

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended May 25, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-12604

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

Wisconsin  
(State or other jurisdiction of incorporation  
or organization)

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

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

53202-4220  
(Zip Code)

Registrant's telephone number,  
including area code: (414) 272-6020

Securities registered pursuant to  
Section 12(b) of the Act: Common Stock, \$1 par value

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

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act  
of 1934 during the preceding 12 months (or for such shorter period that  
the registrant was required to file such reports), and (2) has been  
subject to such filing requirements for the past 90 days.

Yes  No

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

State the aggregate market value of the voting stock held by  
non-affiliates of the registrant as of August 11, 1995: \$218,319,728.

Number of shares outstanding of each of the classes of the registrant's  
capital stock as of August 11, 1995:

Common Stock, \$1 par value: 7,009,139 shares  
Class B Common Stock, \$1 par value: 6,068,952 shares

PORTIONS OF THE FOLLOWING DOCUMENTS ARE INCORPORATED HEREIN BY REFERENCE:

Proxy Statement for 1995 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 June 30, 1995.

### 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's motel operations include a chain of 110 Budgetel Inn limited service motels in 27 states and three Woodfield Suites all-suite hotels. Of the 110 Budgetel Inns, 84 are owned or operated by the Company and 26 are franchised.

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

The Company's restaurant division includes 34 KFC (Kentucky Fried Chicken) restaurants in Wisconsin. During fiscal 1995, the Company sold, leased or closed its Marc's Big Boy restaurants, Marc's Cafe & Coffee Mill restaurants, Big Boy Express restaurants and Original Gino's East of Chicago Restaurant in Wisconsin. On June 30, 1995, the Company also sold its 18 Applebee's Neighborhood Grill & Bar ("Applebee's") restaurants and related development rights in Wisconsin and Illinois. The Company currently is committed to operating KFC restaurants.

The Company operates 36 movie theatres with an aggregate of 200 screens throughout Wisconsin and in Northern Illinois.

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

- Increasing the number of Budgetel Inns to 300 by the year 2000, with up to 10 new Company-owned and up to 20 new franchised motels planned to open in fiscal 1996. The Company believes that much of its anticipated future growth will ultimately come from its increasing emphasis on opening new franchised Budgetel Inns.
- Continuing to expand the number of Company-owned Woodfield Suites by up to one or two units each year for the next few fiscal years, including up to two new facilities in fiscal 1996.
- Doubling the number of movie theatre screens to 400 by the year 2000, with continued expansion outside of Wisconsin. A total of up to 44 new screens are currently planned to open in fiscal 1996, including 16 screens at two new multiplex theatres (including one in Illinois) and new screen additions at five existing locations.

- Adding up to one or two hotel properties each year over the next few fiscal years, either Company-owned or managed for others.
- Expanding the Company's franchised KFC restaurants by approximately one or two new units per year, in addition to exploring the opening of new or converted KFC/Taco Bell combination restaurants.

The actual number, mix and timing of future new facilities will depend in large part on continuing favorable industry and general economic conditions, the competitive environment, evolving customer needs and trends, and the availability of attractive opportunities. It is likely that the Company's expansion goals will continue to evolve and change in response to these and other factors.

#### Business Segment Data

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

	Fiscal Year		
	1995	1994	1993
	(Dollars in thousands)		
Revenues from unaffiliated customers:			
Motels	\$ 104,356	\$89,043	\$80,622
Hotels and resorts	45,292	32,330	28,462
Restaurants	74,076	70,404	59,014
Theatres	53,968	50,494	43,832
Corporate items(1)	298	343	980
	-----	-----	-----
	\$ 277,990	\$242,614	\$212,910
	=====	=====	=====
Operating income (loss):			
Motels	\$ 31,992	\$ 26,041	\$ 23,801
Hotels and resorts	1,473	2,550	2,093
Restaurants	3,318	1,499	599
Theatres	12,175	11,483	9,612
Corporate items(1)	(2,163)	(3,689)	(2,971)
	-----	-----	-----
	\$ 46,795	\$ 37,884	\$ 33,134
	=====	=====	=====
Identifiable assets:			
Motels	\$ 211,112	\$182,174	\$166,193
Hotels and resorts	68,731	45,787	24,041
Restaurants	53,090	51,896	46,282
Theatres	46,928	47,244	36,898
Corporate items(1)	27,221	34,505	36,041
	-----	-----	-----
	\$ 407,082	\$361,606	\$309,455
	=====	=====	=====

(1) Corporate items include amounts not allocable to specific business segments. Revenues consist principally of rent and the corporate operating loss includes general corporate expenses. Corporate 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 110 economy motels, with over 11,000 rooms, under the name "Budgetel Inn" in 27 states. The Company operates 26 Budgetel Inns through franchisees. The remaining Budgetel Inns are either Company-owned (78) or operated under joint venture agreements (6).

Targeted at the business traveler, Budgetel Inns feature an upscale, contemporary exterior appearance, are generally located in high traffic commercial areas in close proximity to interstate highway exits and major thoroughfares and typically vary in size between 60 and 150 rooms.

The Company believes that providing amenities not typically associated with limited service motels 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, non-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 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 and intends to increase its emphasis on opening more franchised Budgetel Inns. Franchisees pay an initial franchise fee and annual marketing assessments, reservation system assessments and royalty fees based on room revenues. The Company is qualified to sell, and anticipates ultimately selling, franchises in all 50 states.

Depending upon continuing favorable industry conditions, the Company currently plans to add up to 30 new Budgetel Inns in fiscal 1996 (10 Company-owned and 20 franchised). During fiscal 1995, six new Company-owned units opened and four franchised units were opened. An additional 11 franchise inns were under development at the end of fiscal 1995 and seven new Company-owned Budgetel Inns were under construction.

## Woodfield Suites

The Company operates three mid-priced, all-suite hotels under the name "Woodfield Suites" and plans to open two more Woodfield Suites in fiscal 1996. 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. The Company plans to open two new Woodfield Suites in fiscal 1996.

## Hotels and Resorts Operations

### The Pfister Hotel

The Company owns and operates the Pfister Hotel in downtown Milwaukee. The Pfister Hotel, a full service, luxury hotel, has 307 rooms (including 80 luxury suites), three restaurants, two cocktail lounges, a night club, an indoor swimming pool, an exercise facility and a 275-car parking ramp. The Pfister has 20,000 square feet of banquet and convention facilities. Banquet and meeting rooms can accommodate up to 3,000 persons and features two large ballrooms, including the largest

ballroom in the Milwaukee metropolitan area, with banquet seating for 1,200 people. A portion of the Pfister's first-floor space is leased for use by retail tenants. In fiscal 1995, the Pfister Hotel earned its 19th 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.

#### The Milwaukee Hilton

The Company owns and operates the 500-room Milwaukee Hilton. Formerly known as the Marc Plaza Hotel, the Company secured a Hilton franchise for the hotel which reopened on June 1, 1995 after a six-month renovation and restoration project. All 500 guest rooms, bathrooms, public areas and 30,000 square feet of meeting space have been remodeled. The hotel will be connected by skywalk to the proposed new convention center. The Company leases office suites on two floors of the Milwaukee Hilton 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. The Hilton franchise affiliation is expected to benefit the Milwaukee Hilton through the Hilton's international centralized reservation and marketing system, advertising cooperatives and frequent stay programs.

#### The Grand Geneva Resort & Spa

The Grand Geneva Resort & Spa in Lake Geneva, Wisconsin is a full-facility destination resort located on 1,300 acres. The largest convention resort in Wisconsin includes 355 guest rooms, a 13,000 square foot convention center, three speciality restaurants, two cocktail lounges, two championship golf courses, several ski-hills, four indoor tennis courts, two racquetball courts, four swimming pools, a fitness and sports complex, horse stables and an on-site airport.

Completed renovation projects at the Grand Geneva in fiscal 1995 included the addition of an 8000 square foot ballroom (bringing total meeting and convention space to 50,000 square feet), a full European spa and lap pool, a totally renovated fitness and sports complex and five outdoor tennis courts.

Chicago and northern Illinois remain the principal targeted markets for the resort, which caters to sports and recreation leisure travelers and corporate, association and convention groups.

#### Operated and Managed Hotels

The Company operates the Crowne Plaza-Northstar Hotel in Minneapolis, Minnesota pursuant to a management agreement. The Crowne Plaza - Northstar Hotel is located in downtown Minneapolis and has 226 rooms, 13 meeting rooms, 6370 square feet of ballroom and convention space, one restaurant, one cocktail lounge, and an exercise facility. Formerly known as the Northstar Hotel, the property was substantially remodeled in early 1994 and repositioned as the Crowne Plaza-Northstar, the luxury brand of the Holiday Inn system. The hotel caters primarily to upscale business travelers. The Company has the sole and exclusive rights to supervise and direct the management and operation of the Crowne Plaza, including determining operating policies, standards of operations, quality of service and any other matters affecting customer relations. In addition, all phases of promotion and publicity with respect to the Crowne Plaza are solely and exclusively the responsibility of the Company.

The Company manages the Mead Inn in Wisconsin Rapids, Wisconsin, pursuant to a management agreement. The Company has the sole and exclusive right to supervise and manage the marketing and operations of the Mead Inn. The Mead Inn has 154 guest rooms, 11 meeting rooms totaling 8,180 square feet of meeting space, two cocktail lounges, and an indoor pool with sauna and whirlpool. Two new restaurants were added to the Mead Inn in fiscal 1995. The Mead Inn caters primarily to business and leisure

travelers and, because of its central state location, to Wisconsin associations.

The Company did not renew the operating agreement for the 150-room Sheraton Mayfair Inn.

#### Restaurant Operations

Substantial changes occurred in the Company's restaurant division during and shortly after fiscal 1995. Consistent with the Company's previously announced plan to close or sell limited potential restaurant locations, during the fiscal year the Company divested 11 Marc's Cafe & Coffee Mill restaurants by leasing the restaurants to a group of former restaurant division employees and closed the three remaining Marc's Big Boy, two Big Boy Express, one KFC and one Original Gino's East of Chicago restaurants. On June 30, 1995, the Company sold its Applebee's restaurants and associated development rights for approximately \$48.3 million. The Company continues to operate 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 35 years, currently operates 34 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 Colonel's Rotisserie Gold non-fried chicken which was introduced in fiscal 1994.

Virtually all of the Company's KFC restaurants feature inside seating for approximately 40 customers, drive-thru windows and updated electronic equipment to better facilitate food preparation and order processing. In fiscal 1995, the Company closed two older, limited potential KFC restaurants. The Company plans to build two new KFC's in late fiscal 1996 and is currently working with Pepsico to possibly convert certain KFC locations to combined KFC/Taco Bell restaurants. The Company plans on closing three limited potential KFC's in fiscal 1996.

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 KFC franchisor specifies certain product requirements and provide for certain approved suppliers of products and supplies in order to maintain the franchise's quality standards.

#### Theatre Operations

The Company operates 36 movie theatre locations with an aggregate of 200 screens in Wisconsin and Northern Illinois for an average of 5.6 screens per location. The Company's facilities include 34 multi-screen complexes and two single-screen theatres. 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, allowing the Company to offer a diversified selection of films to attract additional customers, exhibit movies in larger or smaller auditoriums within the same theatre depending on the popularity of the movie and benefit from the economies of having common box office, concession, projection and lobby facilities. The Company's last remaining outdoor theatre will not be reopened in fiscal 1996. Virtually all of the Company's movie theatres feature exclusively first-run films, although the Company is exploring opening discount movie theatre locations.

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. Movie production has been 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 1995, including such box office hits as *The Lion King*, *Forrest Gump*, *Disclosure*, *Dumb & Dumber*, *The Santa Clause*, *Speed*, *Mask*, *True Lies* and others.

In fiscal 1995, the Company opened 18 new screens, including 16 at two new eight-plex theatres in Delafield and Green Bay, Wisconsin. Three theatres with a total of five screens were closed in fiscal 1995, two of which were sold, and the Company did not renew the lease on its last outdoor theatre. Since the end of fiscal 1988, the number of screens in the Marcus theatre circuit has grown by 59, representing a 42% increase. In fiscal 1996, the Company plans on opening approximately 44 new screens, including a new ten-plex theatre in Orland Park, Illinois, a new eight-plex theatre in New Berlin, Wisconsin, a new eight-plex theatre in Appleton, Wisconsin and adding screens to a number of existing theatres.

The Company obtains its films from all of the 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 single 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 either digital sound, Dolby or other stereo sound systems; acoustical ceilings; side wall insulation; engineered drapery folds to eliminate sound imbalance, reverberation and distortion; tiled floors; loge seats; cup-holder chair-arms; and computer-controlled heating, air conditioning and ventilation. Computerized box offices permit 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 accessible to persons with disabilities and provide wireless headphones for hearing-impaired moviegoers. The Company also operates an exclusive customer information telephone system in Milwaukee and Madison, allowing customers to call for information as to the locations, times and titles of movies being shown by the Company throughout each metropolitan area. In fiscal 1995, the Company introduced digital sound systems at eight of its screens, with seven additional theatres scheduled to be upgraded to digital sound in fiscal 1996.

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

The Company plans to introduce IMAX Ridefilm giant screen three-dimensional ride immersion motion simulators at one or two of its multiplex theatres in fiscal 1996. The Company is also exploring developing family entertainment centers as part of its theatre complexes. These planned 40,000 square foot entertainment centers would feature soft play areas for toddlers, lasertag for teenagers, mini golf for the family and other entertainment options.

#### Competition

All of the Company's business segments are highly competitive and there are other facilities in close proximity to most 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 limited service motel chains as Days Inn, Hampton Inn (owned by The Promus Companies Incorporated), Fairfield Inn (owned by Marriott Corporation), Red Roof Inn, La Quinta Inn, Comfort Inn and others, as well as a large number of regional and local motels.

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

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

The Company's movie theatres compete with large national movie theatre operators, such as United Artists, Cinemark and Carmike Cinemas, Inc., as well as with a wide array of smaller first-run and discount exhibitors. Although movie exhibitors in general also compete with the home video, pay-per-view and cable television markets, the Company believes that such markets have assisted the growth of the movie theatre industry by encouraging a significant increase in the number of first-run movies produced and released for initial movie theatre exhibition, which establishes the demand in the ancillary markets.

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

#### Seasonality

Historically, the Company's first and fourth fiscal quarters have produced the strongest operating results, since such periods coincide with the typical summer seasonality of the movie theatre industry and the spring and summer strength of the travel and food service aspects of the Company's business. However, the Company has been experiencing less seasonality in its theatre segment over the past several fiscal years due to the increased movie industry emphasis on producing films directed to more diverse and mature audiences and a more consistent distribution release pattern.

#### 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 1995, the Company had approximately 6,800 employees, a majority of whom were employed on a part-time basis. A majority of the Company's hotel employees in Milwaukee are covered by collective bargaining agreements. Relations with employees have been satisfactory and there have been no work stoppages due to labor disputes.

#### Item 2. Properties.

The Company owns a substantial portion of its facilities, including the Pfister Hotel, the Milwaukee Hilton and the Grand Geneva Resort and Spa, and leases the remainder. The Company also manages two hotel properties for third parties. Additionally, the Company owns properties acquired for the future construction and operation of new Company operating facilities. Some of its properties are leased from entities owned by principal shareholders of the Company. All of the Company's properties are suitably maintained and adequately utilized to cover the respective business segment served.

The operating properties owned and leased by the Company as of June 30, 1995 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:						
KFC	34	34	0	0	0	0
Movie Theatre Screens:						
Indoor	200	144	50	6	0	0
Hotels and Resorts						
Hotels	4	2	0	0	0	2
Resorts	1	1	0	0	0	0
Motels						
Budgetel	84	78	0	1	19	1
Woodfield Suites	3	3	0	0	0	0
	----	----	----	----	----	----
TOTALS	326	262	50	7	19	3

<FN>

(1) Three of the KFC restaurants, 17 of the movie theatre screens owned by the Company, and one of the motels are on land leased from unrelated parties under long-term leases. The Company's partnership interests in 19 Budgetel Inns that it manages and six indoor movie theatre screens that it leases are not included in this column.

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

Assuming exercise by the Company of all renewal and extension options, the terms of the Company's operating property leases expire on various dates, with over 90% of the leases expiring after 1996.

#### 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 1995 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 1995 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	60
Bruce J. Olson	Group Vice President	45
H. Fred Delmenhorst	Vice President-Human Resources	54
Kenneth A. MacKenzie	Chief Financial Officer, Treasurer and Controller	61
Thomas F. Kissinger	General Counsel and Secretary	35

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

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

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

Kenneth A. MacKenzie 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 and in August 1994 was promoted to General Counsel and Secretary. 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.

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 25, 1995				
High	\$28 5/8	\$28	\$28	\$30 3/4
Low	\$24 5/8	\$25	\$24	\$25 5/8
Fiscal Year Ended May 26, 1994				
High	\$24 1/4	\$26 1/4	\$29 1/4	\$28 1/2
Low	\$20 1/2	\$23 3/4	\$23 1/4	\$25 3/4

\*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 11, 1995, there were 1,731 shareholders of record for the Common Stock and 33 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 \$.31 and \$.25 per share in each of fiscal 1995 and 1994, respectively. On June 22, 1995, the Company's Board of Directors declared a cash dividend of \$.40 per Common Share and \$.3636 per Class B Common Share payable on August 1, 1995 to shareholders of record on July 20, 1995.

Item 6. Selected Financial Data.

	Fiscal Year					
	1995	1994	1993	1992	1991	1990
<b>Operating Results</b>						
(Dollars In Thousands)						
Revenues	\$277,990	\$242,614	\$212,910	\$204,297	\$188,008	\$176,592
Effective income tax rate	40.0%	39.3%	39.1%	39.5%	38.4%	34.2%
Net earnings	\$ 24,136	\$22,829*	\$ 16,482	\$ 13,289	\$ 11,618	\$ 10,781
<b>Common Stock Data</b>						
Net earnings per share	\$ 1.84	\$ 1.74*	\$ 1.42	\$ 1.18	\$ 1.02	\$ .94
Cash dividends per common share	\$ 0.34	\$ 0.28	\$ 0.26	\$ 0.22	\$ 0.20	\$ 0.18
Average shares outstanding (In Thousands)	13,127	13,107	11,648	11,255	11,364	11,484
Book value per share	\$ 16.41	\$ 14.88	\$ 13.40	\$ 11.19	\$ 10.22	\$ 9.37
<b>Financial Position (Year End) (In Thousands)</b>						
Total assets	\$407,082	\$361,606	\$309,455	\$274,394	\$255,117	\$230,789
Long-term debt	116,364	107,681	78,995	100,032	96,183	85,563
Shareholders' equity	214,464	193,918	173,980	124,874	114,697	106,983
Capital expenditures	77,083	75,825	47,237	27,238	39,861	42,385
<b>Financial Ratios</b>						
Current ratio (year end)	.41	.67	.90	.73	.65	.91
Return on revenues	8.7%	9.4%	7.7%	6.5%	6.2%	6.1%
Return on average shareholders' equity	11.8%	12.4%	11.0%	11.1%	10.5%	10.5%

	Fiscal Year				
	1989	1988	1987	1986	1985
<b>Operating Results</b>					
(Dollars In Thousands)					
Revenues	\$166,710	\$162,393	\$152,531	\$141,202	\$131,844

Effective income tax rate	34.5%	40.3%	45.4%	39.7%	41.8%
Net earnings	\$ 10,042	\$ 10,073	\$ 8,078	\$ 8,719	\$ 8,215
Common Stock Data					
Net earnings per share	\$ .87	\$ .87	\$ .70	\$ .75	\$ .71
Cash dividends per common share	\$ 0.17	\$ 0.15	\$ 0.15	\$ 0.13	\$ 0.13
Average shares outstanding (In Thousands)	11,537	11,576	11,576	11,543	11,552
Book value per share	\$ 8.61	\$ 7.93	\$ 7.20	\$ 6.65	\$ 6.04
Financial Position (Year End)					
(In Thousands)					
Total assets	\$197,898	\$181,354	\$167,289	\$156,343	\$122,170
Long-term debt	64,163	56,635	55,255	52,316	31,537
Shareholders' equity	98,250	91,318	82,952	76,328	69,011
Capital expenditures	34,253	23,591	28,234	38,865	25,096
Financial Ratios					
Current ratio (year end)	.75	1.00	.94	1.13	1.09
Return on revenues	6.0%	6.2%	5.3%	6.2%	6.2%
Return on average shareholders' equity	10.6%	11.6%	10.1%	12.0%	12.4%

<FN>

\* 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 four divisions report their consolidated and individual segment results of operations on either a 52- or 53-week fiscal year. Each of fiscal 1995, 1994 and 1993 was a 52-week year for the Company and each of its divisions. Fiscal 1996 will be a 53-week fiscal year for the Company and the theatre division, while the remaining divisions will report on a 52-week fiscal year.

Total consolidated revenues for fiscal 1995 were \$278.0 million, an increase of \$35.4 million, or 14.6%, compared to fiscal 1994 consolidated revenues of \$242.6 million. Net earnings for fiscal 1995 were \$24.1 million, or \$1.84 per share. Earnings increased \$3.1 million, or 14.7%, over comparable fiscal 1994 earnings of \$21.0 million, or \$1.60 per share, excluding the one-time tax benefit described below. Including the 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," fiscal 1994 net earnings were \$22.8 million, or \$1.74 per share. Weighted average shares outstanding for both fiscal 1995 and 1994 were \$13.1 million. As a result of the recent substantial changes effected within the Company's restaurant division, as described below, the Company expects fiscal 1996 revenues to be lower than in fiscal 1995 and to be weighted more from the Company's two lodging segments and less from the Company's restaurant division. Fiscal 1996 net earnings should not be affected adversely by these changes.

The Company's income tax expense for fiscal 1995 was \$16.1 million, an increase of \$2.5 million from fiscal 1994. The Company's effective tax rate for fiscal 1995 was 40.0% versus the prior fiscal year's 39.3%.

Historically, the Company's first and fourth fiscal quarters have produced the strongest operating results, since such periods coincide with the typical summer seasonality of the movie theatre industry and the spring and summer strength of the travel and food service aspects of the Company's business. However, the Company has been experiencing less seasonality in its theatre segment over the past several fiscal years due to the continued movie industry emphasis on producing films directed to

more diverse and mature audiences and a more consistent movie distribution release pattern.

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

- Increasing the number of Budgetel Inns up to 300 by the year 2000, with up to 10 new Company-owned and up to 20 new franchised motels planned to open in fiscal 1996. The Company believes that much of this anticipated future growth will ultimately come from its increasing emphasis on opening new franchised Budgetel Inns.
- Continuing to expand the number of Company-owned Woodfield Suites by up to one or two units each year for the next few fiscal years, including up to two new facilities in fiscal 1996.
- Doubling the number of movie theatre screens to 400 by the year 2000, with continued expansion outside of Wisconsin. A total of 44 new screens are currently planned to open in fiscal 1996, including 16 screens at two new multi-plex theatres (including one in Illinois) and new screen additions at five existing locations.
- Adding up to one or two hotel properties each year over the next few fiscal years, either Company-owned or managed for others.
- Expanding the Company's franchised KFC restaurants by approximately two new units per year, in addition to exploring the opening of new or converted KFC/Taco Bell combination restaurants.

The actual number, mix and timing of future new facilities will depend in large part on continuing favorable industry and general economic conditions, the competitive environment, evolving customer needs and trends, and the availability of attractive opportunities. It is likely that the Company's expansion goals will continue to evolve and change in response to these and other factors.

#### MOTELS

##### Fiscal 1995 Versus Fiscal 1994

Total revenues in fiscal 1995 for the motel division were \$104.4 million, an increase of \$15.4 million, or 17.2%, compared to \$89.0 million in fiscal 1993. The motel division's operating profits in fiscal 1995 totaled \$32.0 million, an increase of \$6.0 million, or 22.9%, over the division's fiscal 1994 operating profits of \$26.0 million.

Average daily room rates increased by 6.3% at the Company's motels in fiscal 1995 principally as a result of increased demand from continued favorable lodging and general economic conditions. The Company's motel occupancy percentage in fiscal 1995 remained consistent with fiscal 1994, well above industry averages.

At June 30, 1995, there were 110 Budgetel Inns and three Woodfield Suites in operation, compared to 98 Budgetel Inns and one Woodfield Suites at 1994 fiscal year end. Six new Company-owned Budgetel locations and four new franchised Budgetel locations opened in fiscal 1995. Together with the two new Woodfield Suites, the Company's new motels contributed additional revenues of \$9.9 million and nominal operating profits in fiscal 1995. Similar comparative results are expected for new facilities opened in fiscal 1996.

##### 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 9.4%, 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.

#### THEATRES

##### Fiscal 1995 Versus Fiscal 1994

The theatre division's fiscal 1995 revenues were \$54.0 million, an increase of \$3.5 million, or 6.9%, over \$50.5 million in fiscal 1994. Operating profits for fiscal 1995 were \$12.2 million, an increase of almost \$700,000, or 6.0%, from \$11.5 million in fiscal 1994.

At June 30, 1995, the Company operated 200 screens at 36 locations in Wisconsin and Illinois, compared to 189 screens at 36 locations at the end of fiscal 1994. Consistent with the Company's long-term strategic plan to focus on operating large multi-screen theatres, the Company opened new eight-plex theatres in Delafield, Wisconsin, in November 1994 and in Green Bay, Wisconsin, on the first day of fiscal 1996. Additionally, three theatres with a total of five screens were closed in fiscal 1995, two of which were sold, and the Company did not renew the lease for fiscal 1996 on its last outdoor theatre. These locations contributed \$632,000 of revenues in fiscal 1995, with associated pretax operating losses of \$175,000. The addition of the new Delafield theatre for a part of the fiscal year and the operation of the Gurnee Mills ten-plex theatre for an entire year generated additional revenues of over \$3.8 million compared to fiscal 1994.

Revenues of the theatre business are heavily dependent on the general audience appeal of available films, together with studio marketing, advertising and support campaigns, factors over which the Company has no control. In fiscal 1995, over 160 first-run films were released, including such box office hits as *The Lion King*, *Forrest Gump*, *The Santa Clause*, *True Lies* and *Speed*. Each of these films produced box office receipts in excess of \$1.0 million for the theatre division. Approximately the same number of first-run films were released in fiscal 1994. The Company had six films contribute box office receipts in excess of \$1 million in fiscal 1994.

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

Vending revenues in fiscal 1995 were \$14.6 million, an increase

of \$1.0 million, or 7.3%, over \$13.6 million in fiscal 1994, due to the increase in theatre attendance and the 3.5% increase in the average concession sales per person in fiscal 1995 from fiscal 1994.

#### Fiscal 1994 Versus Fiscal 1993

The theatre division's fiscal 1994 revenues were \$50.5 million, an increase of \$6.7 million, or 15.2%, over fiscal 1993. Operating profits for fiscal 1994 were \$11.5 million, an increase of \$1.9 million, or 19.5%, over \$9.6 million in 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. 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. 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.

#### HOTELS AND RESORTS

##### Fiscal 1995 Versus Fiscal 1994

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

The division's increase in revenues in fiscal 1995 was attributable principally to an 11.4% increase in occupancy rates and a 16.5% increase in room rates. The increase in occupancy rates was due primarily to generally favorable economic conditions and the increase in room rates was mainly due to the relatively higher room rates at the newly renovated Grand Geneva which was open for the entire fiscal year. These factors contributed \$14.2 million to the division's revenues in fiscal 1995. Additionally, the continuing favorable customer response to the fiscal 1994 renovation of the Pfister Hotel contributed positively to fiscal 1995 revenues, while the temporary closing of the Marc Plaza for major renovation and remodeling for the last half of fiscal 1995 modestly reduced revenues. The remainder of the fiscal 1995 revenue increase was derived from an entire fiscal year of management fees from operating the Mead Inn and the Crowne Plaza-Northstar. The Company elected not to renew its Sheraton-Mayfair Inn operating agreement for fiscal 1996. This decision should reduce revenues modestly in fiscal 1996, with no significant expected effect on operating profits.

The Marc Plaza Hotel reopened as the Milwaukee Hilton on June 1,

1995. The Company believes that its new franchise affiliation with Hilton Hotels Corporation, together with favorable customer reaction to its renovation, will positively impact the hotel's occupancy and room rates in fiscal 1996.

#### Fiscal 1994 Versus Fiscal 1993

Total revenues from the Company's hotels and resorts division in fiscal 1994 increased by \$3.9 million, or 13.6%, to \$32.3 million, over the previous fiscal year, while operating profits increased by \$500,000, or 21.8%, 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 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.

During fiscal 1994, the hotels and resorts 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.

#### RESTAURANTS

##### Fiscal 1995 Versus Fiscal 1994

Substantial changes occurred in the Company's restaurant division during and shortly after fiscal 1995. Consistent with the Company's previously announced plan to close or sell limited potential restaurant locations, during the fiscal year the Company divested 11 Marc's Cafe & Coffee Mill restaurants by leasing the restaurants to a group of former restaurant division employees and closed its three remaining Marc's Big Boy, two Big Boy Expresses, one KFC and one Original Gino's East of Chicago restaurants.

On June 30, 1995, the Company sold its Applebee's Neighborhood Grill & Bar restaurants and associated development rights for approximately \$48.3 million and recognized a pretax gain on disposition of approximately \$27.5 million. The Company also continues to lease two of these restaurants to the buyer. The sale of its Applebee's restaurants, together with the fiscal 1995 divestiture of its other restaurants, is expected to reduce fiscal 1996 restaurant division revenues by approximately \$46 million, but fiscal 1996 operating profits are not expected to be materially adversely affected. The Company currently plans to continue operating its franchised KFC restaurants. The estimated \$1.3 million in annual rental income from leasing the 11 divested Marc's Cafes and the two sold Applebee's will be treated as restaurant division revenue in fiscal 1996.

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

The Company's KFC operating profits increased significantly in fiscal 1995 over fiscal 1994. KFC's decreased fiscal 1995 guest counts

were more than offset by an increase in average check amounts, resulting in a same store sales increase of 1.7% in fiscal 1995 over fiscal 1994. The Company believes that this result was largely caused by the focus of the franchisor's promotional campaign on higher priced family meals. The Company plans to open one or two new KFCs in fiscal 1996.

The Company is also exploring the potential conversion of several of its KFC restaurants into combination KFC/Taco Bell restaurants, but does not expect any such determination to have a material effect on the division's fiscal 1996 revenues. The Company closed one KFC restaurant in fiscal 1995 and plans to close three additional units in fiscal 1996. Such closures are expected to have a positive effect on KFC's operating profits in fiscal 1996.

#### Fiscal 1994 Versus Fiscal 1993

Restaurant division revenues totaled \$70.4 million for fiscal 1994, an increase of \$11.4 million, or 19.3%, from fiscal 1993. The revenue increase was due almost entirely to the Company's newly opened Applebee's restaurants 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 \$1.5 million, an increase of \$900,000 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.

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 \$2.0 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 continued to reduce its number of underperforming Marc's Big Boy restaurants by closing one Big Boy during fiscal 1994. 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 & 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.

#### FINANCIAL CONDITION

The Company's lodging, movie theatre and restaurant businesses

each generate significant and consistent daily amounts of cash because each segment's revenue is derived predominantly from consumer cash purchases. The Company believes that these consistent and predictable cash sources, together with the availability to the Company of \$27 million in unused credit lines at fiscal 1995 year end, should be adequate to support the ongoing operational liquidity needs of the Company's businesses.

Net cash provided by operations increased by \$6.7 million, or 13.4%, in fiscal 1995 to \$56.9 million compared to fiscal 1994. 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 deferred income taxes.

Net cash used in investing activities decreased by \$7.3 million, or 9.8%, to \$67.5 million in fiscal 1995. The decrease was due primarily to an increase of \$3.7 million in cash received from joint ventures. The Company also made a \$2.9 million loan to an affiliated hotel in fiscal 1994. The most significant amount of capital spent by the Company during fiscal 1995 was on the continued improvements at the Grand Geneva and on the remodeling and renovation of the Milwaukee Hilton. Other significant capital expenditures in fiscal 1995 were made in opening the Company's two new multi-plex theatres and its newly opened Budgetel Inns and Woodfield Suites.

Principally as a result of funding a portion of the Company's fiscal 1995 facility expansions and renovations, the Company's total debt increased to \$125.6 million at the close of fiscal 1995, compared to \$112.0 million at the end of fiscal 1994, primarily through increased borrowings on its line of credit and from commercial paper issuances. Net cash provided by financing activities was \$9.4 million in fiscal 1995, a decrease of \$9.3 million, or 49.7%, from fiscal 1994, as the Company financed more of its capital requirements from operating activities. The Company's debt-capitalization ratio remained constant at 0.37 at May 25, 1995, compared to the prior fiscal year end. Additionally, the Company received \$48.3 million from the sale of its Applebee's restaurants in June 1995, which the Company intends to use to help finance its growth plans.

The current aggregate estimated cost of the Company's multi-year expansion plan, which began in fiscal 1994, is between \$350 million and \$400 million, with total expenditures (including normal continuing capital maintenance projects) of \$75.8 million and \$77.1 million incurred in fiscal 1994 and 1995, respectively, and estimated total capital expenditures in fiscal 1996 expected to be \$130 million. The Company's fiscal 1996 expansion plans are expected to be funded by cash generated from operations, the funds received from its disposition of its Applebee's restaurants and other sold facilities and additional bank debt.

At the end of fiscal 1995, the Company maintained one interest rate swap agreement on a notional amount of \$15.0 million in order to ensure a favorable long-term interest rate. This swap agreement has not had, and is not expected to have, any material adverse impact on the Company's results of operations or financial condition. (See Note 4 of Notes to Consolidated Financial Statements.)

Item 8. Financial Statements and Supplementary Data.

#### REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders  
of The Marcus Corporation

We have audited the accompanying consolidated balance sheets of The Marcus Corporation (the Company) as of May 25, 1995 and May 26, 1994, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended May 25, 1995. These

financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at May 25, 1995 and May 26, 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 25, 1995, in conformity with generally accepted accounting principles.

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

Milwaukee, Wisconsin  
July 21, 1995

ERNST & YOUNG LLP

THE MARCUS CORPORATION  
CONSOLIDATED BALANCE SHEETS

	May 25, 1995	May 26, 1994
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,798	\$ 9,974
Accounts and notes receivable (Note 3)	6,166	6,359
Receivables from joint ventures (Note 9)	1,861	7,983
Other current assets	4,817	3,049
	-----	-----
Total current assets	21,642	27,365
PROPERTY AND EQUIPMENT, net (Note 3)	374,284	321,871
OTHER ASSETS:		
Investments in joint ventures (Notes 8 and 9)	629	662
Other (Note 10)	10,527	11,708
	-----	-----
Total other assets	11,156	12,370
	-----	-----
Total assets	\$407,082	\$361,606
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable (Note 9)	\$ 4,452	\$ 4,533
Accounts payable	17,886	13,248
Income taxes	2,069	2,796
Taxes other than income taxes	9,091	7,307

Accrued compensation	1,458	1,448
Other accrued liabilities	8,052	6,978
Current maturities on long-term debt (Note 4)	9,245	4,357
	-----	-----
Total current liabilities	52,253	40,667
LONG-TERM DEBT (Note 4)	116,364	107,681
DEFERRED INCOME TAXES (Note 7)	19,957	15,999
DEFERRED COMPENSATION AND OTHER (Note 6)	4,044	3,341
COMMITMENTS, LICENSE RIGHTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY (Note 5):		
Preferred Stock, \$1 par; authorized 1,000,000 shares; none issued		
Common Stock:		
Common Stock, \$1 par; authorized 30,000,000 shares; issued 7,522,368 shares in 1995 and 7,365,987 shares in 1994	7,522	7,366
Class B Common Stock, \$1 par; authorized 20,000,000 shares; issued and outstanding 6,068,952 shares in 1995 and 6,225,333 shares in 1994	6,069	6,225
Capital in excess of par	45,154	44,745
Retained earnings	159,675	139,777
	-----	-----
	218,420	198,113
Less cost of Common Stock in treasury (525,847 shares in 1995 and 559,608 shares in 1994)	3,956	4,195
	-----	-----
Total shareholders' equity	214,464	193,918
	-----	-----
Total liabilities and shareholders' equity	\$407,082	\$361,606
	=====	=====

See accompanying notes.

THE MARCUS CORPORATION  
CONSOLIDATED STATEMENTS OF EARNINGS

THREE YEARS ENDED MAY 25, 1995

	May 25, 1995	May 26, 1994	May 27, 1993
	(In Thousands, Except Per Share Data)		
REVENUES:			
Rooms and telephone	\$119,705	\$100,691	\$ 91,332
Food and beverage	89,755	81,948	69,225
Theatre operations	53,733	50,263	43,551
Other income	14,797	9,712	8,802
	-----	-----	-----
Total revenues	277,990	242,614	212,910
COSTS AND EXPENSES:			
Rooms and telephone	42,780	37,100	33,603
Food and beverage	69,137	63,470	54,565
Theatre operations	32,612	30,212	26,285
Advertising and marketing	16,241	13,348	11,997

Administrative	23,080	21,569	18,794
Depreciation and amortization	23,570	20,385	18,273
Rent (Note 8)	3,727	3,572	3,028
Property taxes	9,488	8,873	8,320
Other operating expenses	10,560	6,201	4,911
	-----	-----	-----
Total costs and expenses	231,195	204,730	179,776
	-----	-----	-----
OPERATING INCOME	46,795	37,884	33,134
OTHER INCOME (LOSS):			
Interest income	1,525	2,162	1,825
Interest expense	(8,587)	(6,931)	(7,200)
Gain (loss) on disposition of property and equipment	463	1,539	(717)
	-----	-----	-----
	(6,599)	(3,230)	(6,092)
	-----	-----	-----
EARNINGS BEFORE INCOME TAXES AND CHANGE IN ACCOUNTING PRINCIPLE	40,196	34,654	27,042
INCOME TAXES (Note 7)	16,060	13,607	10,560
	-----	-----	-----
EARNINGS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	24,136	21,047	16,482
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES (Note 7)	-	1,782	-
	-----	-----	-----
NET EARNINGS	\$ 24,136	\$ 22,829	\$ 16,482
	=====	=====	=====
EARNINGS PER SHARE:			
Earnings before change in accounting principle	\$ 1.84	\$ 1.60	\$ 1.42
Cumulative effect of change in accounting for income taxes	-	.14	-
	-----	-----	-----
Net earnings	\$ 1.84	\$ 1.74	\$ 1.42
	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING (Note 5)	13,127	13,107	11,648
	=====	=====	=====

See accompanying notes.

THE MARCUS CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

THREE YEARS ENDED MAY 25, 1995

	Common Stock	Class B Common Stock	Capital in Excess of Par	Retained Earnings	Treasury Stock
	(In Thousands)				
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)
Cash dividends:					
\$.31 per share Class B Common Stock	-	-	-	(1,924)	-
\$.34 per share Common Stock	-	-	-	(2,314)	-
Exercise of stock options	-	-	-	-	186
Savings and profit-sharing contribution	-	-	404	-	49
Reissuance of treasury stock	-	-	5	-	4
Conversions of Class B Common Stock	156	(156)	-	-	-
Net earnings for the year	-	-	-	24,136	-
	-----	-----	-----	-----	-----
BALANCES AT MAY 25, 1995	\$7,522	\$6,069	\$45,154	\$159,675	\$ (3,956)
	=====	=====	=====	=====	=====

See accompanying notes.

THE MARCUS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE YEARS ENDED MAY 25, 1995

	May 25, 1995	May 26, 1994	May 27, 1993
	(In Thousands)		
<b>OPERATING ACTIVITIES</b>			
Net earnings	\$24,136	\$22,829	\$16,482
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings on investments in joint ventures	(701)	(533)	(641)
Loss (gain) on disposition of property and equipment	(463)	(1,539)	717
Depreciation and amortization	23,570	20,385	18,273
Deferred income taxes	3,958	1,643	1,580
Deferred compensation and other	703	901	211
Contribution of Company stock to savings and profit-sharing plan	453	384	366
Changes in assets and liabilities:			
Accounts and notes receivable	193	(862)	(166)
Other current assets	(1,768)	(1,375)	374
Accounts payable	4,638	6,398	(363)
Income taxes	(727)	2,535	(1,610)
Taxes other than income taxes	1,784	(12)	1,027
Accrued compensation	10	(106)	(734)
Other accrued liabilities	1,074	1,272	1,277
	-----	-----	-----
Total adjustments	32,724	29,091	20,311
Cumulative effect of change in accounting for income taxes (Note 7)	-	(1,782)	-
	-----	-----	-----
Net cash provided by operating activities	56,860	50,138	36,793
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment	(77,083)	(75,825)	(47,237)
Proceeds from disposals of property and equipment	1,695	3,349	1,782
Payment for purchase of interest in joint ventures, net of cash acquired	-	(692)	-
Net distributions from joint ventures	734	841	-
Loan to affiliated hotel	-	(2,860)	-
(Increase) decrease in other assets	1,049	(1,986)	(126)
Cash received from (advanced to) joint ventures	6,122	2,389	(24)
	-----	-----	-----
Net cash used in investing activities	(67,483)	(74,784)	(45,605)
<b>FINANCING ACTIVITIES</b>			
Debt transactions:			
Net proceeds from issuance of long-term debt	17,984	64,650	3,695

Principal payments on notes payable and long-term debt	(4,494)	(42,594)	(19,401)
Equity transactions:			
Proceeds from secondary stock offering	-	-	34,611
Treasury stock transactions, except for stock options	9	(145)	(45)
Exercise of stock options	186	351	420
Dividends paid	(4,238)	(3,481)	(2,728)
	-----	-----	-----
Net cash provided by financing activities	9,447	18,781	16,552
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(1,176)	(5,865)	7,740
Cash and cash equivalents at beginning of year	9,974	15,839	8,099
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 8,798	\$ 9,974	\$15,839
	=====	=====	=====

See accompanying notes.

#### THE MARCUS CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 25, 1995

#### 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. All periods presented include 52 weeks.

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

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

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

**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

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

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

Capitalization of Interest - The Company capitalizes interest on borrowed funds during construction periods by adding such interest to the cost of property and equipment. Interest of approximately \$867,000, \$726,000 and \$314,000 was capitalized in fiscal 1995, 1994 and 1993, respectively.

Reclassifications - Certain items in the accompanying fiscal 1994 and 1993 financial statements have been reclassified to conform to the fiscal 1995 presentation.

## 2. Disposition of Restaurant Properties

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

On June 30, 1995, proceeds from the sale of approximately \$48.3 million were received in cash. The Company expects to realize a pretax gain of approximately \$27.5 million. Operating results related to the Company's Applebee's operations were as follows:

	May 25, 1995	Year ended May 26, 1994	May 27, 1993
	(In Thousands)		
Revenues	\$35,574	\$24,438	\$12,456
Operating income (loss)	2,250	983	(307)

On February 27, 1995, the Company leased 11 of its Marc's Cafe & Coffee Mill restaurants to a group led by former members of the restaurants' management team. The lease terms, which include certain buyout incentives, differ for each location with the leases expiring on various dates from February 28, 1996 through February 28, 2001. Revenues related to the Company's operation of the 11 restaurants were \$10,169,000, \$14,958,000 and \$14,677,000 for fiscal years ended May 25, 1995, May 26, 1994 and May 27, 1993, respectively. The leasing of the restaurants is not expected to have a significant impact on operating income.

## 3. Additional Balance Sheet Information

The composition of accounts and notes receivable is as follows:

	May 25, 1995	May 26, 1994
	(In Thousands)	
Trade receivables	\$2,667	\$2,720

Notes receivable	758	1,603
Other receivables	2,741	2,036
	-----	-----
	\$6,166	\$6,359
	=====	=====

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

	May 25, 1995	May 26, 1994
	(In Thousands)	
Land and improvements	\$ 54,740	\$ 49,618
Buildings and improvements	290,219	231,905
Leasehold improvements	7,562	7,565
Furniture, fixtures and equipment	128,035	118,123
Construction in progress	27,434	37,302
	-----	-----
Total property and equipment	507,990	444,513
Less accumulated depreciation and amortization	133,706	122,642
	-----	-----
	\$374,284	\$321,871
	=====	=====

#### 4. Long-Term Debt

Long-term debt is summarized as follows:

	May 25, 1995	May 26, 1994
	(In Thousands)	
Mortgage notes due to 2000	\$ 10,513	\$ 13,130
Senior notes, unsecured, due 2005 at 10.22%	27,298	28,773
Industrial Development Revenue Bonds due to 2006	9,814	10,135
Unsecured term notes	60,000	60,000
Commercial paper	12,984	-
Revolving credit agreement	5,000	-
	-----	-----
	125,609	112,038
Less current maturities	9,245	4,357
	-----	-----
	\$116,364	\$107,681
	=====	=====

Substantially all of the mortgage notes, both fixed rate and adjustable, bear interest from 7.75% to 9.25% at May 25, 1995. Adjustable rate Industrial Development Revenue Bonds (\$5,665,000 at May 25, 1995) bear interest at 76.5% of prime plus 1% (8.43% at May 25, 1995), or are adjustable based on high quality tax-exempt obligation rates (approximately 4.5% at May 25, 1995). 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 the related land, buildings and equipment.

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

	May 25, 1995	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 6.88% at May 25, 1995.

	\$25,000	\$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 7.13% at May 25, 1995.

	20,000	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 5.83% at May 25, 1995.

	15,000	15,000
	-----	-----
	\$60,000	\$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 25, 1995, after reduction for outstanding commercial paper borrowings, the Company had \$27,016,000 of unused credit lines available under various bank revolving credit agreements. Interest on amounts outstanding under one of the revolving credit agreements was 7.35% at May 25, 1995. There is an annual commitment fee of .25% of the unused portion of \$40,000,000 of these commitments. Interest on outstanding commercial paper borrowings at May 25, 1995, ranged from 6.15% to 6.25%. The Company has the ability to replace commercial paper borrowings with long-term borrowings under its revolving credit agreement, which matures October 31, 1997. Accordingly, the Company has classified its outstanding commercial paper borrowings at May 25, 1995, as long-term debt.

Scheduled annual principal payments on long-term debt for the five years subsequent to May 25, 1995, are:

Fiscal Year	(In Thousands)
1996	\$ 9,245
1997	9,385
1998	29,741
1999	16,834
2000	12,695

Interest paid, net of amounts capitalized, in 1995, 1994 and 1993 totaled \$8,610,000, \$7,266,000 and \$7,277,000, respectively.

The Company entered into interest rate swap agreements on a notional amount aggregating \$30,000,000. Two of the swap agreements covering \$15,000,000 were terminated during 1995 at a loss of \$185,000. 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 three-month LIBOR (6.125% at May 25, 1995), which effectively converts \$15,000,000 of the Company's variable rate unsecured term notes to a fixed rate of 5.08%. The Company recorded the net interest expense related to these swap agreements as incurred, totaling \$61,000 and \$94,000 in 1995 and 1994, respectively. The accompanying consolidated balance sheet at May 25, 1995, does not reflect the fair market value of the remaining swap agreement as determined by the lender, which totals approximately \$475,000.

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

## 5. Shareholders' Equity

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 612,500 shares of Common Stock under various stock option plans. The options generally become exercisable 40% after two years, 60% after three years and 80% after four years. The remaining options are exercisable four and one-half years after the date of the grant. At May 25, 1995, there were 158,045 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 25, 1995, are summarized as follows:

	Price Range	Number of Shares
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
Granted	\$26.63 - \$28.75	83,700
Exercised	\$7.00 - \$15.00	(17,210)
Canceled	\$7.67 - \$27.00	(44,490)
		-----
Outstanding at May 25, 1995	\$7.00 - \$28.75	315,715
		=====
Shares exercisable at May 25, 1995		67,425
		=====

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 and 3,451 shares pursuant to this plan during 1994 and 1993, respectively. There were no purchases in 1995. At May 25, 1995, 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 25, 1995, retained earnings of approximately \$60,563,000 were unrestricted.

## 6. Employee Benefit Plans

The Company has a qualified profit-sharing savings plan (401(k) plan) covering eligible employees. The 401(k) plan provides for a contribution of a minimum of 1% of defined compensation for all plan participants and matching of 25% of employee contributions up to 6% of defined compensation. In addition, the Company may make additional discretionary contributions. The Company also sponsors unfunded nonqualified defined benefit and deferred compensation plans. Pension and profit-sharing expense for all plans was \$917,000, \$1,138,000 and \$902,000 for 1995, 1994 and 1993, respectively.

#### 7. Income Taxes

Income tax expense consists of the following:

	Year ended		
	May 25, 1995	May 26, 1994	May 27, 1993
Currently payable:	(In Thousands)		
Federal, after jobs tax credits of \$185,000, \$300,000 and \$350,000, respectively	\$ 9,273	\$ 9,470	\$ 7,068
State	2,829	2,494	1,912
Deferred	3,958	1,643	1,580
	-----	-----	-----
	\$16,060	\$13,607	\$10,560
	=====	=====	=====

Effective May 28, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates for the year in which the differences are expected to reverse.

As of May 28, 1993, the Company recorded a tax benefit of \$1,782,000, or \$.14 per share, which represents the net change in its deferred income tax assets and liabilities at that date. Such amount has been reflected in the consolidated statement of earnings as the cumulative effect of change in accounting for income taxes.

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

	May 25, 1995	May 26, 1994
	(In Thousands)	
Deferred tax assets:		
Tax credit carryforwards	\$ -	\$ 921
Accrued employee benefits	787	604
Other accrued liabilities	294	203
	-----	-----
Total deferred assets	1,081	1,728
Deferred tax liability -		
Depreciation and amortization	21,038	17,727
	-----	-----
Net deferred tax liability included in balance sheet	\$19,957	\$15,999
	=====	=====

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

Year ended

	May 25, 1995	May 26, 1994	May 27, 1993
Expected tax expense:	35.0%	35.0%	34.0%
State income taxes, net of federal income tax benefit	5.3	5.3	5.3
Jobs tax credits	(.3)	(.6)	(0.9)
Other	-	(.4)	0.7
	-----	-----	-----
	40.0%	39.3%	39.1%
	=====	=====	=====

Income taxes paid in 1995, 1994 and 1993 totaled \$12,830,000, \$9,445,000 and \$10,610,000, respectively.

#### 8. Commitments, License Rights and Contingencies

Lease Commitments - The Company leases real estate under various noncancellable operating leases with an initial term greater than one year. Percentage rentals are based on the revenues at the specific rented property. Rent expense charged to operations under operating leases was as follows:

	May 25, 1995	Year ended May 26, 1994	May 27, 1993
		(In Thousands)	
Fixed minimum rentals	\$2,358	\$2,519	\$2,208
Percentage rentals	1,551	1,218	1,012
Sublease rental income	(182)	(165)	(192)
	-----	-----	-----
	\$3,727	\$3,572	\$3,028
	=====	=====	=====

Payments to affiliated parties for operating lease obligations were approximately \$335,000, \$390,000 and \$491,000 in 1995, 1994 and 1993, respectively.

Aggregate minimum rental commitments at May 25, 1995, are as follows:

Fiscal Year	Operating Leases (In Thousands)
1996	\$ 1,291
1997	1,153
1998	
1999	898
2000	872
After 2000	9,106
	-----
	\$14,261
	=====

Included in the above commitments is \$1,686,000 in minimum rental commitments to affiliated parties.

Construction Commitments - The Company has commitments for the completion of construction at various properties, excluding the Applebee's properties (see Note 2), totaling approximately \$9,183,000 at May 25, 1995.

License Rights - The Company owns the license rights in certain areas to operate its restaurants and to sell products using the Kentucky Fried Chicken trademark. In addition, the Company has license rights to operate

a hotel using the Hilton trademark. Under the terms of the licenses, the Company is obligated to pay fees based on defined gross sales. The Kentucky Fried Chicken license also requires the Company to pay an additional fee for each new location established.

Contingencies - The Company guarantees the debt of joint ventures totaling approximately \$13,397,000 at May 25, 1995. The debt has been collateralized by the real estate, buildings and improvements, and all equipment of each joint venture.

#### 9. Joint Venture Transactions

At May 25, 1995 and May 26, 1994, the Company held investments of \$629,000 and \$662,000, respectively, in various approximately 50%-owned affiliates (joint ventures) which are accounted for under the equity method.

The Company has receivables from the joint ventures of \$1,861,000 and \$7,983,000 at May 25, 1995 and May 26, 1994, respectively. The Company earns interest on \$1,082,000 and \$7,373,000 of the receivables at approximately prime to prime plus 1.5% at May 25, 1995 and May 26, 1994, respectively.

Included in notes payable at May 25, 1995 and May 26, 1994, is \$1,211,000 and \$1,223,000, respectively, due to joint ventures in connection with cash advanced to the Company. The Company pays interest on the cash advances based on the 90-day certificate of deposit rates.

#### 10. Business Segment Information

The Company operates principally in four business segments: Restaurants, Theatres, Hotels/Resorts and Motels. Following is a summary of business segment information for 1993 through 1995:

	Motels	Theatres	Hotels/ Resorts	Restaurants	Corporate Items	Total
	(In Thousands)					
1995						
Revenues	\$104,356	\$53,968	\$45,292	\$74,076	\$ 298	\$277,990
Operating income (loss)	31,992	12,175	1,473	3,318	(2,163)	46,795
Depreciation and amortization	12,883	2,766	4,101	3,385	435	23,570
Assets	211,112	46,928	68,731	53,090	27,221	407,082
Capital expenditures	32,880	10,999	27,207	5,900	97	77,083
1994						
Revenues	89,043	50,494	32,330	70,404	343	242,614
Operating income (loss)	26,041	11,483	2,550	1,499	(3,689)	37,884
Depreciation and amortization	11,246	2,519	3,030	3,112	478	20,385
Assets	182,174	47,244	45,787	51,896	34,505	361,606
Capital expenditures	33,377	7,305	23,654	11,039	450	75,825
1993						
Revenues	80,622	43,832	28,462	59,014	980	212,910
Operating income (loss)	23,801	9,612	2,093	599	(2,971)	33,134
Depreciation and amortization	10,224	2,463	2,572	2,503	511	18,273
Assets	166,193	36,898	24,041	46,282	36,041	309,455
Capital expenditures	22,536	4,282	6,358	12,451	1,610	47,237

Corporate items include amounts not allocable to the business segments. Corporate revenues consist principally of rent and the corporate operating

loss includes general corporate expenses. Corporate assets primarily include cash and cash equivalents, notes receivable, receivables from joint ventures and land held for development.

During 1994, the Company entered into contracts to manage two hotel properties. The Company also has loans outstanding of \$2,897,000 at May 25, 1995, to one of these hotels, which bears interest at the prime rate plus 1% and matures December 31, 2008. Interest on this note totaled \$292,000 for the year ended May 25, 1995.

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

Fiscal 1995	16 Weeks Ended May 25, 1995	12 Weeks Ended February 2, 1995	12 Weeks Ended November 10, 1994	12 Weeks Ended August 18, 1994
Revenues	\$77,643	\$59,258	\$64,738	\$76,351
Operating income	12,978	6,176	10,468	17,173
Net earnings	6,993	2,550	5,503	9,090
Net earnings per share	\$ 0.54	\$ 0.19	\$ 0.42	\$ 0.69

Fiscal 1994	16 Weeks Ended May 26, 1994	12 Weeks Ended February 3, 1994	12 Weeks Ended November 11, 1993	12 Weeks Ended August 19, 1993
Revenues	\$73,175	\$50,559	\$54,599	\$64,281
Operating income	10,723	4,435	8,391	14,335
Net earnings	6,535	2,223	4,494	9,577
Net earnings per share	\$ 0.50	\$ 0.17	\$ 0.34	\$ 0.73

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.

1. Financial Statement Schedules.

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

2. Exhibits and Reports on Form 8-K.

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

(b) No reports on Form 8-K were required to be filed by the Company during the fourth quarter of fiscal 1995; however, on July 17, 1995 the Company filed a Form 8-K with the Securities and Exchange Commission reporting the sale of its Applebee's restaurants under Items 2 and 7 of such form.

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

SIGNATURES

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

THE MARCUS CORPORATION

Date: August 23, 1995

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,

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

Chairman of the Board and Director  
President (Chief  
Executive and Financial  
Officer)

By: /s/ Kenneth A. MacKenzie      By: /s/ Lee Sherman Dreyfus  
Kenneth A. MacKenzie,      Lee Sherman Dreyfus,  
Treasurer and Controller      Director  
(Chief Accounting  
Officer)

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

By: /s/ John L. Murray      By: /s/ Diane Marcus  
John L. Murray, Director      Gershowitz  
Diane Marcus Gershowitz,  
Director

By: /s/ Allan H. Selig      By: /s/ Timothy E. Hoeksema  
Allan H. Selig, Director      Timothy E. Hoeksema,  
Director

#### 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, as amended as of March 23, 1995.	51
4	Senior Note Purchase Agreement dated May 31, 1990 between the Company and The Northwestern Mutual Life Insurance Company. [Incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1990.]	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	The Company is the guarantor and/or	N/A

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

- |      |  |     |
|------|--|-----|
| 10.2 | Comprehensive Image Enhancement Agreement dated October 12, 1988 between the Company and KFC Corporation. [Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended May 25, 1989.]   | N/A |
| 10.3 | Form of individual Kentucky Fried Chicken franchise agreement between the Company and KFC Corporation. [Incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended May 25, 1989.]  | N/A |
| 10.4 | 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 |
| 10.5 | 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 |

10.6	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
10.7*	Proposed form of The Marcus Corporation 1995 Equity Incentive Plan. [Incorporated by reference to Appendix A to the Company's 1995 Proxy Statement.]	N/A
10.8*	The Marcus Corporation 1994 Nonemployee Director Stock Option Plan. [Incorporated by reference to Exhibit A to the Company's 1994 Proxy Statement.]	N/A
21	Subsidiaries of the Company as of May 25, 1995.	73
23.1	Consent of Ernst & Young LLP.	75
27	Financial Data Schedule	76
99	Proxy Statement for Annual Meeting of Shareholders scheduled to be held on September 28, 1995. (To be filed with the Securities and Exchange Commission under Regulation 14A within 120 days of May 25, 1995 and, upon such filing, to be hereby incorporated by reference herein to the extent indicated).	N/A

-----

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

BY-LAWS  
OF  
THE MARCUS CORPORATION  
(a Wisconsin corporation)

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.

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

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

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

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

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

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

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

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

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

4.10. The Secretary. The Secretary shall: (a) keep minutes of the meetings of the shareholders and of the Board of Directors (and of committees thereof) in one or more books provided for that purpose (including records of actions taken by the shareholders or the Board of Directors (or committees thereof) without a meeting); (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by the Wisconsin Business Corporation Law; (c) be custodian of the corporate records and of the seal of the corporation and see that

the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) maintain a record of the shareholders of the corporation, in a form that permits preparation of a list of the names and addresses of all shareholders, by class or series of shares and showing the number and class or series of shares held by each shareholder; (e) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned by the Chief Executive Officer, the President or by the Board of Directors.

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

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

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

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

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

5.01. Contracts. The Board of Directors may authorize any

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

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

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

5.04. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories 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.

Subsidiaries of the Company  
as of May 25, 1995

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
Marcus Amusement Co., Inc.	Wisconsin

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

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

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

Name	State of Incorporation
Marc's Carryout Corporation	Wisconsin
Tops, Inc.	Illinois
B & G Leasing Corporation	Wisconsin
Captains-Juneau, Inc.	Wisconsin
Captains-Mayfair, Inc.	Wisconsin
Captains--Wausau, Inc.	Wisconsin
Captains-Kenosha, Inc.	Wisconsin

Colony Inns Southgate Corporation	Wisconsin
Marc's Steak House, Inc.	Wisconsin
642, Inc.	Wisconsin
Red Garter-Manitowoc, Inc.	Wisconsin
Captains-Appleton, Inc.	Wisconsin
Speciality Products Corporation of Wisconsin	Wisconsin
Glendale Refreshments, Inc.	Wisconsin
Grand Avenue Refreshments, Inc.	Wisconsin

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

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

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

Consent of Ernst & Young LLP, Independent Auditors

We consent to the incorporation by reference in Registration Statements (Forms S-8 No. 33-18801 and No. 33-55695) of The Marcus Corporation of our report dated July 21, 1995, with respect to the consolidated financial statements of The Marcus Corporation included in this Annual Report (Form 10-K) for the year ended May 25, 1995.

ERNST & YOUNG LLP

Milwaukee, Wisconsin  
August 23, 1995

<ARTICLE> 5

<LEGEND>

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

</LEGEND>

<MULTIPLIER> 1,000

<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		MAY-25-1995
<PERIOD-START>		MAY-27-1994
<PERIOD-END>		MAY-25-1995
<CASH>		8,798
<SECURITIES>		0
<RECEIVABLES>		6,166
<ALLOWANCES>		0
<INVENTORY>		0
<CURRENT-ASSETS>		21,642
<PP&E>		507,990
<DEPRECIATION>		133,706
<TOTAL-ASSETS>		407,082
<CURRENT-LIABILITIES>		52,253
<BONDS>		116,364
<COMMON>		7,522
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<OTHER-SE>		206,942
<TOTAL-LIABILITY-AND-EQUITY>		407,082
<SALES>		263,193
<TOTAL-REVENUES>		277,990
<CGS>		144,529
<TOTAL-COSTS>		231,195
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		(8,587)
<INCOME-PRETAX>		40,196
<INCOME-TAX>		16,060
<INCOME-CONTINUING>		24,136
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		24,136
<EPS-PRIMARY>		1.84
<EPS-DILUTED>		1.84