the goodwill associated therewith. Franchisee shall not adopt, use or register as its corporate name (by filling a certificate or articles of incorporation or otherwise) any trade or business name, style or design which includes, or is similar to, any of Franchisor's trademarks, service marks, trade names, logos, insignia, slogans, emblems, symbols, designs or other identifying characteristics.

18.6 Franchisor shall have the right, at any time and from time to time, upon notice to Franchisee, to make additions to, deletions from and changes in any of Franchisor's names or marks, or all of them, all of which additions, deletions and changes shall be made in good faith, on a reasonable basis and with a view toward the overall best interests of the System. Franchisor will use its best efforts to protect and preserve the integrity and validity of Franchisor's names and marks, including the taking of actions deemed by Franchisor to be appropriate in the event of any apparent infringement of any of Franchisor's names or marks.

18.7 (a) Franchisor shall hold Franchisee harmless from any liability or expense (but excluding consequential damages) resulting from infringement of a third party's service mark, trade name or trademark by Franchisor's service mark, Applebee's Neighborhood Grill & Bar, or by any other service mark, trademark or trade name of Franchisor which Franchisor shall designate as part of the System. This hold-harmless indemnity shall not apply to any unauthorized use by Franchisee of any such service mark, trade name or trademark.

(b) Franchisee agrees to notify Franchisor promptly in writing of any suit or claim for infringement which is within the scope of the hold-harmless indemnity set forth in this Subsection 18.7. Subject to the terms and conditions of this Subsection 18.7, Franchisor shall have the sole right to defend or settle any such suit or claim of infringement at Franchisor's expense. Franchisee, at Franchisee's expense, shall have the right to be represented by counsel. Franchisor shall, however, retain control of any negotiations with respect to such claim or of any litigation involving such suit. Franchisee agrees to cooperate with Franchisor and to assist Franchisor whenever reasonably requested by Franchisor, at Franchisor's expense, in the defense of any such infringement suit or claim. Franchisee shall not enter into any settlement of any such claim or suit or conduct any settlement negotiations relative thereto without the prior approval of Franchisor in writing and, if Franchisee does so, the hold-harmless indemnity set forth in this Subsection 18.7 shall be deemed to have been waived and released in all respects.

18.8 Franchisor represents that it is the sole owner of the service mark Applebee's Neighborhood Grill & Bar. In the event that Franchisee is precluded from operating the Restaurant because Franchisor determines that a third person has acquired rights under the law of any state in such mark, which so precludes Franchisee, Franchisor agrees (a) to repay to

Franchisee the initial franchise fee paid by Franchisee with respect to the Restaurant, and (b) to assist Franchisee, at Franchisee's request, in locating an alternative site for the Restaurant.

19. EXPIRATION AND TERMINATION; OPTION TO PURCHASE RESTAURANT; ATTORNEYS' FEES

19.1 Franchisor shall have the right to terminate this Agreement immediately upon written notice to Franchisee stating the reason for such termination:

(a) in the event of any breach or default of any of the provisions of Subsection 9.1, Sections 12 or 13, Subsection 14.1 or Section 23;

(b) if a petition in bankruptcy, an arrangement for the benefit of creditors, or a petition for reorganization is filed by Franchisee, or is filed against Franchisee and not dismissed within ninety (90) days from the filing thereof, or if Franchisee shall make any assignment for the benefit of creditors, or if a receiver or trustee is appointed for Franchisee and is not dismissed within ninety (90) days of such appointment;

(c) if Franchisee ceases to operate the Restaurant without the prior written consent of Franchisor or loses its right to possession of the Restaurant premises; provided however, this provision will not apply if Franchisee ceases to operate the Restaurant or loses its right to possession of the Restaurant premises by reason of Force Majeure and Franchisee complies with the requirements of Section 24 of this Agreement;

(d) if Franchisor discovers that Franchisee has made any material misrepresentation or omitted any material fact in the information which was furnished to Franchisor in connection with this Agreement;

(e) if any part of this Agreement relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's trade names, service marks, trademarks, trade secrets or secret formulae licensed or disclosed hereunder is, for any reason, declared invalid or unenforceable; or

(f) if Franchisee or any Principal Shareholder is convicted of or pleads nolo contendere to a felony or any crime involving moral turpitude.

If Franchisee defaults in the performance or observance of any of its other obligations hereunder, and such default continues for a period of sixty (60) days after written notice to Franchisee specifying such default, Franchisor shall have the right to terminate this Agreement upon thirty (30) days written notice to Franchisee. If Franchisee defaults in the performance or observance of the same obligation two (2) or more times within a twelve (12) month period, Franchisor shall have the right to terminate this Agreement immediately upon commission of the second act of default, upon thirty (30) days written notice to Franchisee stating the reason for such termination, without allowance for any curative period.

The foregoing provisions of this Subsection 19.1 are subject to the provisions of any local statutes or regulations which limit the grounds upon which Franchisor may terminate this Agreement, or which require that Franchisor give Franchisee additional prior written notice of termination and opportunity to cure any default.

In the event of termination by reason of Franchisee's failure after a good faith effort to obtain the necessary state or local liquor licenses (as required in Section 23), Franchisor shall refund to Franchisee, without interest, the franchise fee payment referred to in

Subsection 9.1(a), less any expenses incurred and damages sustained by Franchisor in connection with its performance hereunder prior to the date of such termination. Franchisor shall also repay the initial franchise fee in the circumstances described in Subsection 18.8 hereof. In the event of termination for any other reason, Franchisor shall have no obligation to refund any amount previously paid by Franchisee, and Franchisee shall be obligated to promptly pay all sums which are then due Franchisor.

19.2 Upon the termination of this Agreement by Franchisor, Franchisee may not remove any property from the Restaurant premises for thirty (30) days after the termination. Upon the expiration or earlier termination of this Agreement for any reason:

(a) Franchisee shall immediately discontinue its use of the System and its use of Franchisor's trade names, service marks, trademarks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics;

(b) if the Restaurant premises are owned by Franchisee or leased from a third party, Franchisee shall, upon demand by Franchisor, remove (at Franchisee's expense) Franchisor's trade names, service marks, trademarks, logos, insignia, slogans, sign facia, emblems, symbols, designs and other identifying characteristics from all premises, and paint all premises and other improvements maintained pursuant to this Agreement a design and color which is basically different from Franchisor's authorized design and color. If Franchisee shall fail to make or cause to be made any such removal or repainting within thirty (30) days after written notice, then Franchisor shall have the right to enter upon the Restaurant premises, without being deemed guilty of trespass or any tort (or Franchisee shall cause Franchisor to be permitted on the premises as necessary), and make or cause to be made such removal, alterations and repainting at the reasonable expense of Franchisee, which expense Franchisee shall pay to Franchisor immediately upon demand; and

(c) Franchisee shall not thereafter use any trademark, trade name, service mark, logo, insignia, slogan, emblem, symbol, design or other identifying characteristic that is in any way associated with Franchisor or similar to those associated with Franchisor, or use any food or proprietary menu item, recipe or method of food preparation or operate or do business under any name or in any manner that might tend to give the public the impression that Franchisee is or was a licensee or franchisee of, or otherwise associated with, Franchisor.

19.3 In the event that any part to this Agreement initiates any legal proceeding to construe or enforce any of the terms, conditions and/or provisions of this Agreement, including, but not limited to, its termination provisions and its provisions requiring Franchisee to make certain payments to Franchisor incident to the operation of the Restaurant, or to obtain damages or other relief to which any such party may be entitled by virtue of this Agreement, the prevailing party or parties shall be paid its reasonable attorneys' fees and expenses by the other party or parties. If Franchisee fails to comply with a written notice of termination sent by Franchisor and a court later upholds such termination of this Agreement, Franchisee's operation of the Restaurant, from and after the date of termination stated in such notice, shall constitute willful trademark infringement and unfair competition by Franchisee, and Franchisee shall be liable to Franchisor for damages resulting from such infringement in addition to any fees paid or payable hereunder, including, without limitation, any profits which Franchisee derived from such post-termination operation of the Restaurant.

19.4 (a) With respect to Restaurant premises owned by Franchisee, in the event of termination of this Agreement, Franchisor shall have, for thirty (30) days after the termination is effective, an option, exercisable upon written notice to Franchisee within such thirty (30) day period, to elect to purchase the Restaurant premises from Franchisee for

the fair market value of the land and buildings, furnishings and equipment located therein.

(b) In addition to the option described above, Franchisor shall have an option, exercisable upon written notice to Franchisee, to elect to purchase the Restaurant premises from Franchisee upon expiration of this Agreement for the fair market value of the land and buildings, furnishings, and equipment located therein subject to Franchisee's option to operate the Restaurant for an additional term under Subsection 1.3 hereof. If Franchisee does not notify Franchisor, pursuant to Subsection 1.3 hereof, of a desire to operate the Restaurant for an additional term, then Franchisor shall provide the written notice described in the preceding sentence within thirty (30) days after the latest date by which Franchisee is required by Subsection 1.3 to advise Franchisor of such a desire; if Franchisee does notify Franchisor of a desire to operate the Restaurant for an additional term and Franchisor determines that Franchisee is not eligible to do so, Franchisor shall provide the written notice described in the preceding sentence within thirty (30) days of its written notice to Franchisee that Franchisee is not eligible to operate the Restaurant for such additional term. With respect to the option to purchase upon expiration of this Agreement, this option shall not apply if prior to thirty (30) days before said expiration, Franchisee enters into an agreement to sell such Restaurant premises to a third party upon the expiration of the Franchise Agreement, provided that Franchisee's agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by Franchisor as a third-party beneficiary thereof, pursuant to which the purchaser agrees that, for a period of twelve (12) months after the expiration of this Agreement, the purchaser shall not use such premises for the operation of a restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System.

(c) If Franchisee receives approval to operate the Restaurant premises for an additional term in accordance with Subsection 1.3 hereof, Franchisee will be required to execute the then-existing form of franchise agreement, which shall contain an option to obtain assignment of Franchisee's lease with a third party and/or to purchase certain property, exercisable by Franchisor upon termination thereof, and an option to purchase the Restaurant premises, exercisable by Franchisor upon expiration of the additional term (subject to any then-existing rights to renew of Franchisee). Such options shall be substantially similar to the provisions described in this Subsection 19.4.

(d) If the parties cannot agree on the purchase price or other terms of purchase within thirty (30) days following Franchisor's exercise of its option pursuant to Subsection 19.4(a) and (b), the price or disputed terms of purchase shall be determined by three (3) appraisers, with each party selecting one (1) appraiser and the two (2) appraisers, so chosen, selecting the third appraiser. In the event of such an appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees. The appraisers' determination of the price and other disputed terms of purchase shall be final and binding.

(e) If Franchisor elects to exercise its option to purchase upon termination of this Agreement, the purchase price shall be paid within thirty (30) days of the determination of the purchase price and other terms of purchase. If Franchisor elects to exercise its option to purchase upon expiration of this Agreement, the purchase price shall be paid within thirty (30) days of the later of (a) the determination of the purchase price and other terms of purchase, or (b) expiration of this Agreement. If the Franchisor does not elect to exercise its option to purchase the Restaurant premises, the Franchisee may sell such premises to a third party, provided that Franchisee's agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by Franchisor as a third-party beneficiary thereof, pursuant to which the purchaser agrees that it shall not use such premises for the operation of a restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System for a period of twelve (12)

months after the termination or expiration of this Agreement.

(f) If the Restaurant premises are leased by Franchisee from a third party, such lease must allow Franchisee to assign the lease to Franchisor. Upon termination of this Agreement for any reason, Franchisor has the right, exercisable upon written notice to Franchisee within thirty (30) days after termination is effective, to require Franchisee to assign all Franchisee's rights and obligations under the lease to Franchisor and to immediately surrender possession of the premises, including all fixtures and leasehold improvements, to Franchisor. The lessor may not impose any assignment fee or other similar charge on Franchisor in connection with such assignment. If Franchisor exercises that right, it has an additional right, to be exercised within thirty (30) days after taking possession of the premises, to purchase all of Franchisee's equipment, signs, decor items, furnishings, supplies and other products and materials at their then-fair market value. If the parties cannot agree on the price, the price will be determined in the manner set forth in connection with Franchisee-owned Restaurant premises. If Franchisor elects not to purchase the items mentioned above, Franchisee shall, at Franchisee's own expense and under Franchisor's supervision remove those items from the premises within ten (10) days after such final election, or ten (10) days after expiration of the option period, whichever is earlier. If Franchisee fails to remove all such property from the premises within such period, Franchisor shall be entitled to do so, or to authorize a third party to do so, all at Franchisee's expense.

19.5 In addition to the provisions contained in Subsection 19.4 hereof:

(a) With respect to Restaurant premises owned by Franchisee, in the event of termination of this Agreement and Franchisor's exercise of its option to purchase the Restaurant premises pursuant to Subsection 19.4(a) hereof, Franchisee shall have, for ten (10) days after its receipt of written notice of Franchisor's election to purchase, an option, exercisable upon written notice to Franchisor, to lease said premises to Franchisor, pursuant to a lease which provides for rental at a rate not in excess of six percent (6%) of gross sales and triple net terms. Said lease shall provide for a lease term of at least ten (10) years with two (2) five (5)-year options to renew, and for primary annual rent of not in excess of the number derived from multiplying six percent (6%) times the gross sales reported by Franchisee to Franchisor for which Franchisee has paid a royalty fee for the next preceding calendar year times eighty percent (80%).

(b) In addition to the option described above, Franchisee shall have an option, exercisable upon written notice to Franchisor, to elect to lease the Restaurant premises to Franchisor upon expiration of this Agreement and Franchisor's exercise of its option to purchase the Restaurant premises pursuant to Subsection 19.4(b) hereof, pursuant to the same terms set forth in Subsection 19.5(a) above, subject to Franchisee's option to operate the Restaurant for an additional term under Subsection 1.3 hereof. If (i) Franchisee does not notify Franchisor, pursuant to Subsection 1.3 hereof, of a desire to operate the Restaurant for an additional term, or (ii) Franchisee does notify Franchisor of a desire to operate the Restaurant for an additional term and Franchisor determines that Franchisee is not eligible to do so, and Franchisor exercises its option to purchase the Restaurant premises, then Franchisee shall provide the written notice described in the preceding sentence within ten (10) days after its receipt of written notice of Franchisor's election to purchase. With respect to the option to lease upon expiration of this Agreement, this option shall not apply if prior to thirty (30) days before said expiration, Franchisee enters into an agreement to sell such Restaurant premises to a third party upon the expiration of the Franchise Agreement, provided that Franchisee's agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by Franchisor as a third-party beneficiary thereof, pursuant to which the purchaser agrees, at Franchisor's option, either

to lease said premises to Franchisor upon the terms set forth in Subsection 19.5(a), or that for a period of twelve (12) months after the expiration of this Agreement, the purchaser shall not use such premises for the operation of a restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System.

(c) If Franchisee receives approval to operate the Restaurant premises for an additional term in accordance with Subsection 1.3 hereof, Franchisee will be required to execute the then-existing form of franchise agreement which shall contain an option to obtain assignment of Franchisee's lease with a third party and/or to lease certain property, exercisable by Franchisor upon termination thereof, and an option to lease the Restaurant premises, exercisable by Franchisor upon expiration of the additional term (subject to any then-existing rights to renew of Franchisee). Such options shall be substantially similar to the provisions described in this Subsection 19.5.

20. NO WAIVER OF DEFAULT

20.1 The waiver by any party to this Agreement of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein, or of any same or similar term, covenant or condition contained in any other agreement between Franchisor and any franchisee, shall not be deemed a waiver of any subsequent or continuing breach or default of the same or any other term, covenant or condition contained in this Agreement, or in any other agreement between Franchisor and any franchisee.

20.2 All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. The rights and remedies of the parties hereto shall be continuing and shall not be exhausted by any one (1) or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement shall not discharge or release Franchisee or any Principal Shareholder from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or earlier termination of the Agreement.

21. CONSTRUCTION, SEVERABILITY, GOVERNING LAW AND JURISDICTION

21.1 If any part of this Agreement shall for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions shall remain in full force and effect as if the Agreement had been executed with such invalid portion eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided however, that in the event any part hereof relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's trade names, service marks, trademarks, trade secrets or secret formulae licensed or disclosed hereunder is for any reason declared invalid or unenforceable, then Franchisor shall have the right to terminate this Agreement upon written notice to Franchisee. If any clause or provision herein would be deemed invalid or unenforceable as written, it shall be deemed modified or limited to such extent or in such manner as may be necessary to render the clause or provision valid and enforceable to the greatest extent possible in light of the interest of the parties expressed in that clause or provision, subject to the provisions of the preceding sentence.

21.2 FRANCHISEE AND PRINCIPAL SHAREHOLDERS ACKNOWLEDGE THAT FRANCHISOR MAY GRANT NUMEROUS FRANCHISES THROUGHOUT THE UNITED STATES ON TERMS AND CONDITIONS SIMILAR TO THOSE SET FORTH IN THIS AGREEMENT, AND THAT IT IS OF MUTUAL BENEFIT TO FRANCHISEE AND PRINCIPAL SHAREHOLDERS AND TO FRANCHISOR THAT THESE TERMS AND CONDITIONS BE UNIFORMLY INTERPRETED. THEREFORE, THE PARTIES AGREE THAT TO THE EXTENT THAT THE LAW OF THE STATE OF MISSOURI DOES NOT CONFLICT WITH LOCAL FRANCHISE STATUTES, RULES AND REGULATIONS, MISSOURI LAW SHALL APPLY TO THE CONSTRUCTION OF THIS AGREEMENT AND SHALL GOVERN ALL QUESTIONS WHICH ARISE WITH REFERENCE HERETO; PROVIDED HOWEVER, THAT PROVISIONS OF MISSOURI LAW REGARDING CONFLICTS OF LAW SHALL NOT APPLY HERETO.

21.3 THE PARTIES AGREE THAT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE PERFORMANCE THEREOF WHICH CANNOT BE AMICABLY SETTLED, EXCEPT AS OTHERWISE PROVIDED HEREIN, MAY, AT THE OPTION OF THE CLAIMANT, BE RESOLVED BY A PROCEEDING IN A COURT IN JACKSON COUNTY, MISSOURI, AND FRANCHISEE AND PRINCIPAL SHAREHOLDERS EACH IRREVOCABLY ACCEPT THE JURISDICTION OF THE COURTS OF THE STATE OF MISSOURI AND THE FEDERAL COURTS LOCATED IN JACKSON COUNTY, MISSOURI FOR SUCH CLAIMS, CONTROVERSIES OR DISPUTES.

The parties agree that service of process in any proceeding arising out of or relating to this Agreement or the performance thereof may be made as to Franchisee and any Principal Shareholder by serving a person of suitable age and discretion (such as the person in charge of the office) at the address of Franchisee specified in this Agreement and as to Franchisor by serving the president or a vice-president of Franchisor at the address of Franchisor or by serving Franchisor's registered agent.

22. INTERFERENCE WITH EMPLOYMENT RELATIONS

During the term of this Agreement, neither Franchisor nor Franchisee shall employ or seek to employ in a managerial position (i.e., in a position at a pay grade at or above that of Assistant Restaurant Manager or Kitchen Manager), directly or indirectly, any person who is at the time or was at any time during the prior six (6) months employed by the other party or any of its subsidiaries or affiliates, or by any franchisee in the System. This section shall not be violated if, at the time Franchisor or Franchisee employs or seeks to employ such person, such former employer has given its written consent. Notwithstanding any other provision of this Agreement, the parties hereto acknowledge that if this Section is violated, such former employer shall be entitled to liquidated damages equal to three (3) times the annual salary of the employee involved, plus reimbursement of all costs and attorneys' fees incurred. In addition to the rights granted to the parties hereto, the parties acknowledge and agree that any franchisee from which an employee was hired by either party to this Agreement in violation of the terms of this Section shall be deemed to be a third-party beneficiary of this provision and may sue and recover against the offending party the liquidated damages herein set forth; provided however, the failure by Franchisee to enforce this Section shall not be deemed to be a violation of this Section.

23. LIQUOR LICENSE

The grant of the rights which are the subject of this Agreement is expressly conditioned upon the ability of the Franchisee to obtain and maintain any and all required state and/or local licenses permitting the sale of liquor by the drink on the Restaurant premises, and Franchisee agrees to use its best efforts to obtain such licenses. In the event Franchisee fails, after a good faith effort, to obtain any and all such required liquor licenses prior to the date on which the Restaurant is otherwise ready to open for business, then, at the option of the Franchisor, this Agreement may be terminated forthwith by Franchisor upon written notice to Franchisee, in which event, Franchisor shall refund to Franchisee, without interest, the initial franchise fee payment referred

to in Subsection 9.1, less any expenses incurred and damages sustained by Franchisor in connection with its performance hereunder prior to the date of such termination. After obtaining the necessary state or local liquor licenses, Franchisee shall thereafter comply with all applicable laws and regulations relating to the sale of liquor on the Restaurant premises. If, during any twelve (12) month period during the term of this Agreement, Franchisee is prohibited for any reason from selling liquor on the Restaurant premises for more than thirty (30) days because of a violation or violations of state or local liquor laws, then at the option of Franchisor this Agreement may be terminated forthwith by Franchisor upon written notice to Franchisee.

24. FORCE MAJEURE

24.1 As used in this Agreement, the term "Force Majeure" shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government and any other similar cause not within the control of the party affected thereby.

24.2 If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure, which cannot be overcome by use of normal commercial measures, the parties shall be relieved of their respective obligations to the extent the parties are respectively necessarily prevented, hindered or delayed in such performance during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party by telephone or telegram (in each case to be confirmed in writing), setting forth the nature thereof and an estimate as to its duration, and shall be liable for failure to give such timely notice only to the extent of damage actually caused.

24.3 Notwithstanding the provisions of this Section 24, if, as a result of an event of Force Majeure (including condemnation proceedings), the Franchisee ceases to operate the Restaurant or loses the right to possession of the Restaurant premises, Franchisee shall apply within thirty (30) days after the event of Force Majeure for Franchisor's approval to relocate and/or reconstruct the Restaurant. If relocation is necessary, Franchisor agrees to use its reasonable efforts to assist Franchisee in locating an alternative site in the same general area where Franchisee can operate a Restaurant within the System for the balance of the term of the Franchise Agreement. If Franchisor so assists Franchisee, Franchisee shall reimburse Franchisor for its reasonable out-of-pocket expenses incurred as a result thereof. (This provision shall not be construed to prevent Franchisee from receiving the full amount of any condemnation award of damages relating to the closing of the Restaurant; provided however, that if Franchisor or an affiliate is the lessor of the Restaurant premises, Franchisee specifically waives and releases any claim it may have for the value of any building, fixtures and other improvements on the premises, whether or not installed or paid for by the Franchisee, and Franchisee agrees to subordinate any claim it may have to Franchisor's claim for such improvements.) Selection of an alternative location will be subject to the site approval procedures set forth in Section 5 of the Development Agreement. Once Franchisee has obtained Franchisor's approval to relocate and/or reconstruct the Restaurant, Franchisee must diligently pursue relocation and/or reconstruction until the Restaurant is reopened for business.

25. MISCELLANEOUS

25.1 All notices and other communications required or permitted to be given hereunder shall be deemed given when delivered in person or mailed by registered or certified mail addressed to the recipient at the address set forth below, unless that party shall have given written notice of change of address to the sending party, in which event the new address so

specified shall be used.

FRANCHISOR: Applebee's International, Inc.
4551 W. 107th Street, Suite 100
Overland Park, Kansas 66207
Attention: President

FRANCHISEE:

PRINCIPAL SHAREHOLDERS:

25.2 All terms used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. The headings inserted in this Agreement are for reference purposes only and shall not affect the construction of this Agreement or limit the generality of any of its provisions. The term "business day" means any day other than Saturday, Sunday, or the following national holidays: New Year's Day, Martin Luther King Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving and Christmas.

25.3 Franchisee shall, at its own cost and expense, promptly comply with all laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and offices thereof. Without limiting the generality of the foregoing, Franchisee shall abide by all applicable rules and regulations of any public health department.

25.4 In the event that Franchisor has leased the Restaurant premises to Franchisee pursuant to a written lease agreement (the "Lease"), the Lease is hereby incorporated in this Agreement by reference, and any failure on the part of Franchisee (Lessee therein) to perform, fulfill or observe any of the covenants, conditions or agreements contained in the Lease shall constitute a material breach of this Agreement. It is expressly understood, acknowledged and agreed by Franchisee that any termination of the Lease shall result in automatic and immediate termination of this Agreement without additional notice to Franchisee.

25.5 This Agreement and the documents referred to herein constitute the entire agreement between the parties, superseding and canceling any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT HAS ENTERED INTO THIS FRANCHISE AGREEMENT AS A RESULT OF ITS OWN INDEPENDENT INVESTIGATION AND AFTER CONSULTATION WITH ITS OWN ATTORNEY, AND NOT AS A RESULT OF ANY REPRESENTATIONS OF FRANCHISOR, ITS AGENTS, OFFICERS OR EMPLOYEES, EXCEPT AS CONTAINED HEREIN AND IN FRANCHISOR'S FRANCHISE OFFERING CIRCULAR, HERETOFORE MADE AVAILABLE TO FRANCHISEE.

25.6 Except as expressly authorized herein, no amendment or modification of this Agreement shall be binding unless executed in writing both by Franchisor and by Franchisee and Principal Shareholders.

26. ACKNOWLEDGMENTS

Franchisee and Principal Shareholders acknowledge that:

(a) Franchisee has received a copy of this Agreement and has had an opportunity to consult with its attorney with respect thereto at least five (5) business days prior to execution of this Agreement;

(b) No representation has been made by Franchisor as to the future profitability of the Restaurant;

(c) Prior to the execution of this Agreement, Franchisee has had ample opportunity to contact Franchisor's existing franchisees, if any, and to investigate all statements made by Franchisor relating to the System;

(d) This Agreement establishes the right to construct and operate a Restaurant only at the location specified in Subsection 1.1 hereof; and

(e) Franchisor is the sole owner of the service marks identified in this Agreement, and of the goodwill associated therewith, and Franchisee acquires no right, title or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

By:
Name: Name:
Title: Title:

FRANCHISEE:

ATTEST:

By:
Name: Name:
Title: Title:

PRINCIPAL SHAREHOLDER(S):

Witness Name:

Witness Name:

Witness Name:

Witness Name:

EXHIBIT 1 TO FRANCHISE AGREEMENT

ROYALTY FEE

The monthly royalty fee to be paid by Franchisee shall be four percent (4%) of each calendar month's gross sales; provided however, on and after January 1, 2000, Franchisor may, in its sole discretion, increase the monthly royalty fee to five percent (5%) of each calendar month's gross sales.

APPENDIX A TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP INTERESTS

Shareholder	Percent of Issued and Outstanding Shares of Franchisee

APPENDIX B TO FRANCHISE AGREEMENT

REVIEW AND CONSENT WITH RESPECT TO TRANSFERS

In determining whether to grant or to withhold consent to a proposed Transfer, Franchisor shall consider all of the facts and circumstances which it views as relevant in the particular instance, including, but not limited to, any of the following: (i) work experience and aptitude of Proposed New Owner and/or proposed new management (a proposed transferee of a Principal Shareholder's Interest and/or a proposed transferee of this Agreement is referred to as "Proposed New Owner"); (ii) financial background and condition of Proposed New Owner, and actual and pro forma financial condition of Franchisee; (iii) character and reputation of Proposed New Owner; (iv) conflicting interests of Proposed New Owner; (v) the terms and conditions of Proposed New Owner's rights, if the proposed Transfer is a pledge or hypothecation; (vi) the adequacy of Franchisee's operation of any Restaurant and compliance with the System and this Agreement; and (vii) such other criteria and conditions as Franchisor shall then consider relevant in the case of an application for a new franchise to operate a restaurant unit within the System by an applicant that is not then currently doing so. Franchisor's consent also may be conditioned upon execution by Proposed New Owner of an agreement whereby Proposed New Owner assumes full, unconditional, joint and several liability for, and agrees to perform from the date of such Transfer, all obligations, covenants and agreements contained herein to the same extent as if it had been an original party to this Agreement and may also require Franchisee and Principal Shareholders, including the proposed Transferor(s), to execute a general release which releases Franchisor from any claims they may have had or then have against Franchisor. In the event Proposed New Owner is a partnership (including, but not limited to, a limited partnership), Proposed New Owner will also be required to execute an addendum to the Agreement which amends the references to Franchisee and its Principal Shareholders to include the partnership approved by Franchisor and Proposed New Owner's general partner(s) and the principal shareholders of the general partner(s), if the general

partner(s) is a corporation. This addendum will contain a provision including in the definition of "Transfer" the withdrawal, removal or voluntary/involuntary dissolution (if applicable) of the general partner(s) or the substitution or addition of a new general partner. Franchisee or Principal Shareholders, as the case may be, shall provide Franchisor with such information as it may require in connection with a request for approval of a proposed Transfer.

APPENDIX C TO FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made this _____ day of _____, 19_____, by and between _____, a _____ corporation ("Developer"), and _____, an individual employed by Developer ("Employee").

WITNESSETH:

WHEREAS, APPLEBEE'S INTERNATIONAL, INC. ("Applebee's") is the owner of all rights in and to a unique system for the development and operation of restaurants (the "System"), which includes proprietary rights in valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, a training facility and teaching techniques;

WHEREAS, Developer is the owner of the exclusive right to develop restaurants franchised by Applebee's which utilize the System ("Restaurants") for the period and in the territory described in the Development Agreement between Applebee's and Developer (the "Development Agreement"); and

WHEREAS, Developer acknowledges that Applebee's information as described above was developed over time at great expense, is not generally known in the industry and is beyond Developer's own present skills and experience, and that to develop it itself would be expensive, time-consuming and difficult, that it provides a competitive advantage and will be valuable to Developer in the development of its business, and that gaining access to it was therefore a primary reason why Developer entered into the Development Agreement; and

WHEREAS, in consideration of Applebee's confidential disclosure to Developer of these trade secrets, Developer has agreed to be obligated by the terms of Development Agreement to execute, with each employee of Developer who will have supervisory authority over the development or operation of more than one Restaurant in the Territory described in the Development Agreement, a written agreement protecting Applebee's trade secrets and confidential information entrusted to Employee;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

(1) The parties acknowledge and agree that Employee is or will be employed in a supervisory or managerial capacity and in such capacity will have access to information and materials which constitute trade secrets and confidential and proprietary information. The parties further acknowledge and agree that any actual or potential direct or indirect competitor of Applebee's, or of any of its franchisees, shall not have access to such trade secrets and confidential information.

(2) The parties acknowledge and agree that the System includes trade secrets and confidential information which Applebee's has revealed

to Developer in confidence, and that protection of said trade secrets and confidential information and protection of Applebee's against unfair competition from others who enjoy or who have had access to said trade secrets and confidential information are essential for the maintenance of goodwill and special value of the System.

(3) Employee agrees that he or she shall not at any time (i) appropriate or use the trade secrets incorporated in the System, or any portion thereof, for use in any business which is not within the System; (ii) disclose or reveal any portion of the System to any person, other than to Developer's employees as an incident of their training; (iii) acquire any right to use, or to license or franchise the use of any name, mark or other intellectual property right which is or may be granted by any franchise agreement between Applebee's and Developer; or (iv) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of development or operation of a Restaurant which may be communicated to Employee or of which Employee may be apprised by virtue of Employee's employment by Developer. Employee shall divulge such confidential information only to such of Developer's other employees as must have access to that information in order to operate a Restaurant or to develop a prospective site for a Restaurant. Any and information, knowledge and know-how, including, without limitation, drawings, materials, equipment, specifications, techniques and other data, which Applebee's designates as confidential, shall be deemed confidential for purposes of this Agreement.

(4) Employee further acknowledges and agrees that the Franchise Operations Manual and any other materials or manuals provided or made available to Developer by Applebee's (collectively, the "Manuals"), described in Section 5 of the applicable franchise agreement between Applebee's and Developer, are loaned by Applebee's to Developer for limited purposes only, remain the property of Applebee's, and may not be reproduced, in whole or in part, without the written consent of Applebee's.

(5) Employee agrees to surrender to Developer or to Applebee's each and every copy of the Manuals and any other information or material in his or her possession or control upon request, upon termination of employment or upon completion of the use for which said Manuals or other information or material may have been furnished to Employee.

(6) The parties agree that in the event of a breach of this Agreement, Applebee's would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of the provisions hereof, Applebee's shall be entitled to enforce the provisions of this Agreement as a third-party beneficiary hereof and shall be entitled, in addition to any other remedies which it may have hereunder at law or in equity (including the right to terminate the Development Agreement), to a temporary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(7) If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be invalid or unenforceable as written, the provisions hereof shall be deemed to be modified or limited to such extent or in such manner necessary for such provisions to be valid and enforceable to the greatest extent possible.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

DEVELOPER EMPLOYEE

By: By:

Name: Name:
Title:

APPENDIX C TO DEVELOPMENT AGREEMENT

STATEMENT OF OWNERSHIP INTERESTS

Shareholder	Percent of Issued and Outstanding Shares of Developer
The Marcus Corporation	100%

APPENDIX D TO DEVELOPMENT AGREEMENT

REVIEW AND CONSENT WITH RESPECT TO TRANSFERS

In determining whether to grant or to withhold consent to a proposed Transfer, Franchisor shall consider all of the facts and circumstances which it views as relevant in the particular instance, including, but not limited to, any of the following: (i) work experience and aptitude of Proposed New Owner and/or proposed new management (a proposed transferee of a Principal Shareholder's Interest and/or a proposed transferee of this Agreement is referred to as "Proposed New Owner"); (ii) financial background and condition of Proposed New Owner, and actual and pro forma financial condition of Developer; (iii) character and reputation of Proposed New Owner; (iv) conflicting interests of Proposed New Owner; (v) the terms and conditions of Proposed New Owner's rights, if the proposed Transfer is a pledge or hypothecation; (vi) the adequacy of Developer's operation (as Franchisee) of any Restaurant and compliance with the System and this Agreement; and (vii) such other criteria and conditions as Franchisor shall then consider relevant in the case of an application for a new franchise to operate a restaurant unit within the System by an applicant that is not then currently doing so. Franchisor's consent also may be conditioned upon execution by Proposed New Owner of an agreement whereby Proposed New Owner assumes full, unconditional, joint and several liability for, and agrees to perform from the date of such Transfer, all obligations, covenants and agreements contained herein to the same extent as if it had been an original party to this Agreement and may also require Developer and Principal Shareholders, including the proposed Transferor(s), to execute a general release which releases Franchisor from any claims they may have had or then have against Franchisor. In the event Proposed New Owner is a partnership (including, but not limited to, a limited partnership), Proposed New Owner will also be required to execute an addendum to the Agreement which amends the references to Developer and its Principal Shareholders to include the partnership approved by Franchisor and Proposed New Owner's general partner(s) and the principal shareholders of the general partner(s), if the general partner(s) is a corporation. This addendum will contain a provision including in the definition of "Transfer" the withdrawal, removal or voluntary/involuntary dissolution (if applicable) of the general partner(s) or the substitution or addition of a new general partner. Developer or Principal Shareholders, as the case may be, shall provide Franchisor with such information as it may require in connection with a request for approval of a proposed Transfer.

APPENDIX E TO DEVELOPMENT AGREEMENT

CONFIDENTIALITY AGREEMENT AND

COVENANT NOT TO COMPETE

THIS AGREEMENT is made this _____ day of _____, 19_____, by and between _____, a _____ corporation ("Developer"), and _____, an individual employed by Developer ("Employee").

WITNESSETH:

WHEREAS, APPLEBEE'S INTERNATIONAL, INC. ("Applebee's") is the owner of all rights in and to a unique system for the development and operation of restaurants (the "System"), which includes proprietary rights in valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, a training facility and teaching techniques;

WHEREAS, Developer is the owner of the exclusive right to develop restaurants franchised by Applebee's which utilize the System ("Restaurants") for the period and in the territory described in the Development Agreement between Applebee's and Developer (the "Development Agreement");

WHEREAS, Developer acknowledges that Applebee's information as described above was developed over time at great expense, is not generally known in the industry and is beyond Developer's own present skills and experience, and that to develop it itself would be expensive, time-consuming and difficult, that it provides a competitive advantage and will be valuable to Developer in the development of its business, and that gaining access to it was therefore a primary reason why Developer entered into the Development Agreement; and

WHEREAS, in consideration of Applebee's confidential disclosure to Developer of these trade secrets, Developer has agreed to be obligated by the terms of Development Agreement to execute, with its Director of Operations, a written agreement protecting Applebee's trade secrets and confidential information entrusted to Employee, and protecting against unfair competition;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

(1) The parties acknowledge and agree that Employee is or will be employed in a supervisory or managerial capacity and in such capacity will have access to information and materials which constitute trade secrets and confidential and proprietary information. The parties further acknowledge and agree that any actual or potential direct or indirect competitor of Applebee's or of any of its franchisees shall not have access to such trade secrets and confidential information.

(2) The parties acknowledge and agree that the System includes trade secrets and confidential information which Applebee's has revealed or will reveal to Developer in confidence, and that protection of said trade secrets and confidential information and protection of Applebee's against unfair competition from others who enjoy or who have had access to said trade secrets and confidential information are essential for the maintenance of goodwill and special value of the System.

(3) Employee agrees that he or she shall not at any time (i) appropriate or use the trade secrets incorporated in the System, or any portion thereof, for use in any business which is not within the System; (ii) disclose or reveal any portion of the System to any person other than to Developer's employees as an incident of their training; (iii) acquire any right to use, or to license or franchise the use of any name, mark or other intellectual property right which is or may be granted

by any franchise agreement between Applebee's and Developer; or (iv) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of development or operation of a Restaurant which may be communicated to Employee or of which Employee may be apprised by virtue of Employee's employment by Developer. Employee shall divulge such confidential information only to such of Developer's other employees as must have access to that information in order to operate a Restaurant or to develop a prospective site for a Restaurant. Any and all information, knowledge and know-how, including, without limitation, drawings, materials, equipment, specifications, techniques and other data, which Applebee's designates as confidential, shall be deemed confidential for purposes of this Agreement.

(4) Employee agrees that for the duration of his or her employment by Developer, and for two (2) years following termination thereof, Employee may not, without the prior written consent of Applebee's, directly or indirectly, for himself or through, on behalf of or in conjunction with any person, partnership or corporation, engage in or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is the same as or similar to that employed by restaurant units within the System which is located either (a) in the Territory, as defined in the Development Agreement, or (b) in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed pursuant to the Development Agreement.

(5) Employee further acknowledges and agrees that the Franchise Operations Manual and any other materials and manuals provided or made available to Developer by Applebee's (collectively, the "Manuals"), described in Section 5 of the form of franchise agreement which is attached as Appendix B to the Development Agreement are loaned by Applebee's to Developer for limited purposes only, remain the property of Applebee's, and may not be reproduced, in whole or in part, without the written consent of Applebee's.

(6) Employee agrees to surrender to Developer or to Applebee's each and every copy of the Manuals and any other information or material in his or her possession or control upon request, upon termination of employment, or upon completion of the use for which said Manuals or other information or material may have been furnished to Employee.

(7) The parties agree that in the event of a breach of this Agreement, Applebee's would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of the provisions hereof, Applebee's shall be entitled to enforce the provisions of this agreement as a third-party beneficiary hereof and shall be entitled, in addition to any other remedies which it may have hereunder at law or in equity (including the right to terminate the Development Agreement), to a temporary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(8) The restrictions in Subsection (4) hereof shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are traded on a national securities exchange if such shares are owned for investment only, and are not owned by an officer, director, employee or consultant of such publicly traded company.

(9) If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be invalid or unenforceable as written, the provisions hereof shall be deemed to be modified or limited to such extent or in such manner necessary for such provisions to be valid and enforceable to the greatest extent possible.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

DEVELOPER:	EMPLOYEE:
By:	By:
Name:	Name:
Title:	

APPENDIX F TO DEVELOPMENT AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made this _____ day of _____, 19_____, by and between _____, a _____ corporation ("Developer"), and _____, an individual employed by Developer ("Employee").

WITNESSETH:

WHEREAS, APPLEBEE'S INTERNATIONAL, INC. ("Applebee's") is the owner of all rights in and to a unique system for the development and operation of restaurants (the "System"), which includes proprietary rights in valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, a training facility and teaching techniques;

WHEREAS, Developer is the owner of the exclusive right to develop restaurants franchised by Applebee's which utilize the System ("Restaurants") for the period and in the territory described in the Development Agreement between Applebee's and Developer (the "Development Agreement"); and

WHEREAS, Developer acknowledges that Applebee's information as described above was developed over time at great expense, is not generally known in the industry and is beyond Developer's own present skills and experience, and that to develop it itself would be expensive, time-consuming and difficult, that it provides a competitive advantage and will be valuable to Developer in the development of its business, and that gaining access to it was therefore a primary reason why Developer entered into the Development Agreement; and

WHEREAS, in consideration of Applebee's confidential disclosure to Developer of these trade secrets, Developer has agreed to be obligated by the terms of Development Agreement to execute, with each employee of Developer who will have supervisory authority over the development or operation of more than one Restaurant in the Territory described in the Development Agreement, a written agreement protecting Applebee's trade secrets and confidential information entrusted to Employee;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

(1) The parties acknowledge and agree that Employee is or will be employed in a supervisory or managerial capacity and in such capacity will have access to information and materials which constitute trade secrets and confidential and proprietary information. The parties further acknowledge and agree that any actual or potential direct or indirect competitor of Applebee's, or of any of its franchisees, shall not have access to such trade secrets and confidential information.

(2) The parties acknowledge and agree that the System includes trade secrets and confidential information which Applebee's has revealed to Developer in confidence, and that protection of said trade secrets and confidential information and protection of Applebee's against unfair competition from others who enjoy or who have had access to said trade secrets and confidential information are essential for the maintenance of goodwill and special value of the System.

(3) Employee agrees that he or she shall not at any time (i) appropriate or use the trade secrets incorporated in the System, or any portion thereof, for use in any business which is not within the System; (ii) disclose or reveal any portion of the System to any person other than to Developer's employees as an incident of their training; (iii) acquire any right to use, or to license or franchise the use of any name, mark or other intellectual property right which is or may be granted by any franchise agreement between Applebee's and Developer; or (iv) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of development or operation of a Restaurant which may be communicated to Employee or of which Employee may be apprised by virtue of Employee's employment by Developer. Employee shall divulge such confidential information only to such of Developer's other employees as must have access to that information in order to operate a Restaurant or to develop a prospective site for a Restaurant. Any and information, knowledge and know-how, including, without limitation, drawings, materials, equipment, specifications, techniques and other data, which Applebee's designates as confidential, shall be deemed confidential for purposes of this Agreement.

(4) Employee further acknowledges and agrees that the Franchise Operations Manual and any other materials or manuals provided or made available to Developer by Applebee's (collectively, the "Manuals"), described in Section 5 of the applicable franchise agreement between Applebee's and Developer, are loaned by Applebee's to Developer for limited purposes only, remain the property of Applebee's, and may not be reproduced, in whole or in part, without the written consent of Applebee's.

(5) Employee agrees to surrender to Developer or to Applebee's each and every copy of the Manuals and any other information or material in his or her possession or control upon request, upon termination of employment or upon completion of the use for which said Manuals or other information or material may have been furnished to Employee.

(6) The parties agree that in the event of a breach of this Agreement, Applebee's would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of the provisions hereof, Applebee's shall be entitled to enforce the provisions of this Agreement as a third-party beneficiary hereof and shall be entitled, in addition to any other remedies which it may have hereunder at law or in equity (including the right to terminate the Development Agreement), to a temporary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(7) If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be invalid or unenforceable as written, the provisions hereof shall be deemed to be modified or limited to such extent or in such manner necessary for such provisions to be valid and enforceable to the greatest extent possible.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

DEVELOPER EMPLOYEE

By: By:
Name: Name:
Title:

APPENDIX G TO DEVELOPMENT AGREEMENT

EXISTING COMPETITIVE RESTAURANTS

Big Boy restaurants
Captain's restaurants
Pancho O'Mally's restaurants
Kentucky Fried Chicken restaurants
Marc's Cafe & Coffee Mill restaurants
Gino's East of Chicago restaurants

FIRST ADDENDUM TO DEVELOPMENT AGREEMENT

THIS FIRST ADDENDUM is made and entered into this _____ day of _____, 19_____, by and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation, hereinafter referred to as "Franchisor", MARCUS RESTAURANTS, INC., a Wisconsin corporation, hereinafter sometimes referred to as "Developer" or "Franchisee".

WITNESSETH:

WHEREAS, Franchisor franchises nationally the Applebee's Neighborhood Grill & Bar restaurant system (the "System"), and

WHEREAS, contemporaneous with the execution of this First Addendum to Development Agreement, Franchisor and Franchisee have entered into an Applebee's Neighborhood Grill & Bar Development Agreement (the "Development Agreement") whereby Franchisor will grant to Franchisee the right to develop Applebee's Neighborhood Grill & Bar Restaurants, as such term is defined in the Development Agreement, in a market generally described as a portion of the Chicago, Illinois A.D.I. and more specifically defined in the Development Agreement (the "Territory"), and

WHEREAS, the parties desire to amend and supplement said Development Agreement as hereinafter set forth,

NOW THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The parties acknowledge that no rights regarding the Franchisor's trade names, trademarks and service marks are granted to Developer pursuant to the Development Agreement; however, if Franchisor authorizes Developer to use Franchisor's trade names, trademarks or service marks for an identified purpose, the terms of Section 18.7 of the form of franchise agreement attached to the Development Agreement as Appendix B (the "Franchise Agreement") shall apply to Developer's use of the trade names, trademarks and service marks, provided that the Developer's use of such names and marks is consistent with the requirements and restrictions of Section 18 of the Franchise Agreement.

2. Developer agrees to require Axel Wolff and Bruce Olson to execute the form of Confidentiality Agreement and Covenant Not To Compete attached as Appendix E to the Development Agreement.

3. The parties agree that if and when Franchisor adopts the new form of the franchise agreement agreed upon by the Franchisor and the Applebee's franchise business council for use in the System, notwithstanding Section 6 of the Development Agreement, Developer will have the option for thirty (30) days after receipt of the new form of franchise agreement to adopt all of the provisions of the new form of franchise agreement for all of its franchises and to substitute the new form for the Franchise Agreement to be used for all future Restaurants developed. If Developer wishes to exercise its option, Developer must notify Franchisor in writing within the thirty (30) day option period. Developer acknowledges that its option relates only to the adoption of the new form of franchise agreement in its entirety and that Developer may not choose to adopt only select provisions of the new form.

4. Subsection 8.8(a) of the Development Agreement shall be supplemented by the following sentence:

"Franchisor's approval of a Transfer will not be unreasonably withheld."

5. Section 9 of the Development Agreement shall be supplemented with the following Subsection 9.5:

"9.5 If Franchisor is liquidated pursuant to the Chapter 7 of Title 11 of the U.S. Code and the Development Agreement is not assumed by Franchisor or its trustee or assigned, transferred or conveyed to a third party, the Development Agreement will automatically terminate."

6. Subsections 11.1(a) and (b) of the Development Agreement shall be deleted in their entirety and the following provisions inserted in lieu thereof:

"(a) During the term of this Agreement, neither Developer nor any Principal Shareholder, for so long as such Principal Shareholder owns an Interest in Developer, may, without the prior written consent of Franchisor, directly or indirectly engage in, or acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business, except those restaurant businesses listed in Appendix G to the Development Agreement, whose menu or method of operation is similar to that employed by restaurant units within the System which is either (i) located in the Territory, (ii) located in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed pursuant to this Agreement, (iii) located within a five (5) mile radius of any restaurant unit within the System, or (iv) determined by Franchisor, exercising reasonable good faith judgment, to be a direct competitor of the System.

"(b) Neither Developer, for two (2) years following the termination of this Agreement, nor any Principal Shareholder, for two (2) years following the termination of all of his or her Interest in Developer or the termination of this Agreement, whichever occurs first, may directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business, except those restaurant businesses listed in Appendix G to the Development Agreement, whose menu or method of operation is similar to that employed by restaurant units within the System which is located either (i) in the Territory, (ii) in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed

pursuant to this Agreement, (iii) within a five (5) mile radius of any restaurant unit within the System, or (iv) within any area for which an active, currently binding development agreement has been granted by Franchisor to another franchisee as of the date of termination."

7. The Franchise Agreement which is attached to the Development Agreement as Appendix B and all future Franchise Agreements to be entered between the parties hereto pursuant to this Development Agreement shall be amended as set forth in the following paragraphs 8 through 10 and shall be interpreted and governed in accordance with this First Addendum. Any future amendment or modification to such a Franchise Agreement shall not affect this First Addendum unless such amendment or modification expressly refers to this First Addendum.

8. Subsection 12.6(a) of the Franchise Agreement shall be supplemented by the following sentence:

"Franchisor's approval of a Transfer will not be unreasonably withheld."

9. Subsections 13.1(a) and (b) of the Franchise Agreement shall be deleted in their entirety and the following provisions inserted in lieu thereof:

"(a) During the term of this Agreement, neither Franchisee nor any Principal Shareholder, for so long as such Principal Shareholder owns an Interest in Franchisee, may, without the prior written consent of Franchisor, directly or indirectly engage in, or acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business, except those restaurant businesses listed in Appendix G to the Development Agreement, whose menu or method of operation is similar to that employed by restaurant units within the System which is either (i) located in the Territory, as defined in the Development Agreement (ii) located in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any restaurant developed pursuant to the Development Agreement, (iii) located within a five (5) mile radius of any restaurant unit within the System, or (iv) determined by Franchisor, exercising reasonable good faith judgment, to be a direct competitor of the System.

"(b) Neither Franchisee, for two (2) years following the termination of this Agreement, nor any Principal Shareholder, for two (2) years following the termination of all of his or her Interest in Franchisee or the termination of this Agreement, whichever occurs first, may directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business, except those restaurant businesses listed in Appendix G to the Development Agreement, whose menu or method of operation is similar to that employed by restaurant units within the System which is located either (i) in the Territory, as defined by the Development Agreement (ii) in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any restaurant developed pursuant to the Development Agreement, (iii) within a five (5) mile radius of any restaurant unit within the System, or (iv) within any area for which an active, currently binding development agreement has been granted by Franchisor to another franchisee as of the date of termination."

10. Section 19 of the Franchise Agreement shall be supplemented

with the following Subsection 19.6:

"19.6 If Franchisor is liquidated pursuant to the Chapter 7 of Title 11 of the U.S. Code and the Franchise Agreement is not assumed by Franchisor or its trustee or assigned, transferred or conveyed to a third party, the Franchise Agreement will automatically terminate."

11. This First Addendum shall be considered an integral part of the Development Agreement and the terms of this First Addendum shall govern with respect to the subject matter hereof. Except as modified or supplemented by this First Addendum, the terms of the Development Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have executed this First Addendum to Development Agreement the day and year first above written.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

By:

Name: Robert T. Steinkamp
Title: Secretary

Name: Abe J. Gustin, Jr.
Title: President

FRANCHISEE:

ATTEST: MARCUS RESTAURANTS, INC.

By:

Name: Thomas F. Kissinger
Title: Secretary

Name: Stephen Marcus
Title: President

The Marcus Corporation, the principal shareholder of Developer, hereby executes this First Addendum to Development Agreement for the sole purpose of signifying its agreement with the terms contained in Paragraphs 6 and 9 of this First Addendum.

ATTEST: THE MARCUS CORPORATION

By:

Name:
Title:

Name:
Title:

SECOND ADDENDUM TO DEVELOPMENT AGREEMENT

THIS SECOND ADDENDUM is made and entered into this _____ day of _____, 19_____, by and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation, hereinafter referred to as "Franchisor", MARCUS RESTAURANTS, INC., a Wisconsin corporation, hereinafter referred to as "Developer".

WITNESSETH:

WHEREAS, Franchisor franchises nationally the Applebee's Neighborhood

Grill & Bar restaurant system (the "System"), and

WHEREAS, contemporaneous with the execution of this Second Addendum to Development Agreement, Franchisor and Franchisee have entered into an Applebee's Neighborhood Grill & Bar Development Agreement and a First Addendum to Development Agreement (collectively, the "Development Agreement") whereby Franchisor will grant to Franchisee the right to develop Applebee's Neighborhood Grill & Bar Restaurants, as such term is defined in the Development Agreement, in a market generally described as a portion of the Chicago, Illinois A.D.I. and more specifically defined in the Development Agreement (the "Territory"), and

WHEREAS, an attachment to said Development Agreement is the form Franchise Agreement which will be entered between the parties with respect to each of said Restaurants, and

WHEREAS, Article 19 of the Franchise Agreement grants to Franchisor certain rights and options with respect to the Restaurant to which each of the franchise agreements will refer, and

WHEREAS, the parties hereto desire to amend and supplement said form Franchise Agreement now and in the future as hereinafter set forth,

NOW THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. This Agreement shall be a part of the Development Agreement and Appendices entered this date to which it is attached, the same as if the provisions hereof were an integral part thereof.

2. Irrespective of the provisions of Article 19 of the Franchise Agreement attached to the Development Agreement as an Appendix or any other provision of either the Development Agreement or Franchise Agreement, if:

(i) All or substantially all of the assets of the Marcus Corporation, the principal shareholder of Developer, including the assets or stock of Developer, are sold to a third-party purchaser as a part of one (1) transaction and so long as the third-party purchaser is not a Direct Competitor (as hereinafter defined) of Franchisor, as determined by Franchisor in its discretion, and is approved by Franchisor as a new franchisee in the manner provided in the Development and Franchise Agreements; or

(ii) All or substantially all of the assets of Developer, including all of its Applebee's Restaurants (both the property and the operation thereof), are sold to a third-party purchaser as a part of one (1) transaction and so long as the third-party purchaser is not a Direct Competitor of Franchisor, as determined by Franchisor in its discretion, and is approved by Franchisor as a new franchisee in the manner provided in the Development and Franchise Agreements; or

(iii) All of Developer's Applebee's Restaurants, including the property and the operation thereof, are sold to a third-party purchaser as a part of one (1) transaction and so long as the third-party purchaser is not a Direct Competitor of Franchisor, as determined by Franchisor in its discretion, and is approved by Franchisor as a new franchisee in the manner provided in the Development and Franchise Agreements;

then, in any one of such events, the rights and options granted Franchisor in Article 19 of the Franchise Agreement to purchase a Restaurant site or accept an assignment of the Restaurant lease, is hereby waived by Franchisor.

For purposed of this Addendum, a "Direct Competitor" of Franchisor shall mean a person, firm, corporation or other entity which operates a

chain of three (3) or more restaurants that are upscale, with moderately priced menu items, that serves alcoholic beverages, and that has a menu and/or method of operation substantially similar to Franchisor's menu and method of operation and which competitor operates its restaurants within the continental United States.

Developer shall notify Franchisor of any proposed sale and within fifteen (15) days after receipt of such notice Franchisor will notify Developer whether Franchisor has determined the third-party purchaser to be a Direct Competitor. If Franchisor determines that said third-party purchaser is not a Direct Competitor and said third-party purchaser is approved by Franchisor as a new franchisee in the manner and in the time period provided in the Development and Franchise Agreements, Franchisor shall have no right to purchase said Restaurant or take an assignment of such lease as a result of the options granted it in Article 19 of the Franchise Agreement. Alternatively, if Franchisor determines that the third-party purchaser is a Direct Competitor as hereinbefore provided, or does not approve said third-party purchaser as a new franchisee, the provisions of Article 19 shall apply, unaffected by the terms of this Second Addendum. In all other respects, except as set forth in the other Addenda to this Development Agreement, the Development Agreement and form Franchise Agreement shall remain unaffected by the terms hereof.

3. Franchisor acknowledges that the Marcus Corporation, the principal shareholder of the Developer, is not a party to the Development Agreement, nor any Franchise Agreement to be entered pursuant to the terms of said Development Agreement. Accordingly, any reference to obligations, responsibilities, guarantees or liabilities of the Marcus Corporation referred to in the Development Agreement, Franchise Agreement or Addenda thereto is hereby eliminated.

4. This Second Addendum shall amend each and every Franchise Agreement entered between the parties pursuant to the Development Agreement now and in the future without the necessity of referring hereto in those agreements. This Second Addendum may be amended by the parties hereto only by a written instrument specifically referring to this Second Addendum.

IN WITNESS WHEREOF, the parties hereto have executed this Second Addendum to Development Agreement the day and year first above written.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

By:
Name: Robert T. Steinkamp — Name: Abe J. Gustin, Jr.
Title: Secretary — Title: President

FRANCHISEE:

ATTEST: MARCUS RESTAURANTS, INC.

By:
Name: Thomas F. Kissinger — Name: Stephen Marcus
Title: Secretary — Title: President

The Marcus Corporation, the principal shareholder of Developer, hereby executes this Second Addendum to Development Agreement for the sole purpose of signifying its agreement with the terms contained in Paragraph 2 of this Second Addendum.

ATTEST: THE MARCUS CORPORATION

	By:
Name:	Name:
Title:	Title:

THIRD ADDENDUM TO DEVELOPMENT AGREEMENT

THIS THIRD ADDENDUM is made and entered into this _____ day of _____, 19_____, by and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation, hereinafter referred to as "Franchisor", MARCUS RESTAURANTS, INC., a Wisconsin corporation, hereinafter referred to as "Franchisee".

WITNESSETH:

WHEREAS, Franchisor franchises nationally the Applebee's Neighborhood Grill & Bar restaurant system (the "System"), and

WHEREAS, on or about November 22, 1991, Franchisor and Franchisee entered into a franchise agreement (the "8680 Franchise Agreement"), pursuant to the terms of which Franchisee was granted the right to operate an Applebee's Restaurant located at 601 Martingale Road, Schaumburg, Illinois, upon the terms and conditions specified in the Franchise Agreement, and

WHEREAS, on or about September 9, 1992, Franchisor and Franchisee entered into a franchise agreement (the "8719 Franchise Agreement"), pursuant to the terms of which Franchisee was granted the right to operate an Applebee's Restaurant located at 354 West Army Trail Road, Bloomingdale, Illinois, upon the terms and conditions specified in the Franchise Agreement, and

WHEREAS, on or about February 16, 1993, Franchisor and Franchisee entered into a franchise agreement (the "8750 Franchise Agreement"), pursuant to the terms of which Franchisee was granted the right to operate an Applebee's Restaurant located at 100 South Waukegan Road, Deerfield, Illinois, upon the terms and conditions specified in the Franchise Agreement, and

WHEREAS, on or about March 23, 1993, Franchisor and Franchisee entered into a franchise agreement (the "8753 Franchise Agreement"),

pursuant to the terms of which Franchisee was granted the right to operate an Applebee's Restaurant located at Randhurst Shopping Center, 999 Elmhurst Road, Mt. Prospect, Illinois, upon the terms and conditions specified in the Franchise Agreement, and

WHEREAS, on or about _____, _____, Franchisor and Franchisee entered into a franchise agreement (the "Streamwood Franchise Agreement"), pursuant to the terms of which Franchisee was granted the right to operate an Applebee's Restaurant located in Streamwood, Illinois, upon the terms and conditions specified in the Franchise Agreement, and

WHEREAS, on or about _____, _____, Franchisor and Franchisee entered into a franchise agreement (the "Hodgkins Franchise Agreement"), pursuant to the terms of which Franchisee was granted the right to operate an Applebee's Restaurant located in Hodgkins, Illinois, upon the terms and conditions specified in the Franchise Agreement, and

WHEREAS, on or about _____, _____, Franchisor and Franchisee entered into a franchise agreement (the "Naperville Franchise Agreement"), pursuant to the terms of which Franchisee was granted the right to operate an Applebee's Restaurant located in Naperville, Illinois, upon the terms and conditions specified in the Franchise Agreement, and

WHEREAS, on or about _____, _____, Franchisor and Franchisee entered into a franchise agreement (the "Crystal Lake Franchise Agreement"), pursuant to the terms of which Franchisee was granted the right to operate an Applebee's Restaurant located in Crystal Lake, Illinois, upon the terms and conditions specified in the Franchise Agreement (the 8680 Franchise Agreement, the 8719 Franchise Agreement, the 8750 Franchise Agreement, the 8753 Franchise Agreement, the Streamwood Franchise Agreement, the Hodgkins Franchise Agreement, the Naperville Franchise Agreement and the Crystal Lake Franchise Agreement shall be collectively referred to herein as the "Franchise Agreements"), and

WHEREAS, contemporaneous with the execution of this Third Addendum to Development Agreement, Franchisor and Franchisee have entered into an Applebee's Neighborhood Grill & Bar Development Agreement and addenda thereto (collectively, the "Development Agreement") whereby Franchisor will grant to Franchisee the right to develop Applebee's Neighborhood Grill & Bar Restaurants, as such term is defined in the Development Agreement, in a market generally described as a portion of the Chicago, Illinois A.D.I. and more specifically defined in the Development Agreement (the "Territory"), and

WHEREAS, the Restaurants operated pursuant to the terms of the Franchise Agreements are located in the Territory, and

WHEREAS, the parties desire to amend said Development Agreement as hereinafter set forth,

NOW THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Development Agreement to which this Third Addendum is attached shall be, and the same hereby is, amended and supplemented by this Third Addendum. Any conflict between this Third Addendum and the Development Agreement shall be governed and controlled by the terms of this Third Addendum.

2. Notwithstanding the fact that the Franchise Agreements were issued prior to the execution of the Development Agreement, the parties hereto agree that the Franchise Agreements will be deemed to be franchise agreements issued under the Development Agreement, and accordingly, any violation of the terms and conditions of the Franchise Agreements shall be deemed to be, and shall be, a breach of and a default under the Development Agreement and may result in a termination of such Development Agreement the same as if said Franchise Agreements were issued pursuant thereto.

3. Franchisee hereby covenants and agrees that the Restaurants operated pursuant to the terms of the Franchise Agreements shall be operated by the Franchisee in accordance and compliance with the terms of the Franchise Agreements. Franchisee hereby acknowledges its continuing obligations under the Franchise Agreements and hereby agrees to be bound by all provisions of such Franchise Agreements.

4. In all other respects, said Development Agreement shall remain in full force and effect as originally written.

5. This Third Addendum to Development Agreement and the Development Agreement contain the entire agreement between the parties, and except as otherwise provided herein, no other agreements, representations or commitments made or discussed prior to the date hereof shall survive the execution of the Development Agreement and this Third Addendum.

IN WITNESS WHEREOF, the parties hereto have executed this Third Addendum the day and year first above written.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

By:
Name: Robert T. Steinkamp Name: Abe J. Gustin, Jr.
Title: Secretary Title: President

FRANCHISEE:

ATTEST: MARCUS RESTAURANTS, INC.

By:
Name: Thomas F. Kissinger Name: Stephen Marcus
Title: Secretary Title: President

FOURTH ADDENDUM TO
APPLEBEE'S NEIGHBORHOOD GRILL & BAR
DEVELOPMENT AGREEMENT

THIS FOURTH ADDENDUM made and entered this _____ day of _____, 19_____ by and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation, hereinafter referred to as "FRANCHISOR", and MARCUS RESTAURANTS, INC., a Wisconsin corporation, hereinafter referred to as "DEVELOPER".

WHEREAS, Franchisor and Developer have this _____ day of _____, 19_____ entered into a development agreement and addenda thereto (collectively, the "Development Agreement") relating to the right to develop Applebee's Neighborhood Grill & Bar restaurants ("Restaurants") in certain areas in the states of Illinois and Wisconsin and will enter into separate franchise agreements which will be in the form of the franchise agreement ("Franchise Agreement") attached as Appendix B to the Development Agreement. In exchange for the mutual obligations of the parties set forth in this Fourth Addendum and for other good a valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, the parties now wish to amend and supplement the Development Agreement as follows:

1. Attached hereto and incorporated herein by reference are documents noted as Attachment DA-1-1 which contain certain provisions required by the state of Illinois. The parties agree that said Attachment DA-1-1 (Illinois) shall only apply to that portion of the Territory granted to Developer which is located within the state of Illinois to which said Attachment refers and shall not otherwise govern the agreement between the parties except as expressly required and mandated by laws of the state of Illinois for that portion of the Territory which is located therein.

2. Attached hereto and incorporated herein by reference are documents noted as Attachment DA-1-2 which contain certain provisions required by the state of Wisconsin. The parties agree that said Attachment DA-1-2 (Wisconsin) shall only apply to that portion of the Territory granted to Developer which is located within the state of Wisconsin to which said Attachment refers and shall not otherwise govern the agreement between the parties except as expressly required and mandated by laws of the state of Wisconsin for that portion of the Territory which is located therein.

3. This Fourth Addendum shall amend each and every Franchise Agreement entered between the parties pursuant to the Development

Agreement now and in the future without the necessity of referring hereto in those agreements. This Fourth Addendum may be amended by the parties hereto only by a written instrument specifically referring to this Fourth Addendum.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

_____ By: _____
Name: Robert T. Steinkamp Name: Abe J. Gustin, Jr.
Title: Secretary Title: President

DEVELOPER:

ATTEST: MARCUS RESTAURANTS, INC.

_____ By: _____
Name: Thomas F. Kissinger Name: Stephen Marcus
Title: Secretary Title: President

ADDENDUM TO
APPLEBEE'S NEIGHBORHOOD GRILL & BAR
FRANCHISE AGREEMENT

THIS ADDENDUM made and entered this _____ day of _____, 19_____ by and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation, hereinafter referred to as "FRANCHISOR", and MARCUS RESTAURANTS, INC., a Wisconsin corporation, hereinafter referred to as "DEVELOPER".

WHEREAS, Franchisor and Developer have this _____ day of _____, 19_____ entered into a development agreement ("Development Agreement") relating to the right to develop Applebee's Neighborhood Grill & Bar restaurants ("Restaurants") in certain areas in the states of Illinois and Wisconsin and will enter into separate franchise agreements which will be in the form of the franchise agreement ("Franchise Agreement") attached as Appendix B to the Development Agreement. In exchange for the mutual obligations of the parties set forth in this Addendum and for other good a valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, the parties now wish to amend and supplement the Franchise Agreement as follows:

1. Attached hereto and incorporated herein by reference are documents noted as Attachment FA-1-1 which contain certain provisions required by the state of Illinois. The parties agree that said Attachment FA-1-1 (Illinois) shall apply only as to those franchise agreements issued by Franchisor to Developer regarding Restaurants to be located in the state of Illinois except as otherwise expressly required or mandated by the laws of said state.

2. Attached hereto and incorporated herein by reference are documents noted as Attachment FA-1-2 which contain certain provisions required by the state of Wisconsin. The parties agree that said Attachment FA-1-2 (Wisconsin) shall apply only as to those franchise agreements issued by Franchisor to Developer regarding Restaurants to be located in the state of Wisconsin except as otherwise expressly required or mandated by the laws of said state.

3. This Addendum shall be considered an integral part of the Franchise Agreement and the terms of this Addendum shall govern with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

_____ By: _____
Name: Robert T. Steinkamp Name: Abe J. Gustin, Jr.
Title: Secretary Title: President

DEVELOPER:

ATTEST: MARCUS RESTAURANTS, INC.

_____ By: _____
Name: Thomas F. Kissinger Name: Stephen Marcus
Title: Secretary Title: President

ATTACHMENT DA-1-1

AMENDMENT TO APPLEBEE'S NEIGHBORHOOD GRILL & BAR
DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

In recognition of the requirement of the Illinois Franchise Disclosure Act of 1987 (the "Act"), the parties to the attached APPLEBEE'S NEIGHBORHOOD GRILL & BAR DEVELOPMENT AGREEMENT (the "Development Agreement") agree as follows:

1. Section 9, "Termination," of the Development Agreement shall be supplemented by the following subsection, which shall be inserted following Subsection 9.4 and shall be considered an integral part of the Development Agreement:

> 9.5 Notwithstanding anything to the contrary contained in this Agreement, if any provisions of this Section 9, governing termination, are inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, if applicable, the provisions of the Act shall apply rather than the contrary provisions of this Section 9. As provided in Subsection 15.1 hereof, however, each provision of this Agreement shall be considered severable, and if, for any reason, any provision of this Section 9 is determined to be invalid and contrary to, or in conflict with, Section 19 of the Act, such shall not impair the operation of, or have any other effect upon, such other provisions of this Section 9 as may remain otherwise enforceable, and the latter shall continue to be given full force and effect and bind the parties hereto.

2. Subsection 15.3 of Section 15 of the Development Agreement,

"Construction, Severability, Governing Law and Jurisdiction," shall be deleted in its entirety and shall be of no force or effect.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement (Attachment DA-1) on the day and year first above written in the Development Agreement.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

By:
Name: Robert T. Steinkamp
Title: Secretary

Name: Abe J. Gustin, Jr.
Title: President

DEVELOPER:

ATTEST: MARCUS RESTAURANTS, INC.

By:
Name: Thomas F. Kissinger
Title: Secretary

Name: Stephen Marcus
Title: President

ATTACHMENT FA-1-1

AMENDMENT TO APPLEBEE'S NEIGHBORHOOD GRILL & BAR
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (the "Act"), the parties to the attached APPLEBEE'S NEIGHBORHOOD GRILL & BAR FRANCHISE AGREEMENT (the "Franchise Agreement") agree as follows:

1. The following language shall be added to Subsection 1.3 of Section 1 of the Franchise Agreement, "Franchise Grant and Term":

> Notwithstanding anything to the contrary contained in this Agreement, if any of the provisions of this Subsection 1.3, concerning non-renewal, are inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, the provisions of the Act shall apply rather than the contrary provisions of this Subsection 1.3. As provided under Subsection 21.1 hereof, however, each provision of this Agreement shall be considered severable, and if, for any reason, any provision of this Subsection 1.3 is determined to be invalid and contrary to, or in conflict with, Section 20 of the Act, such shall not impair the operation of, or have any other effect upon, such other provisions of this Subsection 1.3 as may remain otherwise enforceable, and the latter shall continue to be given full force and effect and bind the parties hereto.

2. Section 19, "Expiration and Termination; Option to Purchase Restaurant; Attorneys' Fees," of the Franchise Agreement shall be supplemented by the following subsection, which shall be inserted following Subsection 19.4 and shall be considered an integral part of the Franchise Agreement:

19.5 Notwithstanding anything to the contrary contained in this Agreement, if any provisions of this Section 19, governing termination, are inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, the provisions of the Act shall apply rather than the contrary provisions of this Section 19. As provided under Subsection 21.1 hereof, however, each provision of this Agreement shall be considered severable, and if, for any reason, any provision of this Section 19 is determined to be invalid and contrary to, or in conflict with, Section 19 of the Act, such shall not impair the operation of, or have any other effect upon such other provisions of this Section 19 as may remain otherwise enforceable, and the latter shall continue to be given full force and effect and bind the parties hereto.

3. Subsection 21.3 of Section 21 of the Franchise Agreement, "Construction, Severability, Governing Law and Jurisdiction," shall be deleted in its entirety and shall be of no force or effect.

4. The second sentence of Subsection 25.5 of Section 25 of the Franchise Agreement, "Miscellaneous," shall be deleted in its entirety and shall be of no force or effect.

5. Subsections 26(a) and 26(b) of Section 26 of the Franchise Agreement, "Acknowledgements," shall be deleted in their entirety and shall be of no force or effect.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Amendment to the Franchise Agreement (Attachment FA-1) on the day and year first above written in the Franchise Agreement.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

By:
Name: Name:
Title: Title:

ATTEST: FRANCHISEE:

By:
Name: Name:
Title: Title:

PRINCIPAL SHAREHOLDER(S):

Witness Name:

Witness Name:

Witness Name:

AMENDMENT TO APPLEBEE'S NEIGHBORHOOD GRILL & BAR DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF WISCONSIN

In recognition of the requirements of the Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135, the parties to the attached APPLEBEE'S NEIGHBORHOOD GRILL & BAR DEVELOPMENT AGREEMENT (the "Development Agreement") agree as follows:

1. Section 9 of the Development Agreement, "Termination," shall be supplemented by the following Subsection 9.5, which shall be considered an integral part of the Development Agreement:

> 9.5 To the extent that the above provisions regarding termination are inconsistent with the requirements of the Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (which, among other things, grants the right, in most circumstances, to ninety (90) days prior written notice of termination and sixty (60) days within which to remedy any claimed deficiencies), if applicable to this Agreement, the above-mentioned termination provisions shall be superseded by the Law's requirements and shall have no force or effect.

2. Section 15 of the Development Agreement, "Construction, Severability, Governing Law and Jurisdiction," shall be supplemented by the following Subsection 15.4, which shall be considered an integral part of the Development Agreement:

> 15.4 TO THE EXTENT THAT ANY PROVISIONS OF THIS AGREEMENT CONFLICTS WITH THE WISCONSIN FAIR DEALERSHIP LAW, IF APPLICABLE TO THIS AGREEMENT, SUCH PROVISION SHALL BE SUPERSEDED BY THE LAW'S REQUIREMENTS.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Amendment to the Development Agreement (Attachment DA-1) on the _____ day of _____, 19_____.

FRANCHISOR:

ATTEST: APPLEBEE'S INTERNATIONAL, INC.

By:
Name: Robert T. Steinkamp — Name: Abe J. Gustin, Jr.
Title: Secretary — Title: President

DEVELOPER:

ATTEST: MARCUS RESTAURANTS, INC.

By:
Name: Thomas F. Kissinger — Name: Stephen Marcus
Title: Secretary — Title: President

AMENDMENT TO APPLEBEE'S NEIGHBORHOOD GRILL & BAR
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WISCONSIN

In recognition of the requirements of the Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135, the parties to the attached APPLEBEE'S NEIGHBORHOOD GRILL & BAR FRANCHISE AGREEMENT (the "Franchise Agreement") agree as follows:

1. Section 1 of the Franchise Agreement, "Franchise Grant and Term," shall be supplemented by the following Subsection 1.7, which shall be considered an integral part of the Agreement:

> 1.7 To the extent that the provisions in this Section 1 regarding renewal are inconsistent with the requirements of the Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (which, among other things, grants a Franchisee the right, in most circumstances, to ninety (90) days prior written notice of non-renewal and sixty (60) days within which to remedy any claimed deficiencies), the renewal provisions shall be superseded by the Law's requirements and shall have no force or effect.

2. Section 19 of the Franchise Agreement, "Expiration and Termination; Option to Purchase Restaurant; Attorneys' Fees," shall be supplemented by the following Subsections 19.4(g) and 19.5, which shall be considered an integral part of the Franchise Agreement:

> (g) To the extent that the provisions herein regarding the repurchase of inventory are inconsistent with the requirements of the Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135.045, those provisions shall be superseded, where applicable, by the Law's requirements, which state that if Franchisor, at the option of Franchisee, repurchases inventory which was sold by Franchisor to Franchisee for resale, fair wholesale market value must be paid for all merchandise bearing a name, trade name, label or other mark which identifies Franchisor. All other provisions related to the purchase of property described in Section 19 shall be applicable to such items.

> 19.5 To the extent that provisions in this Section 19 regarding termination are inconsistent with the requirements of the Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (which, among other things, grants a Franchisee the right, in most circumstances, to ninety (90) days prior written notice of non-renewal and sixty (60) days within which to remedy any claimed deficiencies), the renewal provisions shall be superseded by the Law's requirements and shall have no force or effect.

3. Section 21 of the Franchise Agreement, "Construction, Severability, Governing Law and Jurisdiction," shall be supplemented by the following Subsection 21.4, which shall be considered an integral part of the Franchise Agreement:

> 21.4 TO THE EXTENT THAT ANY PROVISIONS OF THIS AGREEMENT CONFLICTS WITH THE WISCONSIN FAIR DEALERSHIP LAW SUCH PROVISION SHALL BE SUPERSEDED BY THE LAW'S REQUIREMENTS.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Amendment to the Franchise Agreement (Attachment FA-1) on the _____ day of _____, 19_____.

FRANCHISOR:

ATTEST:	APPLEBEE'S INTERNATIONAL, INC.
	By:
Name:	Name:
Title:	Title:
ATTEST:	FRANCHISEE:
	By:
Name:	Name:
Title:	Title:
	PRINCIPAL SHAREHOLDER(S):
Witness	Name:
Witness	Name:
Witness	Name:

Exhibit 21

Subsidiaries of the Company
as of May 26, 1994

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
La Crosse Amusement Company	Wisconsin
Lake-Vue 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

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
Hasty Host Distributing Corp.	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.	Wisconsin
Grand Avenue Refreshments, Inc.	Wisconsin

Marc's Big Boy Corporation 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.

Exhibit 23.1

Consent of Ernst & Young LLP, Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-18801) of The Marcus Corporation of our report dated July 22, 1994, with respect to the consolidated financial statements and schedules of The Marcus Corporation included in the Annual Report (Form 10-K) for the year ended May 26, 1994.

Our audits also included the financial statement schedules of The Marcus Corporation listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
August 24, 1994