

MARCUS CORP
Form 10-K
August 12, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 29, 2014

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.)
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100 East Wisconsin Avenue, Suite 1900 Milwaukee, Wisconsin (Address of principal executive offices)	53202-4125 (Zip Code)
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Registrant's telephone number, including area code: (414)
905-1000

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, \$1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the registrant’s common equity held by non-affiliates as of November 28, 2013 was approximately \$253,734,160. This value includes all shares of the registrant’s common stock, except for treasury shares and shares beneficially owned by the registrant’s directors and executive officers listed in Part I below.

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common stock outstanding at August 5, 2014 – 18,637,009

Class B common stock outstanding at August 5, 2014 – 8,731,786

Portions of the registrant’s definitive Proxy Statement for its 2014 annual meeting of shareholders, which will be filed with the Commission under Regulation 14A within 120 days after the end of our fiscal year, will be incorporated by reference into Part III to the extent indicated therein upon such filing.

PART I

Special Note Regarding Forward-Looking Statements

Certain matters discussed in this Annual Report on Form 10-K and the accompanying annual report to shareholders, particularly in the Shareholders' Letter and Management's Discussion and Analysis, are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements include words such as we "believe," "anticipate," "expect" or words of similar import. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which may cause results to differ materially from those expected, including, but not limited to, the following: (1) the availability, in terms of both quantity and audience appeal, of motion pictures for our theatre division, as well as other industry dynamics such as the maintenance of a suitable window between the date such motion pictures are released in theatres and the date they are released to other distribution channels; (2) the effects of adverse economic conditions in our markets, particularly with respect to our hotels and resorts division; (3) the effects on our occupancy and room rates of the relative industry supply of available rooms at comparable lodging facilities in our markets; (4) the effects of competitive conditions in our markets; (5) our ability to achieve expected benefits and performance from our strategic initiatives and acquisitions; (6) the effects of increasing depreciation expenses, reduced operating profits during major property renovations, impairment losses, and preopening and start-up costs due to the capital intensive nature of our businesses; (7) the effects of adverse weather conditions, particularly during the winter in the Midwest and in our other markets; (8) our ability to identify properties to acquire, develop and/or manage and the continuing availability of funds for such development; and (9) the adverse impact on business and consumer spending on travel, leisure and entertainment resulting from terrorist attacks in the United States or incidents such as the tragedy in a movie theatre in Colorado in July 2012. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this Form 10-K and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Item 1. Business.

General

We are engaged primarily in two business segments: movie theatres and hotels and resorts.

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As of May 29, 2014, our theatre operations included 55 movie theatres with 685 screens throughout Wisconsin, Illinois, Iowa, Minnesota, Nebraska, North Dakota and Ohio, including two movie theatres with 11 screens in Wisconsin and Nebraska owned by third parties and managed by us. We also operate a family entertainment center, *Funset Boulevard*, that is adjacent to one of our theatres in Appleton, Wisconsin. As of the date of this Annual Report, we are the 5th largest theatre circuit in the United States.

As of May 29, 2014, our hotels and resorts operations included nine wholly-owned or majority-owned and operated hotels and resorts in Wisconsin, Illinois, Missouri, Nebraska and Oklahoma. We also manage 10 hotels, resorts and other properties for third parties in Wisconsin, California, Georgia, Minnesota, Nevada and Texas. As of May 29, 2014, we owned or managed approximately 5,139 hotel and resort rooms.

Both of these business segments are discussed in detail below. For information regarding the revenues, operating income or loss, assets and certain other financial information of these segments for the last three fiscal years, please see our Consolidated Financial Statements and the accompanying Note 11 in Part II below.

Strategic Plans

Please see our discussion under “Current Plans” in Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Theatre Operations

At the end of fiscal 2014, we owned or operated 55 movie theatre locations with a total of 685 screens in Wisconsin, Illinois, Iowa, Minnesota, Nebraska, North Dakota and Ohio. We averaged 12.5 screens per location at the end of fiscal 2014, equal to the number of average screens per location at the end of fiscal 2013. We averaged 12.4 screens per location at the end of fiscal 2012. Included in the fiscal 2014, fiscal 2013 and fiscal 2012 totals are two theatres with 11 screens that we manage for other owners. Our 53 company-owned facilities include 34 megaplex theatres (12 or more screens), representing approximately 77% of our total screens, 18 multiplex theatres (two to 11 screens) and one single-screen theatre. At fiscal year-end, we operated 657 first-run screens, 11 of which we operated under management contracts, and 28 budget-oriented screens.

During fiscal 2014, we announced that we were investing \$50 million to further enhance the movie-going experience and amenities in our existing theatres. These investments include:

DreamLoungerSM recliner additions. These luxurious, state-of-the-art leather recliners allow guests to go from upright to a full-recline position in seconds. These seat changes require full auditorium remodels to accommodate the necessary 84 inches of legroom, resulting in the loss of approximately 50% or more of the existing seats in an average auditorium. We initially introduced this premium seating concept during the first quarter of fiscal 2014 when we renamed the 20 Grand Cinema the Majestic Cinema of Omaha following an extensive renovation. The initial guest response to this new feature was outstanding, and we added DreamLounger seating to every auditorium at three more theatres in time for the 2013 Christmas season. By the end of May 2014, we added DreamLoungers to all auditoriums in four additional theatres. As a result, as of May 29, 2014, eight theatres, representing 15% of our company-owned theatres and 19% of our screens, offered this innovative new amenity. To date, the addition of DreamLoungers has significantly increased attendance at each applicable theatre, outperforming nearby competitive theatres as well as growing the overall market attendance in most cases. We are currently evaluating opportunities to add our DreamLounger premium seating to three to five additional theatres during fiscal 2015, in addition to our new theatre in Sun Prairie, Wisconsin.

UltraScreen® DLX™ (DreamLounger eXperience) conversions. We introduced one of the first premium, large-format (PLF) presentations to the industry when we rolled out our proprietary *UltraScreen* concept in 1999. During fiscal 2014, we introduced our *UltraScreen DLX* concept by combining our premium, large-format presentation with DreamLounger premium seating and Dolby® Atmos™ immersive sound to elevate the movie-going experience for our guests. By the end of May 2014, we had converted 11 large-format screens to the *UltraScreen DLX* concept. As of May 29, 2014, we also had nine traditional *UltraScreens* in operation, including a new *UltraScreen* auditorium at our Gurnee, Illinois theatre, which opened in November 2013. As a result, approximately 35% of our company-owned theatres offer a premium, large format option to its customers, which we believe is one of the highest percentages in the industry. Our *UltraScreens* generally have higher per-screen revenues and draw customers from a larger geographic region compared to our standard screens, and we charge a premium price to our guests for this experience. We are currently evaluating opportunities to convert or add up to four additional *UltraScreen DLX* auditoriums during fiscal 2015.

Signature cocktail and dining concepts. We continue to further enhance our food and beverage offerings within our existing theatres. We believe our 50-plus years of food and beverage experience in the hotel and restaurant businesses provides us with a unique advantage and expertise that we can leverage to further grow revenues in this area. The concepts we are currently expanding include:

Take Five Lounge – these full-service bars offer an inviting atmosphere and a chef-inspired dining menu, along with a complete selection of cocktails, locally-brewed beers and wines. We opened our fifth and sixth *Take Five Lounges* during our fiscal 2014 first quarter at a theatre in Madison, Wisconsin and at our renovated Majestic Cinema of Omaha. By the end of the summer of 2014, we will have added *Take Five Lounges* to five additional theatres, nearly doubling our number of theatres with this concept to 11, representing approximately 21% of our total theatres. We are currently evaluating opportunities to add up to four additional *Take Five Lounges* during fiscal 2015.

Zaffiro's Express – these outlets offer lobby dining that includes appetizers, sandwiches, salads, desserts and our signature *Zaffiro's THINCREDIBLE®* handmade thin-crust pizza. We opened our fifth and sixth *Zaffiro's Express* outlets during our fiscal 2014 first quarter at a theatre in Madison, Wisconsin and our renovated Majestic Cinema of Omaha. By the end of the summer of 2014, we expect to have added *Zaffiro's Express* outlets to five additional theatres, nearly doubling our number of theatres with this concept to 11, representing approximately 21% of our total theatres. We also operate three *Zaffiro's Pizzeria and Bar* full-service restaurants, including a location opened at our New Berlin, Wisconsin theatre in fiscal 2013. We are currently evaluating opportunities to add up to two additional *Zaffiro's Express* outlets during fiscal 2015.

*Big Screen Bistro*SM – this concept offers full-service, in-theatre dining with a complete menu of drinks and chef-prepared salads, sandwiches, entrées and desserts. Originally offered in eight owned and managed screens at two locations, by the end of the summer of 2014, we expect to have expanded this amenity to three screens at each of three additional theatres. In addition to our new theatre being built in Sun Prairie, Wisconsin and the possibility of building our first stand-alone *Big Screen Bistro*, we have identified at least two additional existing locations that will be considered for this concept during fiscal 2015.

The Palace at Sun Prairie. Our newest entertainment destination is currently under construction in Sun Prairie, Wisconsin and will combine all the innovations we are currently expanding across the circuit. Named the Palace at Sun Prairie, this new 12-screen theatre will feature all-reserved DreamLounger recliner seating in every auditorium, two UltraScreen DLX auditoriums, four *Big Screen Bistro* auditoriums, a *Zaffiro's Express* and a *Take Five Lounge*. We currently expect this new, state-of-the-art theatre to open in February 2015.

We rolled out “\$5 Tuesday” and “\$5 Student Thursday” promotions at every theatre in our circuit in mid-November 2013 after a successful test in several markets during the fall. Coupled with a free 44-oz popcorn for a temporary time period and an aggressive marketing campaign, our goal was to increase overall attendance by reaching mid-week value customers who may have reduced their movie-going frequency or stopped going to the movies because of price. We have seen our Tuesday attendance increase dramatically since the introduction of the new promotion. We believe this promotion has created another “weekend” day for us, without adversely impacting the movie-going habits of our regular weekend customers.

We launched a new customer loyalty program called Magical Movie Rewards on March 30, 2014. Designed to enhance the movie-going experience for our customers, as of the end of July 2014, we have already exceeded 525,000

members in just four months. The program allows members to earn points for each dollar spent and access special offers only available to members. The rewards are then redeemable at the box office, concession stand or at the many Marcus Theatres food and beverage venues. In addition, we have partnered with Movio, a global leader in data analysis for the cinema industry, in order to allow more targeted communication with our loyalty members. The software will provide us with insight into customer preferences, attendance habits and general demographics, which we expect will help us deliver an enhanced film-going experience to our members.

In September 2013, we launched our *Theatre Entertainment Network*, offering weekday alternate programming at 29 theatres across our chain. These programs include classic movies, live performances, comedy shows and children's performances. In January 2014, we launched a new program called *Indie Focus*. *Indie Focus* is offered at 11 theatres in six states. The program offers customers the opportunity to view high quality art and independent films.

In August 2012, we opened our circuit's third *Zaffiro's Pizzeria and Bar* full-service restaurant at our New Berlin, Wisconsin theatre. In June 2012, we completed construction of our 14th *UltraScreen* in the Duluth Entertainment Convention Center, as well as the remodeling of our Duluth Cinema, which included the addition of a *Take Five Lounge*. In December 2011, we purchased the 12-screen Showtime Cinema in Franklin, Wisconsin. We will continue to consider additional potential acquisitions as opportunities arise. We also continue to review opportunities to build additional new locations.

Revenues for the theatre business, and the motion picture industry in general, are heavily dependent on the general audience appeal of available films, together with studio marketing, advertising and support campaigns, factors over which we have no control. Consistent with prior years in which blockbusters accounted for a significant portion of our total box office receipts, our top 15 performing films accounted for 39% of our fiscal 2014 box office receipts compared to 38% during fiscal 2013. The following five fiscal 2014 films accounted for approximately 19% of our total box office and produced the greatest box office receipts for our circuit: *Frozen*, *The Hunger Games: Catching Fire*, *Despicable Me 2*, *The Lego® Movie* and *The Hobbit: The Desolation of Smaug*.

We obtain our films from several national motion picture production and distribution companies, and we are not dependent on any single motion picture supplier. Our booking, advertising, concession purchases and promotional activities are handled centrally by our administrative staff.

We strive to provide our movie patrons with high-quality picture and sound presentation in clean, comfortable, attractive and contemporary theatre environments. Substantially all of our movie theatre complexes feature digital cinema technology; 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. We offer stadium seating, a tiered seating system that permits unobstructed viewing, at substantially all of our first-run screens. Computerized box offices permit all of our movie theatres to sell tickets in advance. Our theatres are accessible to persons with disabilities and provide wireless headphones for hearing-impaired moviegoers. Other amenities at certain theatres include touch-screen, computerized, self-service ticket kiosks, which simplify advance ticket purchases. We own a minority interest in MovieTickets.com, a joint venture of movie and entertainment companies that was created to sell movie tickets over the internet and represents a large majority of the top 50 market theatre screens throughout the United States and Canada. As a result of our association with MovieTickets.com, moviegoers can buy tickets to movies at any of our first-run theatres via the internet. We also recently enhanced our mobile ticketing capabilities and added the Magical Movie Rewards loyalty program to our downloadable Marcus Theatres mobile application.

We have a master license agreement with a subsidiary of Cinedigm Digital Cinema Corp. to deploy digital cinema systems in the majority of our company-owned theatre locations. Under the terms of the agreement, Cinedigm's subsidiary purchased the digital projection systems and licensed them to us under a long-term arrangement. The costs to deploy this new technology are being covered primarily through the payment of virtual print fees from studios to our selected implementation company, Cinedigm. Our goals from digital cinema include delivering an improved film presentation to our guests, increasing scheduling flexibility, providing a platform for additional 3D presentations as needed, as well as maximizing the opportunities for alternate programming that may be available with this technology. As of May 29, 2014, we offered digital projection systems at 100% of our first-run screens, including all *UltraScreens*. As of May 29, 2014, 200 screens, or 31% of our first-run screens, were equipped to show films in digital 3D, including 85% of our *UltraScreens*. There are approximately 20 3D films scheduled for release during fiscal 2015, with more possibly announced at a later date, compared to 37 digital 3D films that were played in our theatres during fiscal 2014.

We sell food and beverage concessions in all of our movie theatres. We believe that a wide variety of food and beverage items, properly merchandised, increases concession revenue per patron. Although popcorn and soda remain the traditional favorites with moviegoers, we continue to upgrade our available concessions by offering varied choices. For example, some of our theatres offer hot dogs, pizza, ice cream, pretzel bites, frozen yogurt, coffee, mineral water and juices. We have also added self-serve soft drink dispensers and grab-and-go candy, frozen treat and bottled drink kiosks to many of our theatres. In recent years, we have added branded pizza (*Zaffiro's*) and branded coffee, ice cream and chocolates – as well as expanded *Hot Zone* and *Zaffiro's Express* concession areas that serve pizza, hamburgers, wraps, sandwiches and other hot appetizers – to selected theatres. Certain of our theatres have also introduced the *Take Five Lounge* and a multi-use “in-theatre dining” concept we have branded as *Big Screen Bistro*, primarily featuring regular screenings of first-run movies, with an attached kitchen from which we offer a full menu. As of May 29, 2014, we also offered a separate full-service *Zaffiro's Pizzeria and Bar* at three of our theatres. The response to our new food and beverage offerings at these theatres has been positive, and we have plans to duplicate several of these food and beverage concepts at additional locations in the future.

We have a variety of ancillary revenue sources in our theatres, with the largest related to the sale of pre-show and lobby advertising (through our current advertising provider, Screenvision). We also obtain ancillary revenues from corporate and group meeting sales, sponsorships and alternate auditorium uses. In addition, digital technology throughout our circuit has provided us with additional opportunities to obtain non-motion picture programming from other new and existing content providers. The expanded programming, which has included live performances of the Metropolitan Opera, as well as sports, music and other events, has been well received by our customers and has the potential to provide revenue during our theatres' slower periods. We continue to pursue additional strategies to increase our ancillary revenue sources.

We also own a family entertainment center, *Funset Boulevard*, adjacent to our 14-screen movie theatre in Appleton, Wisconsin. *Funset Boulevard* features a 40,000 square foot Hollywood-themed indoor amusement facility that includes a restaurant, party room, laser tag center, virtual reality games, arcade, outdoor miniature golf course and batting cages.

Hotels and Resorts Operations

Owned and Operated Hotels and Resorts

The Pfister Hotel

We own and operate The Pfister Hotel, which is located in downtown Milwaukee, Wisconsin. The Pfister Hotel is a full-service luxury hotel and has 307 guest rooms (including 71 luxury suites), two restaurants, three cocktail lounges and a 275-car parking ramp. The Pfister also has 24,000 square feet of banquet and convention facilities. The Pfister's banquet and meeting rooms accommodate up to 3,000 people, and the hotel features two large ballrooms, including one of the largest ballrooms in the Milwaukee metropolitan area, with banquet seating for 1,200 people. A portion of The Pfister's first-floor space is leased for use by retail tenants. In fiscal 2014, we celebrated The Pfister's 120th anniversary. To commemorate the 120th anniversary, we released a book, *The History, Art & Imagery of The Pfister Hotel*. The anniversary was also celebrated by the Marcus Family receiving the first Heritage Award at the Historic Hotels of America® gala in November 2013. In fiscal 2012, The Pfister Hotel was ranked among the Top 25 Luxury Hotels in the United States in TripAdvisor's 10th Annual Traveler's Choice Awards. This marked the first time that The Pfister Hotel was recognized by TripAdvisor in the luxury hotels category. In fiscal 2014, The Pfister Hotel earned its 38th consecutive four-diamond award from the American Automobile Association, which represents every year the award has been in existence, and earned recognition as the Best Hotel in Milwaukee by *U.S. News & World Report*. Also, in June 2014, TripAdvisor awarded The Pfister the TripAdvisor® 2014 Certificate of Excellence. The Pfister is a member of Preferred Hotels and Resorts Worldwide Association, an organization of independent luxury hotels and resorts, and the Association of Historic Hotels of America. The Pfister has a signature restaurant named the *Mason Street Grill*, as well as a state-of-the-art WELL Spa® and salon. In May 2013, we completed a renovation of the 23rd floor of this historic hotel that included an exclusive *Pfister VIP Club Lounge* and a high-tech executive boardroom. In May 2014, we completed a renovation of the 176-room modern tower of The Pfister. As part of the renovation, we introduced two new club floors with added personalized conveniences and services that include access to the new *Pfister VIP Club Lounge* and a private attendant.

The Hilton Milwaukee City Center

We own and operate the 729-room Hilton Milwaukee City Center. Several aspects of Hilton's franchise program have benefited this hotel, including Hilton's international centralized reservation and marketing system, advertising cooperatives and frequent stay programs. The hotel has two cocktail lounges, three restaurants and an 870-car parking ramp. In August 2012, we completed major renovations to this hotel's guestrooms, corridors and main lobby and restored the lobby lounge to its original art-deco grandeur. In May 2013, we renovated and reintroduced the first of our new *Miller Time Pub & Grill* restaurants at this hotel. In fiscal 2014, the Hilton Milwaukee City Center earned its fourth consecutive four-diamond award from the American Automobile Association. Also, in June 2014, TripAdvisor awarded Hilton Milwaukee City Center the TripAdvisor® 2014 Certificate of Excellence.

Hilton Madison at Monona Terrace

We own and operate the 240-room Hilton Madison at Monona Terrace in Madison, Wisconsin. The Hilton Madison, which also benefits from the aspects of Hilton's franchise program noted above, is connected by skywalk to the Monona Terrace Community and Convention Center, has four meeting rooms totaling 2,400 square feet, an indoor swimming pool, a fitness center, a lounge and a restaurant. At the end of fiscal 2012, we completed a significant renovation to the guestrooms and public spaces at this hotel. In June 2014, TripAdvisor awarded Hilton Madison at Monona Terrace the TripAdvisor® 2014 Certificate of Excellence.

The Grand Geneva Resort & Spa

We own and operate the Grand Geneva Resort & Spa in Lake Geneva, Wisconsin. This full-facility destination resort is located on 1,300 acres and includes 355 guest rooms, over 60,000 square feet of banquet, meeting and exhibit space, over 13,000 square feet of ballroom space, three specialty restaurants, two cocktail lounges, two championship golf courses, a ski hill, indoor and outdoor tennis courts, three swimming pools, a spa and fitness complex, horse stables and an on-site airport. In May 2013, we opened an exclusive *Geneva Club Lounge* as an added amenity for our guests. In fiscal 2014, the Grand Geneva Resort & Spa earned its 17th consecutive four-diamond award from the American Automobile Association. Also, in June 2014, TripAdvisor awarded the Grand Geneva Resort & Spa the TripAdvisor® 2014 Certificate of Excellence.

Hotel Phillips

We own and operate the Hotel Phillips, a 217-room historic, landmark hotel in Kansas City, Missouri. The Hotel Phillips has conference rooms totaling 5,600 square feet of meeting space, a 2,300 square foot ballroom, a restaurant and a lounge. In fiscal 2012, we completed a renovation to this hotel's guest rooms, corridor and lobby and an enhancement to the hotel's historic entry and exterior façade. In June 2014, TripAdvisor awarded the Hotel Phillips the TripAdvisor® 2014 Certificate of Excellence.

InterContinental Milwaukee

We own and operate the InterContinental Milwaukee in Milwaukee, Wisconsin. The InterContinental Milwaukee has 220 rooms, 12,000 square feet of flexible banquet and meeting space, on-site parking, a fitness center, a restaurant and a lounge and is located in the heart of Milwaukee's theatre and financial district. In June 2014, TripAdvisor awarded the InterContinental Milwaukee the TripAdvisor® 2014 Certificate of Excellence.

Skirvin Hilton

We are the principal equity partner and operator of The Skirvin Hilton hotel in Oklahoma City, Oklahoma, the oldest hotel in Oklahoma. This historic hotel has 225 rooms, including 20 one-bedroom suites and one Presidential Suite. The Skirvin Hilton benefits from the aspects of Hilton's franchise program noted above and has a restaurant, lounge, fitness center, indoor swimming pool, business center and approximately 18,500 square feet of meeting space. In 2012, the hotel received a Pinnacle Award from *Successful Meetings* magazine. The hotel also received the Hilton Brand Award of Excellence in 2012. In fiscal 2012, fiscal 2013 and fiscal 2014, The Skirvin Hilton earned recognition as the Best Hotel in Oklahoma City and in the State of Oklahoma by *U.S. News & World Report*. In fiscal 2014, The Skirvin Hilton earned its 8th consecutive four-diamond award from the American Automobile Association. Our equity interest in this hotel was 60% as of May 29, 2014. Also, in June 2014, TripAdvisor awarded The Skirvin Hilton the TripAdvisor® 2014 Certificate of Excellence.

Four Points by Sheraton Chicago Downtown/Magnificent Mile

Pursuant to a long-term lease, we operate the Four Points by Sheraton Chicago Downtown/Magnificent Mile, a 226-room (including 130 suites) hotel in Chicago, Illinois. The Four Points by Sheraton Chicago Downtown/Magnificent Mile has affordable, well-appointed guest rooms and suites, 3,000 square feet of high-tech meeting rooms, an indoor swimming pool and fitness room and an on-site parking facility. The hotel leases space to two area restaurants. In January 2014, we announced that we will convert the hotel into one of the first AC Hotels by Marriott in the United States. The AC Hotels feature European aesthetics, stylish artifacts, simplistic designs and technology-enabled functional spaces. We expect to begin the conversion in November 2014, with completion currently anticipated by Spring 2015. When completed, the AC by Marriot Chicago will include 226 rooms and 6,000 square-feet of meeting space.

The Cornhusker, A Marriott Hotel

In October 2012, we acquired The Cornhusker Hotel and Office Plaza in downtown Lincoln, Nebraska as a 73% majority owner of a joint venture. In December 2012, we re-affiliated The Cornhusker with Marriott International and renamed the hotel The Cornhusker, A Marriott Hotel. The Cornhusker is a 297-room, full-service hotel with 45,600 square feet of meeting space. The Cornhusker Office Plaza is a seven-story building with a total of 85,592 square feet of net leasable office space. The office building is connected to the hotel by a four-story atrium that is used for local events and exhibits. As majority owner, we manage this property and managed a multi-million dollar renovation of the property that is nearly complete. As a part of this renovation, we opened our second *Miller Time Pub & Grill* in September 2013. In June 2014, TripAdvisor awarded The Cornhusker, A Marriott Hotel, the TripAdvisor® 2014 Certificate of Excellence.

Managed Hotels, Resorts and Other Properties

We also manage hotels, resorts and other properties for third parties, typically under long-term management agreements. Revenues from these management contracts may include both base management fees, often in the form of a fixed percentage of defined revenues, and incentive management fees, typically calculated based upon defined profit performance. We may also earn fees for technical and preopening services before a property opens, as well as for on-going accounting and technology services.

We manage the Crowne Plaza-Northstar Hotel in Minneapolis, Minnesota. The Crowne Plaza-Northstar Hotel is located in downtown Minneapolis and has 222 guest rooms, 13 meeting rooms, 6,370 square feet of ballroom and convention space, a restaurant, a cocktail lounge and an exercise facility. In June 2014, TripAdvisor awarded the Crowne Plaza-Northstar Hotel the TripAdvisor® 2014 Certificate of Excellence.

We manage The Beverly Garland in North Hollywood, California. The Beverly Garland has 255 recently renovated guest rooms, including 12 suites, meeting space for up to 600, including an amphitheater and ballroom, an outdoor swimming pool and lighted tennis courts. The mission-style hotel is located on seven acres near Universal Studios. In June 2014, TripAdvisor awarded The Beverly Garland the TripAdvisor® 2014 Certificate of Excellence.

We also provide hospitality management services, including check-in, housekeeping and maintenance, for a vacation ownership development adjacent to the Grand Geneva Resort & Spa owned by Orange Lake Resort & Country Club of Orlando, Florida. The development includes 68 two-room timeshare units (136 rooms) and a timeshare sales center.

We manage the Hilton Garden Inn Houston NW/Chateau in Houston, Texas. The Hilton Garden Inn has 171 guest rooms, a ballroom, a restaurant, a fitness center, a convenience mart and a swimming pool. The hotel is a part of Chateau Court, a 13-acre, European-style mixed-use development that also includes retail space and an office village. In June 2014, TripAdvisor awarded Hilton Garden Inn Houston NW/Chateau the TripAdvisor® 2014 Certificate of Excellence.

We manage the Hilton Minneapolis/Bloomington in Bloomington, Minnesota. This “business class” hotel offers 257 rooms, an indoor swimming pool, a club level, a fitness center, a business center and 9,100 square feet of meeting space. In fiscal 2012, the Hilton Minneapolis/Bloomington was recognized by Hilton Hotels & Resorts as a 2011 Hilton Brand Award of Excellence recipient. In June 2014, TripAdvisor awarded Hilton Minneapolis/Bloomington the TripAdvisor® 2014 Certificate of Excellence.

We manage and own a 15% minority equity interest in the Sheraton Madison Hotel in Madison, Wisconsin. The Sheraton Madison features 239 rooms and suites, an indoor heated swimming pool, whirlpool, fitness center, a restaurant, lounge and 18,000 square feet of meeting space. The hotel is adjacent to the Alliant Energy Center, which includes more than 150,000 square feet of exhibit space, and is located approximately 1.5 miles from the Monona Terrace Convention Center, the city’s convention center facility. In June 2014, TripAdvisor awarded the Sheraton Madison Hotel the TripAdvisor® 2014 Certificate of Excellence.

In May 2014, we entered into an agreement to manage the Heidel House Resort & Spa in Green Lake, Wisconsin. The resort features 190 full-service rooms and is located on 20 wooded acres on the shore of Green Lake, near Ripon, Wisconsin. The resort has an award-winning spa, three restaurants, two lounges, an ice cream parlor, a 380-guest ballroom, an outdoor space for weddings, indoor and outdoor pools, a beach, a boat rental area, hiking and biking trails, as well as a yacht available for daily excursions. In 2013, it was named as the Best Wisconsin Lakeshore Resort by meeting planners in the Best of Wisconsin Meetings awards.

In October 2012, we acquired, together with two joint venture partners, the Westin Atlanta Perimeter North in Atlanta, Georgia. The Westin Atlanta Perimeter North is a 372-room hotel with 20,000 square feet of meeting space, a restaurant, lounge, business center, fitness center, gift shop and outdoor pool, and 338 parking spaces. We own an 11% minority interest in the hotel and serve as manager of the hotel. Upon its acquisition of the hotel, the joint venture commenced a significant renovation to the guest rooms and public space of this hotel, which was completed in Summer 2014 except for the redesign and launch of a new Southern-inspired, farm-to-table brasserie restaurant. The renovation included a new 20,000 square-foot event space, as well as the addition of two new boardrooms. The renovation also included the opening of a Westin Executive Club Lounge.

We also manage two condominium hotels under long-term management contracts. Revenues from these management contracts are larger than typical management contracts because, under an agreed-upon rental pool arrangement, room revenues are shared at a defined percentage with individual condominium owners. In addition, we own all of the common areas of these facilities, including all restaurants, lounges, spas and gift shops, and retain all of the revenues from these outlets.

We manage the Timber Ridge Lodge, an indoor/outdoor water park and condominium complex in Lake Geneva, Wisconsin. The Timber Ridge Lodge is a 225-unit condominium hotel on the same campus as the Grand Geneva Resort & Spa. The Timber Ridge Lodge has meeting rooms totaling 3,640 square feet, a general store, a restaurant-cafe, a snack bar and lounge, a state-of-the-art fitness center and an entertainment arcade. The Timber Ridge Lodge was named a 2014 Traveler's Choice: Top 25 Hotels for Families in the United States.

We manage the Platinum Hotel & Spa, a condominium hotel in Las Vegas, Nevada just off the Las Vegas Strip, and own the hotel's public space. The Platinum Hotel & Spa has 255 one and two-bedroom suites. This non-gaming, non-smoking hotel also has an on-site restaurant, lounge, spa and 15,695 square feet of meeting space, including 6,336 square feet of outdoor space. In June 2014, TripAdvisor awarded the Platinum Hotel & Spa the TripAdvisor® 2014 Certificate of Excellence. We own 16 previously unsold condominium units at the Platinum.

We earn ancillary revenue from the catering business of Marcus® Hotels & Resorts. For instance, Marcus Hotels & Resorts was the backstage caterer for those performing at the Marcus Amphitheater during the Summerfest festival in Milwaukee, Wisconsin in fiscal 2014. Marcus Hotels & Resorts is one of the largest caterers in Wisconsin and caters other major events, such as Milwaukee IndyFest and the Milwaukee Air & Water Show.

Competition

Both of our businesses experience intense competition from national, regional and local chain and franchise operations, some of which have substantially greater financial and marketing resources than we have. Most of our facilities are located in close proximity to competing facilities.

Our movie theatres compete with large national movie theatre operators, such as AMC Entertainment, Cinemark, Regal Cinemas and Carmike Cinemas, as well as with a wide array of smaller first-run exhibitors. Movie exhibitors also generally compete with the home video, pay-per-view and cable television markets. We believe that such ancillary markets have assisted the growth of the movie theatre industry by encouraging the production of first-run movies released for initial movie theatre exhibition, which has historically established the demand for such movies in these ancillary markets.

Our hotels and resorts compete with the hotels and resorts operated and/or franchised by Hyatt Corporation, Marriott Corporation, Hilton Worldwide, Starwood Hotels & Resorts and others, along with other regional and local hotels and resorts.

We believe that the principal factors of competition in both of our businesses, in varying degrees, are the price and quality of the product, quality and location of our facilities and customer service. We believe that we are well positioned to compete on the basis of these factors.

Seasonality

Historically, our first fiscal quarter has produced our strongest quarterly operating results because this period coincides with the typical summer seasonality of the movie theatre industry and the summer strength of our lodging business. Our third fiscal quarter has historically produced the weakest quarterly operating results in our hotels and resorts division primarily due to the effects of reduced travel during the winter months. Our third fiscal quarter for our theatre division has historically been our second strongest quarter, but is heavily dependent upon the quantity and quality of films released during the Thanksgiving to Christmas holiday period.

Environmental Regulation

Federal, state and local environmental legislation has not had a material effect on our capital expenditures, earnings or competitive position. However, our activities in acquiring and selling real estate for business development purposes have been complicated by the continued emphasis that our personnel must place 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 our various businesses.

Employees

As of the end of fiscal 2014, we had approximately 6,900 employees, approximately 38% of whom were employed on a part-time basis. A number of our (1) hotel employees at the Crowne Plaza Northstar in Minneapolis, Minnesota are covered by a collective bargaining agreement that expires on April 30, 2019; (2) operating engineers at the Hilton Milwaukee City Center and The Pfister Hotel are covered by collective bargaining agreements that expire on December 31, 2016 and April 30, 2017, respectively; (3) hotel employees at the Hilton Milwaukee City Center and The Pfister Hotel are covered by a collective bargaining agreement that expires on February 14, 2016; and (4) painters in the Hilton Milwaukee City Center and The Pfister Hotel are covered by a collective bargaining agreement that expires on May 31, 2018.

As of the end of fiscal 2014, approximately 9% of our employees were covered by a collective bargaining agreement, of which 0% were covered by an agreement that will expire within one year.

Web Site Information and Other Access to Corporate Documents

Our corporate web site is www.marcuscorp.com. All of our Form 10-Ks, Form 10-Qs and Form 8-Ks, and amendments thereto, are available on this web site as soon as practicable after they have been filed with the SEC. We are not including the information contained on our website as part of, or incorporating it by reference into, this Annual Report. In addition, our corporate governance guidelines and the charters for our Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee are available on our web site. If you would like us to mail you a copy of our corporate governance guidelines or a committee charter, please contact Thomas F. Kissinger, Senior Executive Vice President, General Counsel and Secretary, The Marcus Corporation, 100 East Wisconsin Avenue, Suite 1900, Milwaukee, Wisconsin 53202-4125.

Item 1A. Risk Factors.

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results, and cash flows could be materially adversely affected.

The Lack of Both the Quantity and Audience Appeal of Motion Pictures May Adversely Affect Our Financial Results.

The financial results of our movie theatre business and the motion picture industry in general are heavily dependent on the general audience appeal of available films, together with studio marketing, advertising and support campaigns, factors over which we have no control. The relative success of our movie theatre business will continue to be largely dependent upon the quantity and audience appeal of films made available by the movie studios and other producers. Poor performance of films, a disruption in the production of films due to events such as a strike by actors, writers or directors, or a reduction in the marketing efforts of the film distributors to promote their films could have an adverse impact on our business and results of operations. Also, our quarterly results of operations are significantly dependent on the quantity and audience appeal of films that we exhibit during each quarter. As a result, our quarterly results may be unpredictable and somewhat volatile.

A Deterioration in Relationships with Film Distributors Could Adversely Affect Our Ability to Obtain Commercially Successful Films or Increase Our Costs to Obtain Such Films.

We rely on the film distributors for the motion pictures shown in our theatres. Our business depends to a significant degree on maintaining good relationships with these distributors. Deterioration in our relationships with any of the major film distributors could adversely affect our access to commercially successful films or increase our costs to obtain such films and adversely affect our business and results of operations. Because the distribution of motion pictures is in large part regulated by federal and state antitrust laws and has been the subject of numerous antitrust cases, we cannot ensure a supply of motion pictures by entering into long-term arrangements with major distributors. Rather, we must compete for licenses on a film-by-film and theatre-by-theatre basis and are required to negotiate licenses for each film and for each theatre individually. We are periodically subject to audits on behalf of the film distributors to ensure that we are complying with the applicable license agreements.

Our Financial Results May be Adversely Impacted by Unique Factors Affecting the Theatre Exhibition Industry, Such as the Shrinking Video Release Window, the Increasing Piracy of Feature Films and the Increasing Use of Alternative Film Distribution Channels and Other Competing Forms of Entertainment.

Over the last decade, the average video release window, which represents the time that elapses from the date of a film's theatrical release to the date a film is available on video or DVD, has decreased from approximately six months to approximately four months. Some studios have experimented with a shorter window for a select number of films that might be released during traditionally slower seasons of the year. We can provide no assurance that these release windows, which are determined by the film studios, will not shrink further, which could have an adverse impact on our movie theatre business and results of operations.

Piracy of motion pictures is prevalent in many parts of the world. Technological advances allowing the unauthorized dissemination of motion pictures increase the threat of piracy by making it easier to create, transmit and distribute high quality unauthorized copies of such motion pictures. The proliferation of unauthorized copies and piracy of motion pictures may have an adverse effect on our movie theatre business and results of operations.

We face competition for movie theatre patrons from a number of alternative motion picture distribution channels, such as DVD, network, cable and satellite television, video on-demand, pay-per-view television and downloading utilizing the internet. We also compete with other forms of entertainment competing for our patrons' leisure time and disposable income such as concerts, amusement parks, sporting events, home entertainment systems, video games and portable entertainment devices such as MP3 players, tablet computers and smart phones. An increase in popularity of these alternative film distribution channels and competing forms of entertainment may have an adverse effect on our movie theatre business and results of operations.

The Relative Industry Supply of Available Rooms at Comparable Lodging Facilities May Adversely Affect Our Financial Results.

Historically, a material increase in the supply of new hotel rooms in a market can destabilize that market and cause existing hotels to experience decreasing occupancy, room rates and profitability. If such over-supply occurs in one or more of our major markets, we may experience an adverse effect on our hotels and resorts business and results of operations.

Adverse Economic Conditions in Our Markets May Adversely Affect Our Financial Results.

Downturns or adverse economic conditions affecting the United States economy generally, and particularly downturns or adverse economic conditions in the Midwest and in our other markets, adversely affect our results of operations, particularly with respect to our hotels and resorts division. Poor economic conditions can significantly adversely affect the business and group travel customers, which are the largest customer segments for our hotels and resorts division. Specific economic conditions that may directly impact travel, including financial instability of air carriers and increases in gas and other fuel prices, may adversely affect our results of operations. Additionally, although our theatre business has historically performed well during economic downturns as consumers seek less expensive forms of out-of-home entertainment, a significant reduction in consumer confidence or disposable income in general may temporarily affect the demand for motion pictures or severely impact the motion picture production industry, which, in turn, may adversely affect our results of operations.

If the Amount of Sales Made Through Third-Party Internet Travel Intermediaries Increases Significantly, Consumer Loyalty to Our Hotels Could Decrease and Our Revenues Could Fall.

We expect to derive most of our business from traditional channels of distribution. However, consumers now use internet travel intermediaries regularly. Some of these intermediaries are attempting to increase the importance of price and general indicators of quality (such as “four-star downtown hotel”) at the expense of brand/hotel identification. These agencies hope that consumers will eventually develop brand loyalties to their reservation system rather than to our hotels. If the amount of sales made through internet travel intermediaries increases significantly and consumers develop stronger loyalties to these intermediaries rather than to our hotels, we may experience an adverse effect on our hotels and resorts business and results of operations.

Each of Our Business Segments and Properties Experience Ongoing Intense Competition.

In each of our businesses we experience intense competition from national, regional and local chain and franchise operations, some of which have substantially greater financial and marketing resources than we have. Most of our facilities are located in close proximity to other facilities which compete directly with ours. The motion picture exhibition industry is fragmented and highly competitive with no significant barriers to entry. Theatres operated by national and regional circuits and by small independent exhibitors compete with our theatres, particularly with respect to film licensing, attracting patrons and developing new theatre sites. Moviegoers are generally not brand conscious and usually choose a theatre based on its location, its selection of films and its amenities. With respect to our hotels and resorts division, our ability to remain competitive and to attract and retain business and leisure travelers depends on our success in distinguishing the quality, value and efficiency of our lodging products and services from those offered by others. If we are unable to compete successfully in either of our divisions, this could adversely affect our

results of operations.

We May Not Achieve the Expected Benefits and Performance of Our Strategic Initiatives and Acquisitions.

Our key strategic initiatives in our theatre and hotels and resorts divisions often require significant capital expenditures to implement. We expect to benefit from revenue enhancements and/or cost savings as a result of these initiatives. However, there can be no assurance that we will be able to generate sufficient cash flow from these initiatives to provide the return on investment we anticipated from the required capital expenditures.

There also can be no assurance that we will be able to generate sufficient cash flow to realize anticipated benefits from any strategic acquisitions that we may enter into. Although we have a history of successfully integrating acquisitions into our existing theatre and hotels and resorts businesses, any acquisition may involve operating risks, such as (1) the difficulty of assimilating and integrating the acquired operations and personnel into our current business; (2) the potential disruption of our ongoing business; (3) the diversion of management's attention and other resources; (4) the possible inability of management to maintain uniform standards, controls, policies and procedures; (5) the risks of entering markets in which we have little or no expertise; (6) the potential impairment of relationships with employees; (7) the possibility that any liabilities we may incur or assume may prove to be more burdensome than anticipated; and (8) the possibility the acquired property or properties do not perform as expected.

Our Businesses are Heavily Capital Intensive and Preopening and Start-Up Costs, Increasing Depreciation Expenses and Impairment Charges May Adversely Affect Our Financial Results.

Both our movie theatre and hotels and resorts businesses are heavily capital intensive. Purchasing properties and buildings, constructing buildings, renovating and remodeling buildings and investing in joint venture projects all require substantial upfront cash investments before these properties, facilities and joint ventures can generate sufficient revenues to pay for the upfront costs and positively contribute to our profitability. In addition, many growth opportunities, particularly for our hotels and resorts division, require lengthy development periods during which significant capital is committed and preopening costs and early start-up losses are incurred. We expense these preopening and start-up costs currently. As a result, our results of operations may be adversely affected by our significant levels of capital investments. Additionally, to the extent we capitalize our capital expenditures, our depreciation expenses may increase, thereby adversely affecting our results of operations.

We periodically consider whether indicators of impairment of long-lived assets held for use are present. Demographic changes, economic conditions and competitive pressures may cause some of our properties to become unprofitable. Deterioration in the performance of our properties could require us to recognize impairment losses, thereby adversely affecting our results of operations.

Our Ability to Identify Suitable Properties to Acquire, Develop and Manage Will Directly Impact Our Ability to Achieve Certain of Our Growth Objectives.

A portion of our ability to successfully achieve our growth objectives in both our theatre and hotels and resorts divisions is dependent upon our ability to successfully identify suitable properties to acquire, develop and manage. Failure to successfully identify, acquire and develop suitable and successful locations for new lodging properties and theatres will substantially limit our ability to achieve these important growth objectives.

Our Ability to Identify Suitable Joint Venture Partners or Raise Equity Funds to Acquire, Develop and Manage Hotels and Resorts Will Directly Impact Our Ability to Achieve Certain of Our Growth Objectives.

In addition to acquiring or developing hotels and resorts or entering into management contracts to operate hotels and resorts for other owners, we have from time to time invested, and expect to continue to invest, as a joint venture partner. We have also indicated that we may act as an investment fund sponsor in order to acquire additional hotel properties. A portion of our ability to successfully achieve our growth objectives in our hotels and resorts division is dependent upon our ability to successfully identify suitable joint venture partners or raise equity funds to acquire,

develop and manage hotels and resorts. Failure to successfully identify suitable joint venture partners or raise equity for an investment fund will substantially limit our ability to achieve these important growth objectives.

Adverse Economic Conditions, Including Disruptions in the Financial Markets, May Adversely Affect Our Ability to Obtain Financing on Reasonable and Acceptable Terms, if at All, and Impact Our Ability to Achieve Certain of Our Growth Objectives.

We expect that we will require additional financing over time, the amount of which will depend upon a number of factors, including the number of theatres and hotels and resorts we acquire and/or develop, the amount of capital required to refurbish and improve existing properties, the amount of existing indebtedness that requires repayment in a given year and the cash flow generated by our businesses. Downturns or adverse economic conditions affecting the United States economy generally, and the United States stock and credit markets specifically, may adversely impact our ability to obtain additional short-term and long-term financing on reasonable terms or at all, which would negatively impact our liquidity and financial condition. As a result, a prolonged downturn in the stock or credit markets would also limit our ability to achieve our growth objectives.

Investing Through Partnerships or Joint Ventures Decreases Our Ability to Manage Risk.

Joint venture partners may have shared control or disproportionate control over the operation of our joint venture assets. Therefore, our joint venture investments may involve risks such as the possibility that our joint venture partner in an investment might become bankrupt or not have the financial resources to meet its obligations, or have economic or business interests or goals that are inconsistent with our business interests or goals, or be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives. Consequently, actions by our joint venture partners might subject hotels and resorts owned by the joint venture to additional risk. Further, we may be unable to take action without the approval of our joint venture partners. Alternatively, our joint venture partners could take actions binding on the joint venture without our consent.

Our Proposed Mixed Use Retail Development is Subject to Various Economic Factors That Are Beyond Our Control and May Adversely Affect Our Financial Results.

In connection with our proposed mixed use retail development in the Town of Brookfield, Wisconsin, we are subject to various risks, including the following: (1) we may not be able to attract a suitable joint venture partner or sufficient debt capital to proceed with the planned development; (2) we may not be able to meet the requirements necessary to obtain local government financial support for certain infrastructure costs necessary for the development to proceed; (3) we may be unable to lease space on favorable terms at a level necessary for the development to proceed; (4) construction costs may exceed original estimates or available financing, possibly making the project unfeasible or unprofitable; (5) we may abandon development activities already under way, which may result in additional cost recognition; and (6) occupancy rates and rents of the completed project may not meet projections and, therefore, the project may not be profitable.

Our Properties are Subject to Risks Relating to Acts of God, Terrorist Activity and War and Any Such Event May Adversely Affect Our Financial Results.

Acts of God, natural disasters, war (including the potential for war), terrorist activity (including threats of terrorist activity), incidents such as the tragedy that took place at a movie theatre in Colorado in 2012, epidemics (such as SARs, bird flu and swine flu), travel-related accidents, as well as political unrest and other forms of civil strife and geopolitical uncertainty may adversely affect the lodging and movie exhibition industries and our results of operations. Terrorism or other similar incidents may significantly impact business and leisure travel or consumer choices regarding out-of-home entertainment options and consequently demand for hotel rooms or movie theatre attendance may suffer. In addition, inadequate preparedness, contingency planning, insurance coverage or recovery capability in relation to a major incident or crisis may prevent operational continuity and consequently impact the reputation of our businesses.

Failure to Protect Our Information Systems and Other Confidential Information Against Cyber Attacks or Other Information Security Breaches Could Have a Material Adverse Effect on Our Business.

Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber attacks. A failure in or breach of our information systems or other confidential information as a result of cyber attacks or other information security breaches could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, expose us to litigation, increase our costs or cause losses. As cyber and other threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures or to investigate and remediate any information security vulnerabilities.

Adverse Weather Conditions, Particularly During the Winter in the Midwest and in Our Other Markets, May Adversely Affect Our Financial Results.

Poor weather conditions adversely affect business and leisure travel plans, which directly impacts our hotels and resorts division. In addition, theatre attendance on any given day may be negatively impacted by adverse weather conditions. In particular, adverse weather during peak movie-going weekends or holiday periods may negatively affect our results of operations. Adverse winter weather conditions may also increase our snow removal and other maintenance costs in both of our divisions.

Our Results May be Seasonal, Resulting in Unpredictable and Varied Quarterly Results.

Historically, our first fiscal quarter has produced our strongest quarterly operating results because this period coincides with the typically strong summer performance of the movie theatre industry and the summer strength of our lodging business. Our third fiscal quarter has historically produced our weakest quarterly operating results in our hotels and resorts division, primarily due to the effects of reduced travel during the winter months. Our third fiscal quarter for our theatre division has historically been our second strongest quarter, but is heavily dependent upon the quantity and quality of films released during the Thanksgiving to Christmas holiday period.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We own the real estate of a substantial portion of our facilities, including, as of May 29, 2014, The Pfister Hotel, the Hilton Milwaukee City Center, the Hilton Madison at Monona Terrace, the Grand Geneva Resort & Spa, the Hotel Phillips, the InterContinental Milwaukee, The Skirvin Hilton (majority ownership), The Cornhusker, A Marriott Hotel (majority ownership) and the majority of our theatres. We lease the remainder of our facilities. As of May 29, 2014, we also managed two hotels for joint ventures in which we have a minority interest and eight hotels, resorts and other properties and two theatres that are owned by third parties. Additionally, we own properties acquired for the future construction and operation of new facilities. All of our properties are suitably maintained and adequately utilized to cover the respective business segment served.

Our owned, leased and managed properties are summarized, as of May 29, 2014, in the following table:

Business Segment	Total Number of Facilities in Operation	Owned ⁽¹⁾	Leased from Unrelated Parties ⁽²⁾	Managed for Related Parties	Managed for Unrelated Parties ⁽²⁾
Theatres:					
Movie Theatres	55	45	8	0	2
Family Entertainment Center	1	1	0	0	0
Hotels and Resorts:					
Hotels	16	7	1	2	6
Resorts	2	1	0	0	1
Other Properties	1	0	0	0	1
Total	75	54	9	2	10

(1) Six of the movie theatres are on land leased from unrelated parties. Two of the hotels are owned by joint ventures in which we are the principal equity partner (60% and 73% as of May 29, 2014).

(2) The eight theatres leased from unrelated parties have a total of 86 screens, and the two theatres managed for unrelated parties have a total of 11 screens. One *UltraScreen* adjacent to an owned theatre is leased from an unrelated party.

Certain of the individual properties or facilities identified above are subject to purchase money or construction mortgages or commercial lease financing arrangements, but we do not consider these encumbrances, individually or in the aggregate, to be material.

All of our operating property leases expire on various dates after the end of fiscal 2015 (assuming we exercise all of our renewal and extension options).

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

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

Name	Position	Age
Stephen H. Marcus	Chairman of the Board	79
Gregory S. Marcus	President and Chief Executive Officer	49
Thomas F. Kissinger	Senior Executive Vice President, General Counsel and Secretary of the Marcus Corporation and Interim President of Marcus Hotels and Resorts	54
Douglas A. Neis	Chief Financial Officer and Treasurer	55
Rolando B. Rodriguez	Executive Vice President of The Marcus Corporation and President and Chief Executive Officer of Marcus Theatres Corporation	54

Stephen H. Marcus has been our Chairman of the Board since December 1991. He served as our Chief Executive Officer from December 1988 to January 2009 and as our President from December 1988 until January 2008. Mr. Marcus has worked at our company for 51 years.

Gregory S. Marcus joined our company in March 1992 as Director of Property Management/Corporate Development. He was promoted in 1999 to our Senior Vice President – Corporate Development and became an executive officer in July 2005. He has served as our President since January 2008 and was elected our Chief Executive Officer in January 2009. He was elected to serve on our Board of Directors in October 2005. He is the son of Stephen H. Marcus, our Chairman of the Board.

Thomas F. Kissinger joined our company in August 1993 as our Secretary and Director of Legal Affairs. In August 1995, he was promoted to our General Counsel and Secretary and in October 2004, he was promoted to Vice President, General Counsel and Secretary. On August 26, 2013, he was promoted to Senior Executive Vice President, General Counsel and Secretary. He also is currently serving as Interim President of Marcus Hotels & Resorts. Prior to August 1993, Mr. Kissinger was associated with the law firm of Foley & Lardner LLP for five years.

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

Rolando B. Rodriguez joined our company on August 1, 2013 as our Executive Vice President and President and Chief Executive Officer of Marcus Theatres Corporation. Mr. Rodriguez served as Chief Executive Officer and President and as a board member of Rave Cinemas in Dallas, Texas for two years until its sale in May 2013. Prior to May 2011, he served in various positions with Wal-Mart for five years. He began his career in 1975 at AMC Theatres, serving for 30 years in various positions including senior vice president of North American field operations, senior vice president food & beverage group and executive vice president, North America operations service.

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

PART II

Item 5. Market for the Company's Common Equity, Related Shareholder Matters and Issuer Repurchases of Equity Securities.

(a) Stock Performance Graph

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities and Exchange Act of 1934 and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.

Set forth below is a graph comparing the annual percentage change during our last five fiscal years in our cumulative total shareholder return (stock price appreciation on a dividend reinvested basis) of our Common Shares to the cumulative total return of: (1) a composite peer group index selected by us and (2) companies included in the Russell 2000 Index. The composite peer group index is comprised of the Dow Jones U.S. Hotels Index (weighted 45%) and a theatre index that we selected that includes Regal Cinemas and Carmike Cinemas (weighted 55%).

The indices within the composite peer group index are weighted to approximate the relative annual revenue contributions of each of our business segments to our total annual revenues over the past several fiscal years. The shareholder returns of the companies included in the Dow Jones U.S. Hotels Index and the theatre index that we selected are weighted based on each company's relative market capitalization as of the beginning of the presented periods.

From May 28, 2009 to May 29, 2014

Source: Zacks Investment Research, Inc.

	5/28/09	5/27/10	5/26/11	5/31/12	5/30/13	5/29/14
The Marcus Corporation	\$ 100.00	\$ 106.22	\$ 103.25	\$ 135.24	\$ 152.49	\$ 195.77
Composite Peer Group Index ⁽¹⁾	100.00	151.22	165.00	178.86	244.52	299.64
Russell 2000 Index	100.00	137.89	172.89	160.87	213.12	247.55

(1) Weighted 45.0% for the Dow Jones U.S. Hotels Index and 55.0% for the Company-selected Theatre Index.

(b) Market Information

Our Common Stock, \$1 par value, is listed and traded on the New York Stock Exchange under the ticker symbol “MCS.” Our Class B Common Stock, \$1 par value, is neither listed nor traded on any exchange. During the first two quarters of fiscal 2013, we paid a dividend of \$0.085 per share on our Common Stock and \$0.07727 per share on our Class B Common Stock. On December 6, 2012, our board of directors declared a special cash dividend of \$1.00 per share on our Common Stock and accelerated payment of the regular quarterly cash dividend that would have been paid to shareholders of our Common Stock for the third and fourth quarters of fiscal 2013 (a total of \$0.17 per share of Common Stock). Also on December 6, 2012, our board of directors declared a special cash dividend of \$0.90909 per share on our Class B Common Stock and accelerated payment of the regular quarterly cash dividend that would have been paid to shareholders of our Class B Common Stock for the third and fourth quarters of fiscal 2013 (a total of \$0.15454 per share of Class B Common Stock). During the first three quarters of fiscal 2014, we paid a dividend of \$0.085 per share on our Common Stock and \$0.07727 per share on our Class B Common Stock. During the fourth quarter of fiscal 2014, we paid a dividend of \$0.095 per share on our Common Stock and \$0.08636 per share on our Class B Common Stock.

The following table lists the high and low sale prices of our Common Stock for the periods indicated (NYSE trading information only).

Fiscal 2014	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	\$ 13.35	\$ 15.00	\$ 14.70	\$ 17.82
Low	\$ 11.90	\$ 12.24	\$ 12.86	\$ 13.94

Fiscal 2013	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	\$ 14.37	\$ 13.25	\$ 13.52	\$ 14.07
Low	\$ 12.50	\$ 10.30	\$ 11.45	\$ 11.63

On August 5, 2014, there were 1,398 shareholders of record of our Common Stock and 44 shareholders of record of our Class B Common Stock.

(c) Stock Repurchases

The following table sets forth information with respect to purchases made by us or on our behalf of our Common Stock during the periods indicated. All of these repurchases were made in conjunction with the exercise of stock options and the purchase of shares in the open market and pursuant to the publicly announced repurchase authorization described below.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (1)
February 28 – March 27	9,352	\$ 16.00	9,352	3,307,559
March 28 – April 24	17,001	16.91	17,001	3,290,558
April 25 – May 29	–	–	–	3,290,558
Total	26,353	\$ 16.58	26,353	3,290,558

Through May 29, 2014, our Board of Directors had authorized the repurchase of up to 11.7 million shares of our outstanding Common Stock. Under these authorizations, we may repurchase shares of our Common Stock from time to time in the open market, pursuant to privately negotiated transactions or otherwise. As of May 29, 2014, we (1) had repurchased approximately 8.4 million shares of our Common Stock under these authorizations. The repurchased shares are held in our treasury pending potential future issuance in connection with employee benefit, option or stock ownership plans or other general corporate purposes. These authorizations do not have an expiration date.

Item 6. Selected Financial Data.

Five-Year Financial Summary

	F2014	F2013	F2012 (3)	F2011	F2010
Operating Results (in thousands)					
Revenues	\$447,939	412,836	413,898	377,004	379,069
Net earnings attributable to The Marcus Corp.	\$25,001	17,506	22,734	13,558	16,115
Common Stock Data⁽¹⁾					
Net earnings per common share	\$.92	.63	.78	.46	.54
Cash dividends per common share	\$.35	1.34	.34	.34	.34
Weighted-average shares outstanding	27,150	27,865	29,308	29,657	29,910
<i>(in thousands)</i>					
Book value per share	\$11.95	11.33	11.90	11.42	11.23
Financial Position					
<i>(in thousands)</i>					
Total assets	\$768,923	746,696	733,011	694,446	704,411
Long-term debt ⁽²⁾	\$233,557	231,580	106,276	197,232	196,833
Shareholders' equity attributable to The Marcus Corp.	\$326,211	306,702	343,789	339,480	335,796
Capital expenditures and acquisitions	\$56,673	23,491	38,017	25,186	25,082

Financial Ratios

Current ratio ⁽²⁾	.36	.40	.20	.39	.35	
Debt/capitalization ratio	.42	.44	.37	.39	.41	
Return on average shareholders' equity	7.9	% 5.4	% 6.7	% 4.0	% 4.9	%

(1) All per share and shares outstanding data is on a diluted basis. Earnings per share data is calculated on our Common Stock using the two class method.

(2) Fiscal 2012 long-term debt excluded \$86,093 of mortgage notes and borrowings under our revolving credit agreement with a maturity date during fiscal 2013 that were refinanced and subsequently reclassified as long-term debt. Including these amounts, fiscal 2012 long-term debt was \$192,369 and our fiscal 2012 current ratio was 0.39.

(3) Fiscal 2012 was a 53-week year and the additional week of operations contributed approximately \$7,600 in revenues and \$1,100 to net earnings, or \$0.04 per diluted common share.

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

Results of Operations

General

We report our consolidated and individual segment results of operations on a 52- or 53-week fiscal year ending on the last Thursday in May. Fiscal 2014 and fiscal 2013 were 52-week years. Fiscal 2012 was a 53-week year, and our reported results for fiscal 2012 benefited from the additional week of reported operations. Fiscal 2015 will be a 52-week year. We divide our fiscal year into three 13-week quarters and a final quarter consisting of 13 or 14 weeks. Our primary operations are reported in two business segments: theatres, and hotels and resorts.

Historically, our first fiscal quarter has produced the strongest operating results because this period coincides with the typical summer seasonality of the movie theatre industry and the summer strength of the lodging business. Our third fiscal quarter has historically produced the weakest operating results in our hotels and resorts division primarily due to the effects of reduced travel during the winter months. Our third fiscal quarter for our theatre division has historically been our second strongest quarter, but is heavily dependent upon the quantity and quality of films released during the Thanksgiving through Christmas holiday period.

Consolidated Financial Comparisons

The following table sets forth revenues, operating income, other income (expense), net earnings and net earnings per common share for the past three fiscal years (in millions, except for per share and percentage change data):

	F2014	F2013	Change F14 v. F13		F2012	Change F13 v. F12	
			Amt.	Pct.		Amt.	Pct.
Revenues	\$447.9	\$412.8	\$ 35.1	8.5	% \$413.9	\$ (1.1)	-0.3 %
Operating income	48.4	38.2	10.2	26.6	% 46.5	(8.3)	-17.9 %
Other income (expense)	(10.7)	(3.5)	(7.2)	-203.0	% (9.1)	5.6	61.2 %
Net earnings (loss) attributable to noncontrolling interests	(4.1)	5.8	(9.9)	-170.4	% -	5.8	N/A
Net earnings attributable to The Marcus Corporation	\$25.0	\$17.5	\$ 7.5	42.8	% \$22.7	\$ (5.2)	-23.0 %
Net earnings per common share - diluted	\$0.92	\$0.63	\$ 0.29	46.0	% \$0.78	\$ (0.15)	-19.2 %

Fiscal 2014 versus Fiscal 2013

Our revenues, operating income (earnings before other income/expense and income taxes) and net earnings attributable to The Marcus Corporation for fiscal 2014 increased compared to the prior year due to improved operating results from both our theatre and hotels and resorts divisions. Net earnings attributable to The Marcus Corporation were also favorably impacted by a loss attributable to noncontrolling interests during fiscal 2014, compared to earnings attributable to noncontrolling interests during fiscal 2013.

Operating results from our theatre division were favorably impacted by increased attendance due in part to a stronger slate of movies during fiscal 2014 compared to the prior year. In addition, our investments in new features and amenities at select theatres and successful marketing strategies have attracted more moviegoers to our theatres. Comparisons of fiscal 2014 to fiscal 2013 theatre division results also benefited from the fact that fiscal 2013 operating results from our theatre division were negatively impacted by an approximately \$1.3 million impairment charge taken in that year.

Operating results from our hotels and resorts division were favorably impacted by higher occupancy rates and average daily room rates during fiscal 2014 compared to the prior year. Comparisons of fiscal 2014 to fiscal 2013 hotels and resorts division results also benefited from the fact that fiscal 2013 operating results were negatively impacted by approximately \$3.3 million of pre-tax costs related to the settlement of lawsuits concerning our Las Vegas property, approximately \$250,000 of impairment charges and initial operating losses from a new hotel that we acquired during fiscal 2013. We estimate that the total impairment charges from both divisions, together with the legal costs that we incurred in fiscal 2013 in connection with the lawsuits concerning our Las Vegas property, negatively impacted our net earnings per share during fiscal 2013 by approximately \$0.10 per share.

Fiscal 2014 operating losses from our corporate items, which include amounts not allocable to the business segments, increased slightly compared to the prior year due in part to increased incentive compensation expenses related to our improved operating results during fiscal 2014 compared to the prior year. Net earnings attributable to The Marcus Corporation during fiscal 2014 were also unfavorably impacted by an increase in interest expense and losses on disposition of property, equipment and other assets, partially offset by a small increase in investment income and reduced equity losses from joint ventures during fiscal 2014 compared to the prior year.

We recognized investment income of \$630,000 during fiscal 2014 compared to investment income of approximately \$494,000 during the prior year. Investment income includes interest earned on cash, cash equivalents and notes receivable. We currently expect investment income during fiscal 2015 to decrease slightly compared to fiscal 2014 due to the anticipated payoff of a note in our hotels and resorts division.

Our interest expense totaled \$10.1 million during fiscal 2014, an increase of approximately \$800,000, or 8.1%, compared to interest expense of \$9.3 million during fiscal 2013. The increase in interest expense during fiscal 2014 was due in part to the full-year impact of increased borrowings incurred during fiscal 2013. During fiscal 2013, we assumed a mortgage in connection with our acquisition of The Cornhusker, A Marriott Hotel, in Lincoln, Nebraska during the second quarter, and we incurred new borrowings during our third quarter in order to fund the payment of a special dividend.

Our interest expense also increased during fiscal 2014 compared to the prior year due to the fact that, late in our fiscal 2014 first quarter, we issued \$50.0 million of unsecured senior notes privately placed with several purchasers. We used the proceeds from the issuance and sale of the notes, which bear interest at 4.02% and mature in 2025, to reduce borrowings under our revolving credit facility with a lower interest rate and for general corporate purposes. Conversely, on the last day of fiscal 2014, we elected to pay off an approximately \$21 million fixed rate mortgage related to one of our hotels using borrowings from our revolving credit facility, and we expect our fiscal 2015 interest expense will benefit from this change. Based upon our current expectations that capital expenditures during fiscal 2015 will increase compared to the prior year but that our average interest rate will decrease during fiscal 2015 compared to fiscal 2014, we currently believe our interest expense will not vary significantly during fiscal 2015 compared to fiscal 2014. Changes in our borrowing levels due to variations in our operating results, capital expenditures, share repurchases and asset sale proceeds, among other items, may impact our actual reported interest expense in future periods.

We reported net losses on disposition of property, equipment and other assets of \$993,000 during fiscal 2014, compared to net losses on disposition of property, equipment and other assets of \$266,000 during fiscal 2013. Approximately \$750,000 of the loss during fiscal 2014 was related to our second quarter sale of our 15% joint venture ownership interest in the Columbus Westin hotel in Columbus, Ohio to our majority partner in that venture. Pursuant to the sale arrangement, we also ceased providing management services for this hotel in December 2013. The remaining losses reported during fiscal 2014 and fiscal 2013 were primarily the result of the write-off of selected furniture, fixtures and equipment that we disposed of in conjunction with renovations at several of our theatre and hotel properties. Fiscal 2013 losses also included losses that we incurred in connection with our disposal of two

former restaurant locations.

The timing of our periodic sales of property, equipment and other assets results in variations each year in the gains or losses that we report on dispositions of property, equipment and other assets. We anticipate the potential for additional disposition gains or losses from periodic sales of property, equipment and other assets during fiscal 2015 and beyond. In particular, we may report a significant gain sometime during the next two years from the potential sale of an existing theatre parcel in Madison, Wisconsin that we are replacing with a new theatre. As discussed in more detail in our Current Plans section of this discussion, we also may report significant gains in future years from the potential sale of existing hotel assets.

We reported net equity losses from unconsolidated joint ventures of \$250,000 during fiscal 2014 compared to net equity losses from unconsolidated joint ventures of \$450,000 during the prior year. Losses during fiscal 2014 and 2013 included our pro-rata share from two hotel joint ventures in which we had a 15% ownership interest, a hotel joint venture that we entered into during fiscal 2013 in which we have an 11% ownership interest and a remaining Baymont 50% joint venture (operating as a Travelodge). As described above, we sold our interest in one of the hotel joint ventures during fiscal 2014 and we also sold the former Baymont hotel during fiscal 2014. We currently do not expect significant variations in net equity gains or losses from unconsolidated joint ventures during fiscal 2015 compared to fiscal 2014, unless we significantly add to the number of joint ventures in which we participate during fiscal 2015.

During the third quarter of fiscal 2013, we refinanced the debt related to The Skirvin Hilton hotel in Oklahoma City, in which we own a 60% interest. In conjunction with that refinancing, approximately \$9.8 million of debt originally issued as part of a new markets tax credit structure was cancelled in December 2012 after certain time-related conditions related to the tax credits were met. As a result, we recognized income from the extinguishment of debt of \$6.0 million during fiscal 2013, representing the cancellation of the \$9.8 million of debt less approximately \$3.8 million of deferred fees related to the issuance of the debt. This income from the extinguishment of debt did not impact our reported net earnings attributable to The Marcus Corporation during fiscal 2013 because, pursuant to our interpretation of the terms of the operating agreement with our 40% joint venture partner, we allocated 100% of this income to the noncontrolling interest.

We include the operating results of two majority-owned hotels, The Skirvin Hilton and The Cornhusker, A Marriott Hotel, in the hotels and resorts division revenue and operating income, and we add or deduct the after-tax net earnings or loss attributable to noncontrolling interests to or from net earnings on the consolidated statement of earnings. Net earnings attributable to The Marcus Corporation during fiscal 2014 benefited from an allocation of a loss attributable to noncontrolling interests of \$4.1 million related primarily to a late fiscal 2014 settlement with our partners in The Skirvin Hilton hotel. The settlement resulted in a reallocation between partners of the above-referenced income from the extinguishment of debt at The Skirvin Hilton. We estimate that the loss attributable to noncontrolling interests related directly to this legal settlement during fiscal 2014 was approximately \$3.6 million before income taxes and favorably impacted our net earnings attributable to The Marcus Corporation after income taxes by approximately \$0.08 per share.

We reported income tax expense for fiscal 2014 of \$16.8 million, an increase of approximately \$5.4 million, or 48.1%, compared to fiscal 2013 income tax expense of \$11.4 million. The increase in income tax expense was the result of increased pre-tax earnings during fiscal 2014 compared to the prior year and a slightly higher effective income tax rate. Our effective income tax rate, after adjusting for earnings and losses from noncontrolling interests that are not tax-effected because the entities involved are tax pass-through entities, was 40.2% during fiscal 2014 and 39.3% during fiscal 2013. We currently anticipate that our fiscal 2015 effective income tax rate will remain close to its historical range of 39-40%, excluding any changes in our liability for unrecognized tax benefits or potential changes in federal or state income tax rates.

Weighted-average shares outstanding were 27.2 million during fiscal 2014 and 27.9 million during fiscal 2013. All per share data is presented on a diluted basis.

Fiscal 2013 versus Fiscal 2012

Our revenues, operating income and net earnings attributable to The Marcus Corporation for fiscal 2013 decreased compared to the prior year due to reduced operating results from both our theatre and hotels and resorts divisions and the fact that fiscal 2012 included an additional week of operations that benefited both of our operating divisions. The additional 53rd week of operations contributed approximately \$7.6 million in revenues and \$2.1 million in operating income to our fiscal 2012 fourth quarter and full year results. After interest expense and income taxes, we estimate that the extra week of operations contributed approximately \$1.1 million to our fiscal 2012 net earnings, or \$0.04 per diluted common share.

Fiscal 2013 operating results from our theatre division decreased due to a weaker slate of movies and approximately \$1.3 million of impairment charges, partially offset by an increase in our average concession sales per person during fiscal 2013 compared to the prior year. Fiscal 2013 operating results from our hotels and resorts division were negatively impacted by approximately \$3.3 million of pre-tax costs related to the settlement of lawsuits concerning our Las Vegas property, approximately \$250,000 of impairment charges and initial operating losses from a new hotel that we acquired during fiscal 2013, partially offset by the favorable impact of higher occupancy rates and average daily rates during fiscal 2013 compared to the prior year. We estimate that the total impairment charges from both divisions, together with the legal costs that we incurred in fiscal 2013 in connection with the lawsuits concerning our Las Vegas property, negatively impacted our net earnings per share during fiscal 2013 by approximately \$0.10 per share.

Fiscal 2013 operating results from our corporate items did not materially change from the prior year. Reduced rental revenues from non-operating real estate and increased expenses related to our proposed retail development in Brookfield, Wisconsin were offset by decreased incentive compensation expenses related to our reduced operating results during fiscal 2013 compared to the prior year. Net earnings attributable to The Marcus Corporation during fiscal 2013 were also unfavorably impacted by a decrease in investment income and an increase in our equity losses from joint ventures, partially offset by reduced losses on disposition of property, equipment and other assets during fiscal 2013 compared to the prior year.

We recognized investment income of \$494,000 during fiscal 2013, representing a decrease of nearly \$700,000 compared to investment income of approximately \$1.2 million during the prior year. The decrease in investment income during fiscal 2013 was primarily attributable to a one-time gain on sale of securities held for investment purposes of approximately \$700,000 during fiscal 2012.

Our interest expense totaled \$9.3 million for both fiscal 2013 and fiscal 2012. An increase in our total borrowings as a result of an assumed mortgage related to our newest majority-owned hotel, The Cornhusker, A Marriott Hotel, and new borrowings necessary to fund a special dividend paid during fiscal 2013 was offset by a decrease in our average interest rate and the fact that fiscal 2012 interest expense included an extra week of operations.

We recognized income from the extinguishment of debt during fiscal 2013 of \$6.0 million related to the refinancing of debt of The Skirvin Hilton hotel in Oklahoma City described above. This income from the extinguishment of debt did not impact our reported net earnings attributable to The Marcus Corporation during fiscal 2013 because, pursuant to our interpretation of the terms of the operating agreement with our 40% joint venture partner, we allocated 100% of this income to the noncontrolling interest.

We reported net losses on disposition of property, equipment and other assets of \$266,000 during fiscal 2013, compared to net losses on disposition of property, equipment and other assets of \$759,000 during fiscal 2012. The losses reported during fiscal 2013 and fiscal 2012 were primarily the result of the write-off of selected furniture,

fixtures and equipment that we disposed of in conjunction with renovations at several of our hotel properties. Fiscal 2013 losses also included losses that we incurred in connection with our disposal of two former restaurant locations.

We reported net equity losses from unconsolidated joint ventures of \$450,000 during fiscal 2013 compared to net equity losses from unconsolidated joint ventures of \$200,000 during the prior year. Losses during fiscal 2013 and 2012 included our pro-rata share from two hotel joint ventures in which we have a 15% ownership interest, a new hotel joint venture that we entered into during fiscal 2013 in which we have an 11% ownership interest and our remaining Baymont 50% joint venture (operating as a Travelodge).

We reported income tax expense for fiscal 2013 of \$11.4 million, a decrease of approximately \$3.3 million, or 22.8%, compared to fiscal 2012 income tax expense of \$14.7 million. The entire decrease in income tax expense was the result of reduced pre-tax earnings during fiscal 2013 compared to the prior year. Our effective income tax rate, after adjusting for earnings from noncontrolling interests that are not tax-effected because the entities involved are tax pass-through entities, was 39.3% during both fiscal 2013 and fiscal 2012.

Weighted-average shares outstanding were 27.9 million during fiscal 2013 and 29.3 million during fiscal 2012.

Current Plans

Our aggregate cash capital expenditures, acquisitions and purchases of interests in and contributions to joint ventures were approximately \$58 million during fiscal 2014 compared to \$24 million during fiscal 2013 and \$38 million during fiscal 2012. We currently anticipate that our fiscal 2015 capital expenditures may be in the \$70-\$90 million range, excluding any presently unidentified potential acquisitions that may arise during the year. We will, however, continue to monitor our operating results and economic and industry conditions so that we may adjust our plans accordingly.

Our current strategic plans include the following goals and strategies:

Theatres

Our current plans for growth in our theatre division include several opportunities for new theatres and screens. Although we continue to review opportunities to build theatres at new locations, we believe those opportunities are limited. We have begun construction of a new theatre in Sun Prairie, Wisconsin as a replacement for a nearby theatre in Madison, Wisconsin, and we are looking for additional sites for new locations. We are also evaluating potential opportunities to expand our *Big Screen Bistro*SM in-theatre dining concept, including evaluating sites for possible stand-alone locations, which would be a new strategy for us.

In addition to building new theatres, we believe acquisitions of existing theatres or theatre circuits may also be a viable growth strategy for us. The movie theatre industry is very fragmented, with approximately 50% of United States screens owned by the four largest theatre circuits and the other 50% owned by approximately 800 smaller operators, making it very difficult to predict when acquisition opportunities may arise. We purchased two individual theatres and acquired two theatre circuits during the last seven years, and we will continue to consider additional potential acquisitions in the future. We do not believe that we are geographically constrained, and we believe that we may be able to add value to the right theatre or theatres through our various proprietary amenities and operating expertise.

During fiscal 2014, we announced that we were investing \$50 million to further enhance the movie-going experience and amenities in our existing theatres. These investments include:

DreamLoungerSM recliner additions. These luxurious, state-of-the-art leather recliners allow guests to go from upright to a full-recline position in seconds. These seat changes require full auditorium remodels to accommodate the

necessary 84 inches of legroom, resulting in the loss of approximately 50% or more of the existing seats in an average auditorium. We initially introduced this premium seating concept during the first quarter of fiscal 2014 when we renamed the 20 Grand Cinema the Majestic Cinema of Omaha following an extensive renovation. The initial guest response to this new feature was outstanding, and we added DreamLounger seating to every auditorium at three more theatres in time for the 2013 Christmas season. By the end of May 2014, we added DreamLoungers to all auditoriums in four additional theatres. As a result, as of May 29, 2014, eight theatres, representing 15% of our company-owned theatres and 19% of our screens, offered this innovative new amenity. To date, the addition of DreamLoungers has significantly increased attendance at each applicable theatre, outperforming nearby competitive theatres as well as growing the overall market attendance in most cases. We are currently evaluating opportunities to add our DreamLounger premium seating to three to five additional theatres during fiscal 2015, in addition to our new theatre in Sun Prairie, Wisconsin.

UltraScreen® DLX™ (DreamLounger eXperience) conversions. We introduced one of the first premium, large-format (PLF) presentations to the industry when we rolled out our proprietary *UltraScreen* concept in 1999. During fiscal 2014, we introduced our *UltraScreen DLX* concept by combining our premium, large-format presentation with DreamLounger premium seating and Dolby® Atmos™ immersive sound to elevate the movie-going experience for our guests. By the end of May 2014, we had converted 11 large-format screens to the *UltraScreen DLX* concept. As of May 29, 2014, we also had nine traditional *UltraScreens* in operation, including a new *UltraScreen* auditorium at our Gurnee, Illinois theatre, which opened in November 2013. As a result, approximately 35% of our company-owned theatres offer a premium, large format option to its customers, which we believe is also one of the highest percentages in the industry. Our *UltraScreens* generally have higher per-screen revenues and draw customers from a larger geographic region compared to our standard screens, and we charge a premium price to our guests for this experience. We are currently evaluating opportunities to convert or add up to four additional *UltraScreen DLX* auditoriums during fiscal 2015.

Signature cocktail and dining concepts. We continue to further enhance our food and beverage offerings within our existing theatres. We believe our 50-plus years of food and beverage experience in the hotel and restaurant businesses provides us with a unique advantage and expertise that we can leverage to further grow revenues in this area. The concepts we are currently expanding include:

Take Five Lounge – these full-service bars offer an inviting atmosphere and a chef-inspired dining menu, along with a complete selection of cocktails, locally-brewed beers and wines. We opened our fifth and sixth *Take Five Lounges* during our fiscal 2014 first quarter at a theatre in Madison, Wisconsin and at our renovated Majestic Cinema of Omaha. By the end of the summer of 2014, we will have added *Take Five Lounges* to five additional theatres, nearly doubling our number of theatres with this concept to 11, representing approximately 21% of our total theatres. We are currently evaluating opportunities to add up to four additional *Take Five Lounges* during fiscal 2015.

Zaffiro's Express – these outlets offer lobby dining that includes appetizers, sandwiches, salads, desserts and our signature *Zaffiro's THINCREDIBLE®* handmade thin-crust pizza. We opened our fifth and sixth *Zaffiro's Express* outlets during our fiscal 2014 first quarter at a theatre in Madison, Wisconsin and our renovated Majestic Cinema of Omaha. By the end of the summer of 2014, we expect to have added *Zaffiro's Express* outlets to five additional theatres, nearly doubling our number of theatres with this concept to 11, representing approximately 21% of our total theatres. We also operate three *Zaffiro's Pizzeria and Bar* full-service restaurants, including a location opened at our New Berlin, Wisconsin theatre in fiscal 2013. We are currently evaluating opportunities to add up to two additional *Zaffiro's Express* outlets during fiscal 2015.

*Big Screen Bistro*SM – this concept offers full-service, in-theatre dining with a complete menu of drinks and chef-prepared salads, sandwiches, entrées and desserts. Originally offered in eight owned and managed screens at two locations, by the end of the summer of 2014, we expect to have expanded this amenity to three screens at each of three additional theatres. In addition to our new theatre being built in Sun Prairie, Wisconsin and the possibility of building our first stand-alone *Big Screen Bistro*, we have identified at least two additional existing locations that will be considered for this concept during fiscal 2015.

The Palace at Sun Prairie. Referenced above, our newest entertainment destination is currently under construction in Sun Prairie, Wisconsin and will combine all the innovations we are currently expanding across the circuit. Named the Palace at Sun Prairie, this new 12-screen theatre will feature all-reserved DreamLounger recliner seating in every auditorium, two *UltraScreen DLX* auditoriums, four *Big Screen Bistro* auditoriums, a *Zaffiro's Express* and a *Take Five Lounge*. We currently expect this new, state-of-the-art theatre to open in February 2015.

With each of these strategies, our goal continues to be to introduce and create entertainment destinations that further define and enhance the customer value proposition for movie-going. We will also continue to maintain and enhance the value of our existing theatre assets by regularly upgrading and remodeling our theatres in order to keep them fresh and new. In order to accomplish the strategies noted above, we currently anticipate that our fiscal 2015 capital expenditures in this division may total approximately \$45-\$60 million, including approximately \$12 million carried over from our fiscal 2014 \$50 million plan described above, but excluding any potential acquisitions that may arise.

In addition to the growth strategies described above, our theatre division continues to focus on multiple strategies designed to further increase revenues and improve the profitability of our existing theatres. These strategies include various cost control efforts as well as plans to expand ancillary theatre revenues, such as pre-show advertising (our current advertising provider, Screenvision, has reached a tentative agreement to be acquired by NCM Media Networks), lobby advertising, additional corporate and group sales, sponsorships and alternate auditorium uses.

The addition of digital technology throughout our circuit (we offer digital cinema projection at 100% of our first-run screens) has provided us with additional opportunities to obtain non-motion picture programming from other new and existing content providers, including live and pre-recorded performances of the Metropolitan Opera, as well as sports, music and other events, at many of our locations. We launched our new Theatre Entertainment Network during fiscal 2014, offering weekday alternate programming at 29 theatres across our chain. The special programming includes classic movies, live performances, comedy shows and children's performances. We believe this type of programming is more impactful when presented on the big screen and provides an opportunity to expand our audience base beyond traditional moviegoers.

In addition, digital 3D presentation of films continues to positively contribute to our box office receipts. We currently have the ability to offer digital 3D presentations in 200, or approximately 31%, of our first-run screens, including the vast majority of our *UltraScreens*. We have the ability to increase the number of digital 3D capable screens we offer to our guests in the future as needed, based on the number of digital 3D films anticipated to be released during future periods and our customers' response to these 3D releases.

We also have several customer focused strategies designed to elevate our consumer knowledge, expectation and connection, providing us with a competitive advantage and the ability to deliver improved financial performance. New strategies that we introduced during fiscal 2014 include the following:

Marketing initiatives. We rolled out "\$5 Tuesday" and "\$5 Student Thursday" promotions at every theatre in our circuit in mid-November 2013 after a successful test in several markets during the fall. Coupled with a free 44-oz popcorn for a temporary time period and an aggressive marketing campaign, our goal was to increase overall attendance by reaching

mid-week value customers who may have reduced their movie-going frequency or stopped going to the movies because of price. We have seen our Tuesday attendance increase dramatically since the introduction of the new promotion. We believe this promotion has created another “weekend” day for us, without adversely impacting the movie-going habits of our regular weekend customers.

Loyalty program. We launched a new, and what we believe to be a best-in-class, customer loyalty program called Magical Movie Rewards on March 30, 2014. Designed to enhance the movie-going experience for our customers, as of the end of July 2014, we have already exceeded 525,000 members in just four months. The program allows members to earn points for each dollar spent and access special offers only available to members. The rewards are then redeemable at the box office, concession stand or at the many Marcus Theatres food and beverage venues. In addition, we have partnered with Movio, a global leader in data analysis for the cinema industry, in order to allow more targeted communication with our loyalty members. The software will provide us with insight into customer preferences, attendance habits and general demographics, which we expect will help us deliver an enhanced film-going experience to our members.

Technology enhancements. We have recently enhanced our mobile ticketing capabilities and added the Magical Movie Rewards loyalty program to our downloadable Marcus Theatres mobile application. During fiscal 2015, we expect to completely redesign our marcustheatres.com web site, implement a new, enhanced wide-area network in all our theatres and install additional theatre-level technology, such as new ticketing kiosks and digital menu boards and concession advertising monitors. Each of these enhancements are designed to improve customer interactions, both at the theatre and through mobile platforms and other electronic devices.

Hotels and Resorts

Our hotels and resorts division is actively seeking opportunities to increase the number of rooms under management. The goal of our new hotel investment business, MCS Capital, under the direction of a well-respected industry veteran with extensive hotel acquisition and development experience, is to seek opportunities whereby we may act as an investment fund sponsor, joint venture partner or sole investor in acquiring additional hotel properties. During fiscal 2013, we added two new hotels to our portfolio, one majority-owned and one minority-owned, both of which we manage. We have a number of additional potential growth opportunities in the pipeline.

We also continue to pursue additional management contracts for other owners, some of which may include small equity investments, similar to the investments we have made in the past with strategic equity partners. Although total revenues from an individual hotel management contract are significantly less than from an owned hotel, the operating margins are generally significantly higher due to the fact that all direct costs of operating the property are typically borne by the owner of the property. Management contracts provide us with an opportunity to increase our total number of managed rooms without a significant investment, thereby increasing our returns on equity. We continue to believe that opportunities to acquire high-quality hotels or management contracts at reasonable valuations will be present in the future for well-capitalized companies such as ours. As such, we recently hired another industry veteran who most recently worked for Kimpton Hotels and Restaurants to further our efforts in this area. During the fourth quarter of fiscal 2014, we assumed management of the Heidel House Resort & Spa, a 190-room full-service resort in Green Lake, Wisconsin.

Unlike our theatre assets, where the majority of our return on investment comes from the annual cash flow generated by operations, a portion of the return on our hotel investments is derived by effective portfolio management, which

includes determining the proper branding strategy for a given asset along with the proper level of investment and upgrades, as well as identifying an effective divestiture strategy for the asset when appropriate. During fiscal 2014, we announced plans to convert our company-owned Four Points by Sheraton Chicago Downtown/Magnificent Mile property into one of the first AC Hotels by Marriott in the United States. We believe this stylish, urban lifestyle brand, which was originally launched in Europe and now includes nearly 80 hotels, will be a perfect fit for our Chicago location. We expect to begin the conversion of this hotel by November 2014, with a goal of completing the conversion by Spring 2015.

In addition, we have been very opportunistic in our past hotel investments as we have, on many occasions, acquired assets at favorable terms and then improved the properties and operations to create value. We will continue to evaluate individual hotel assets to determine whether a divestiture strategy may be appropriate for certain assets. It is possible that we may sell all or a portion of a particular hotel or hotels, with the goal of retaining management, during fiscal 2015 and beyond if we determine that such action is in the best interest of our shareholders.

Our fiscal 2015 plans for our hotels and resorts division also include continued reinvestment in our existing properties in order to maintain and enhance their value. We opened new concierge and club lounges at our Pfister Hotel and Grand Geneva Resort & Spa during the fourth quarter of fiscal 2013. During fiscal 2014, we completed a major renovation of the guest rooms in the tower addition of The Pfister Hotel in Milwaukee, Wisconsin. In addition, an extensive renovation of The Cornhusker, A Marriott Hotel, in Lincoln, Nebraska is nearing completion, with all 297 guest rooms now completed and work nearly complete to update the lobby, public space and meeting rooms. At the beginning of our fiscal 2014 second quarter, we opened our second *Miller Time Pub & Grill* restaurant as part of the multi-million dollar renovation of this landmark hotel. We are also managing an extensive remodeling of the Westin® Atlanta Perimeter North in Atlanta, Georgia that is also nearly complete (we are a minority partner in a joint venture that owns the Westin Atlanta). Our fiscal 2015 hotels and resorts capital expenditures, which will include expenditures related to the conversion of our Chicago hotel into an AC Hotel by Marriott and additional reinvestments in our existing assets, as well as possible growth opportunities currently being evaluated, may total up to approximately \$25-\$30 million, excluding any additional presently unidentified possible acquisitions.

In addition to the growth strategies described above, our hotels and resorts division continues to focus on several strategies that are intended to further improve the division's profitability. These include leveraging our food and beverage expertise for growth, including seeking opportunities to expand our successful in-house restaurant brands, such as *Miller Time Pub & Grill*, as well as growing our catering and events revenues. We would intend to expand our dining rewards program, Marcus Rewards, to include points for room nights, and further enhance our "Only at Marcus" program that highlights offerings and amenities available to our guests that differentiate us from our competitors. We have also invested in sales, revenue management and internet marketing strategies in an effort to further increase our profitability, as well as human resource and cost improvement strategies designed to achieve operational excellence and improved operating margins.

Corporate

In addition to our growth strategies in our operating divisions, we are also leveraging our real estate experience by pursuing an opportunity to be the developer and sponsor of a mixed-use retail development currently proposed on the site of one of our former theatres in the Town of Brookfield, Wisconsin. The project, to be anchored by a Von Maur department store, is expected to include retail, restaurant and residential components with the total cost of the development possibly exceeding \$150 million. During fiscal 2014, the local government approved the tax incremental funding (TIF) district that will provide financial support for certain infrastructure costs related to this project. We also continued our negotiations with our potential equity partners with respect to a joint venture structure that would include a minority ownership interest for us, similar to our hotel joint venture structures outlined in our growth strategies described above. The project also requires a sufficient number of leases to satisfy financing

requirements, and as of the end of May 2014, we had a significant portion of the available retail space either under lease or in active lease or letter of intent negotiations. We have begun demolition of the existing buildings on the site, and we are currently working to meet the necessary milestones in order to begin construction later this fall, with a planned project opening date of Fall 2016. If the project meets the necessary milestones, then we expect that we will contribute our land to the joint venture, be reimbursed for all of our previously-incurred pre-development costs at commencement of construction and recognize development profit during fiscal 2015, which would favorably impact our reported operating results. If the project does not meet the necessary milestones, then we expect that we will write off our pre-development costs, which would unfavorably impact our fiscal 2015 results, and put the land up for sale, which would likely result in a significant gain at some point in the future.

In addition to operational and growth strategies in our operating divisions, we continue to seek additional opportunities to enhance shareholder value, including strategies related to our dividend policy, share repurchases and asset divestitures. We paid a special cash dividend of \$1.00 per share of Common Stock and \$0.90909 per share of Class B Common Stock in December 2012. We increased our regular quarterly common stock cash dividend by 11.8% during the fourth quarter of fiscal 2014 to \$0.095 per share. We also have repurchased over 3.5 million shares of our common stock during the last three fiscal years under our existing Board of Directors stock repurchase authorizations. We will also continue to evaluate opportunities to sell real estate when appropriate, allowing us to benefit from the underlying value of our real estate assets. In addition to the above-mentioned potential sale of a valuable existing theatre parcel in Madison, Wisconsin and/or selected hotels in our portfolio, we plan to evaluate opportunities to sell additional out-parcels at several owned theatre developments, as well as other non-operating and/or non-performing real estate in our portfolio.

The actual number, mix and timing of our potential future new facilities and expansions and/or divestitures will depend, in large part, on industry and economic conditions, our financial performance and available capital, the competitive environment, evolving customer needs and trends and the potential availability of attractive acquisition and investment opportunities. It is likely that our growth goals and strategies will continue to evolve and change in response to these and other factors, and there can be no assurance that we will achieve our current goals. Each of our goals and strategies are subject to the various risk factors discussed above in this Annual Report on Form 10-K.

Theatres

Our oldest and most profitable division is our theatre division. The theatre division contributed 54.3% of our consolidated revenues and 74.6% of our consolidated operating income, excluding corporate items, during fiscal 2014, compared to 53.2% and 79.3%, respectively, during fiscal 2013 and 55.1% and 78.7%, respectively, during fiscal 2012. The theatre division operates motion picture theatres in Wisconsin, Illinois, Ohio, Minnesota, Iowa, North Dakota and Nebraska and a family entertainment center in Wisconsin. The following tables set forth revenues, operating income, operating margin, screens and theatre locations for the last three fiscal years:

	F2014	F2013	Change F14 v. F13		F2012	Change F13 v. F12	
			Amt.	Pct.		Amt.	Pct.
	(in millions, except percentages)						
Revenues	\$243.2	\$219.5	\$23.7	10.8%	\$227.9	\$(8.4)	-3.7%
Operating income	\$46.5	\$40.9	\$5.6	13.6%	\$47.1	\$(6.2)	-13.1%
Operating margin	19.1%	18.6%			20.7%		

Number of screens and locations at fiscal year-end (1) (2)	F2014	F2013	F2012
Theatre screens	685	685	694
Theatre locations	55	55	56
Average screens per location	12.5	12.5	12.4

(1) Includes 11 screens at two locations managed for other owners in all three years.

Includes 28 budget screens at four locations in fiscal 2014 and 2013, and 21 budget screens at three locations in (2) fiscal 2012. Compared to first-run theatres, budget theatres generally have lower box office revenues and associated film costs, but higher concession sales as a percentage of box office revenues.

The following table provides a further breakdown of the components of revenues for the theatre division for the last three fiscal years:

	F2014	F2013	Change F14 v. F13			Change F13 v. F12		
			Amt.	Pct.	F2012	Amt.	Pct.	
			(in millions, except percentages)					
Box office revenues	\$ 146.0	\$ 134.5	\$ 11.5	8.6 %	\$ 142.1	\$ (7.6)	-5.3 %	
Concession revenues	84.1	73.2	10.9	14.9 %	74.5	(1.3)	-1.7 %	
Other revenues	13.1	11.8	1.3	10.5 %	11.3	0.5	4.3 %	
Total revenues	\$ 243.2	\$ 219.5	\$ 23.7	10.8 %	\$ 227.9	\$ (8.4)	-3.7 %	

Fiscal 2014 versus Fiscal 2013

Our theatre division fiscal 2014 revenues and operating income increased compared to the prior year due primarily to an increase in total theatre attendance at comparable theatres and our continued expansion of non-traditional food and beverage items in our theatres, partially offset by a decrease in our average ticket price. Our operating income and operating margin for fiscal 2014 were negatively impacted by approximately \$475,000 of additional snow removal costs and \$475,000 of additional heating costs, both as a result of unusually harsh winter weather this year. Our operating income and operating margin for fiscal 2013 were negatively impacted by nearly \$1.3 million in impairment charges related to two budget-oriented theatres that we have offered for sale and the closing of an eight-screen theatre in Milwaukee, Wisconsin.

Total theatre attendance increased 13.9% during fiscal 2014 compared to the prior year. Fiscal 2014 attendance at comparable theatres increased approximately 14.5% compared to the prior year. The following table indicates our percentage change in comparable theatre attendance during each of the four quarters of fiscal 2014 compared to the same quarters during the prior year:

	Change F14 v. F13			
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.
Comparable theatre attendance	+7.9%	-7.1%	+35.9%	+21.2%

Comparable theatre attendance +7.9% -7.1% +35.9% +21.2%

Theatre attendance varies significantly from quarter to quarter due to a variety of factors. Our fiscal 2014 first quarter attendance benefitted from a stronger slate of summer movies compared to the prior year. Conversely, our fiscal 2014 second quarter attendance was impacted by a weaker film slate compared to the prior year, particularly during the months of October and November. In addition, our fiscal 2013 second quarter included the week after Thanksgiving,

which includes a traditionally strong holiday weekend, favorably impacting our reported results for our fiscal 2013 second quarter. This year, the week after Thanksgiving was included in our third quarter, contributing to that quarter's improvement over the prior year quarter. In addition, we believe a combination of several factors contributed to our significant increases in attendance during our fiscal 2014 third and fourth quarters. These factors include increased attendance as a result of our \$5 Tuesday promotion and increased attendance at the four theatres where we installed our DreamLounger recliner seating, both of which are described in the Current Plans section of this Management's Discussion and Analysis of Financial Condition and Results of Operations. A stronger film slate also contributed to our increased attendance during our fiscal 2014 third quarter. All of these items contributed to record revenues during fiscal 2014.

We believe that it is particularly noteworthy that, as a result of the investments we have made in new features and amenities in select theatres and our implementation of innovative operating and marketing strategies that have increased attendance, we outperformed the industry during our fiscal 2014 third and fourth quarters by more than 9%. The following table compares the percentage change in our fiscal 2014 third and fourth quarter box office revenues (compared to the prior year) to the corresponding percentage change in the United States box office receipts during the same periods (as compiled by us from data received from Rentrak, a national box office reporting service for the theatre industry):

	Marcus	U.S.	Diff.
Fiscal 2014 third quarter pct. change in box office revenues	+24.0 %	+15.0 %	+9.0 %
Fiscal 2014 fourth quarter pct. change in box office revenues	+8.2 %	-1.1 %	+9.3 %

Revenues for the theatre business and the motion picture industry in general are heavily dependent on the general audience appeal of available films, together with studio marketing, advertising and support campaigns and the maintenance of a reasonably lengthy “window” between the date a film is released in theatres and the date a film is released to other channels, including video on-demand (VOD) and DVD. These are factors over which we have no control. The national DVD release window decreased slightly during calendar 2013 to 119 days compared to 120 days in calendar 2012 and the approximately 130 days that had been in place for the five of the previous six years. We have expressed our concerns to the studios regarding the impact that a shortened DVD or VOD release window may have on future box office receipts. We have also indicated that we would seek adjustments in the current financial arrangements we have with film studios in the event that the film studios implement shorter release windows.

We believe that the most significant factor contributing to variations in theatre attendance during fiscal 2014, as in other years, was the quantity and quality of films released during the respective quarters compared to the films released during the same quarters of the prior year. Blockbusters (generally defined as films grossing more than \$100 million nationally) accounted for a slightly increased percentage of our total box office revenues during fiscal 2014, with our top 15 performing films accounting for 39% of our fiscal 2014 box office revenues compared to 38% during fiscal 2013. The following five top performing fiscal 2014 films accounted for over 19% of the total box office revenues for our circuit: *Frozen*, *The Hunger Games: Catching Fire*, *Despicable Me 2*, *The Lego® Movie* and *The Hobbit: The Desolation of Smaug*.

The quantity of wide-release films shown in our theatres and number of wide-release films provided by the seven major studios decreased during fiscal 2014. A film is generally considered a wide release if it is shown on over 600 screens nationally, and these films generally have the greatest impact on box office receipts. We played 124 wide-release films (including 37 digital 3D films) at our theatres during fiscal 2014 compared to 142 wide-release films (including 32 digital 3D films) during fiscal 2013. In total, we played 176 films and 51 alternate content attractions at our theatres during fiscal 2014 compared to 160 films and 60 alternate content attractions during fiscal 2013. Based upon projected film and alternate content availability, we currently estimate that we may show a similar number of films and alternate content events on our screens during fiscal 2015 compared to fiscal 2014. There are currently approximately 20 digital 3D films scheduled to be released by the film industry during our fiscal 2015, although we anticipate that additional 3D films may be announced at a later date. The industry currently has high expectations for the quality of films scheduled to be released during calendar 2015, as the projected slate includes films from well-known series such as *The Avengers*, *The Hunger Games*, *Mission: Impossible*, *Fast and Furious*, *Jurassic Park*, *James Bond* and *Star Wars*. Generally, an increase in the quantity of films released, particularly from the seven major studios, increases the potential for more blockbusters in any given year, as does an increase in the quantity of films from established film series such as those previously listed. An increase in the quantity of 3D films increases the potential for a higher average ticket price.

During fiscal 2014, our average ticket price decreased 4.8% compared to the prior year, attributable primarily to the introduction of a new "\$5 Tuesday" pricing promotion for all movies implemented during the second half of fiscal 2014. Our average ticket price decreased 8.5% and 10.6% during the third and fourth quarters of fiscal 2014, respectively, compared to the third and fourth quarters of fiscal 2013, and we currently expect similar percentage decreases in our average ticket price during the first two quarters of fiscal 2015 compared to the first two quarters of fiscal 2014. We do not believe that changes in film product mix had a significant impact on our average ticket price during fiscal 2014 (more adult-oriented and R-rated films result in a higher average ticket price).

Our average concession sales per person increased 0.7% during fiscal 2014 compared to the prior year. Pricing, concession/food and beverage product mix and film product mix are the three primary factors that impact our concession sales per person. Selected price increases and a change in concession product mix, including increased sales of higher priced non-traditional food and beverage items from our *Take Five Lounges*, *Zaffiro's Express* outlets, *Big Screen Bistros* and *Zaffiro's Pizzeria & Bar* restaurants, were the primary reasons for our increased average concession sales per person during fiscal 2014, partially offset by the impact of the \$5 Tuesday free popcorn promotion described in the Current Plans section above. Our average concession sales per person decreased 0.8% and 4.6% during the third and fourth quarters of fiscal 2014, respectively, compared to the third and fourth quarters of fiscal 2013, and we currently expect similar percentage decreases in our average concession sales per person during the first two quarters of fiscal 2015 compared to the first two quarters of fiscal 2014. We do not believe that film product mix (for example, films that appeal to families and teenagers generally produce better than average concession sales) had a significant impact on our average concession sales per person during fiscal 2014. The increase in average concession sales per person contributed approximately \$600,000, or approximately 0.4%, of the increase in our concession revenues for comparable theatres during fiscal 2014 compared to the prior year.

Our theatre division's operating margin increased to 19.1% during fiscal 2014, compared to 18.6% for fiscal 2013. Increased attendance generally favorably impacts our operating margin, particularly because the increased attendance generally has the effect of increasing our high-margin concession revenues and because fixed expenses become a lower percentage of revenues. Other revenues, which include management fees, pre-show advertising income, family entertainment center revenues and gift card breakage income, also increased during fiscal 2014 compared to the prior year due primarily to increased marketing and advertising revenues, contributing to our improved operating margin during fiscal 2014. Conversely, the fact that a higher percentage of our box office revenues were attributable to our highest grossing films contributed to slightly higher film costs during fiscal 2014, negatively impacting our margins compared to the prior year. Higher grossing "blockbuster" films historically have a higher film cost as a percentage of box office revenues than lower grossing films and therefore, our operating margin often is negatively impacted when we have a greater number of higher grossing films. In addition, if a greater portion of our concession revenues are the result of the sale of non-traditional food and beverage items that typically have a higher product cost compared to traditional concession items, operating margins may be negatively impacted to a small extent.

We closed one eight-screen theatre in Milwaukee, Wisconsin during fiscal 2013. We also closed two individual screens at separate theatres during fiscal 2013 in conjunction with the construction of a new *Take Five Lounge* and *UltraScreen* at the respective theatres. We currently operate four budget-oriented theatres with 28 total screens that continue to utilize film projection systems. We have no current plans to convert these theatres to digital projection systems, so as a result, our ability to keep these theatres open will depend upon the future availability of film from the studios or the availability of a lower cost digital solution.

During our fiscal 2014 first quarter, Rolando B. Rodriguez joined us as the new president and chief executive officer of Marcus Theatres and executive vice president of The Marcus Corporation. Rolando came to us with extensive experience in the motion picture industry. For the past two years, he served as CEO, president and a board member of Rave Cinemas, which had been the fifth largest theatre circuit in the United States until its sale in May 2013. He also served for 30 years in various positions at AMC Theatres, the world's second-largest motion picture exhibitor, and spent five years with Wal-Mart as well. He currently serves on the executive board of the National Association of

Theatre Owners (NATO) and has won numerous awards in the industry. We believe that Rolando's proven leadership experience and strong roots in the motion picture exhibition industry make him extremely qualified to build on our theatre division's long history of success. Rolando succeeded Bruce J. Olson, who retired in September 2013 after a 39-year career with us.

Box office revenues during the summer of 2014 through the date of this filing have decreased compared to last year's summer results due primarily to a much weaker slate of films, particularly during July. We have continued to outperform the industry during this time period, and we are pleased with the early results from our four newest DreamLounger locations and the continued strength of our \$5 Tuesday promotion. Strong performances from films such as *Maleficent*, *The Fault in Our Stars*, *How to Train Your Dragon 2*, *22 Jump Street*, *Transformers: Age of Extinction*, *Dawn of the Planet of the Apes* and *Guardians of the Galaxy* have contributed positively to our early fiscal 2015 results.

Fiscal 2013 versus Fiscal 2012

Our theatre division fiscal 2013 revenues and operating income decreased compared to record levels for this division during fiscal 2012 due primarily to a decrease in total theatre attendance at comparable theatres and the fact that we had an additional week of operations included in our fiscal 2012 results, partially offset by an increase in our average concession sales per person. The additional week of operations during fiscal 2012, which included the traditionally strong Memorial Day holiday weekend, contributed approximately \$4.7 million and \$1.6 million, respectively, to our theatre division revenues and operating income during fiscal 2012 compared to fiscal 2013. Our operating income and operating margin for fiscal 2013 were negatively impacted by nearly \$1.3 million in impairment charges related to two budget-oriented theatres that we have offered for sale and the closing of an eight-screen theatre in Milwaukee, Wisconsin.

Total theatre attendance decreased 7.0% during fiscal 2013 compared to the prior year. Fiscal 2013 attendance at comparable theatres decreased approximately 7.4% including the additional week of operations, and 5.6% excluding the additional week, compared to the prior year. The following table indicates our percentage change in comparable theatre attendance during each of the four quarters of fiscal 2013 compared to the same quarters during the prior year (excludes the additional fourth quarter week during fiscal 2012):

Change F13 v. F12			
1 st	2 nd	3 rd	4 th
Qtr.	Qtr.	Qtr.	Qtr.

Comparable theatre attendance	-13.7%	+16.9%	-9.2%	-8.0%
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Theatre attendance can vary significantly from quarter to quarter due to a variety of factors. Our fiscal 2013 first quarter attendance did not include the busy Memorial Day weekend due to its inclusion as the 53rd week during fiscal 2012, which contributed to the decline in attendance during the fiscal 2013 first quarter. We also believe our fiscal 2013 first quarter attendance was negatively impacted by television viewership of the Olympics during three weekends in the latter half of the summer of 2012. Our fiscal 2013 second quarter attendance benefitted by a particularly strong film slate during the months of October and November. Our fiscal 2013 third quarter comparable theatre decrease in attendance was entirely due to a weaker slate of movies during January and February compared to

the prior year, which offset a strong December holiday period. Our fiscal 2013 third quarter did not have a very deep slate of movies, as our 16th-40th highest performing films during our fiscal 2013 third quarter significantly underperformed the comparable “middle tier” of films released during the same quarter in fiscal 2012. Our fiscal 2013 fourth quarter comparable theatre attendance decrease was due primarily to the fact that the prior year’s fourth quarter included the release of two blockbuster films that ended up being our highest grossing films of fiscal 2012 – *The Hunger Games* and *The Avengers*.

We believe that the most significant factor contributing to variations in theatre attendance during fiscal 2013, as in other years, was the quantity and quality of films released during the respective quarters compared to the films released during the same quarters of the prior year. Blockbusters accounted for a slightly increased percentage of our total box office revenues during fiscal 2013, with our top 15 performing films accounting for 38% of our fiscal 2013 box office revenues compared to 37% during fiscal 2012. The following five top performing fiscal 2013 films accounted for over 17% of the total box office revenues for our circuit: *The Dark Knight Rises*, *Iron Man 3* (3D), *The Hobbit: An Unexpected Journey* (3D), *The Twilight Saga: Breaking Dawn – Part 2* and *Skyfall*.

The quantity of wide-release films shown in our theatres and number of wide-release films provided by the six major studios decreased during fiscal 2013, which also contributed to our reduced theatre attendance compared to the prior year. We played 142 wide-release films (including 32 digital 3D films) at our theatres during fiscal 2013 compared to 144 wide-release films (including 36 digital 3D films) during fiscal 2012. In total, we played 160 films and 60 alternate content attractions at our theatres during fiscal 2013 compared to 158 films and 81 alternate content attractions during fiscal 2012.

During fiscal 2013, our average ticket price increased 1.9% compared to the prior year, attributable primarily to selected price increases and premium pricing for our digital 3D and *UltraScreen* attractions. Eight of our top 15 films during fiscal 2013 were available in digital 3D, compared to six of our top 15 films during fiscal 2012, contributing to our small increase in average ticket price compared to the prior year. We do not believe that changes in film product mix had a significant impact on our average ticket price during fiscal 2013. The increase in average ticket price contributed approximately \$2.6 million to our box office revenues for comparable theatres during fiscal 2013 compared to the prior year, which partially offset the decrease in box office revenues attributable to reduced attendance during fiscal 2013.

Our average concession sales per person increased 5.7% during fiscal 2013 compared to the prior year. Pricing, concession product mix and film product mix are the three primary factors that impact our concession sales per person. Selected price increases and a change in concession product mix, including increased sales of higher priced non-traditional food and beverage items, were the primary reasons for our increased average concession sales per person during fiscal 2013. We do not believe that film product mix had a significant impact on our average concession sales per person during fiscal 2013. The increase in average concession sales per person contributed approximately \$4.0 million to our concession revenues for comparable theatres during fiscal 2013 compared to the prior year, which partially offset the decrease in concession revenues attributable to reduced attendance during fiscal 2013.

Our theatre division's operating margin decreased to 18.6% during fiscal 2013, compared to 20.7% for fiscal 2012. Excluding the additional week of operations, our fiscal 2012 theatre division operating margin was 20.4%. Reduced attendance negatively impacts our operating margin, particularly because the decreased attendance generally has the effect of decreasing our high-margin concession revenues and because fixed expenses become a higher percentage of revenues. Conversely, our fiscal 2013 operating margin was favorably impacted by increases in our average concession sales per person. In addition, other revenues, which include management fees, pre-show advertising income, family entertainment center revenues and gift card breakage income, increased during fiscal 2013 compared to the prior year due to increased advertising revenues. Film costs as a percentage of box office revenues did not materially change during fiscal 2013 compared to the prior year.

Early in our fiscal 2012 third quarter, we purchased a 12-screen theatre in Franklin, Wisconsin out of receivership. Because this theatre was only open for a portion of our fiscal 2012, it contributed approximately \$1.5 million of additional revenues to our fiscal 2013 results, but did not have a significant impact on operating income. We completed an extensive renovation of a theatre in a suburb of St. Cloud, Minnesota during our fiscal 2012 third quarter that included the opening of our second *Zaffiro's Pizzeria and Bar*. We also opened our third *Zaffiro's Pizzeria and*

Bar at a theatre in New Berlin, Wisconsin in August 2012. In both cases, the new restaurant replaced a previously existing screen at the theatre. During our fiscal 2012 third quarter, we also acquired the former OMNIMAX® Theatre in the Duluth Entertainment Convention Center in Duluth, Minnesota, adjacent to our current 10-screen Duluth Cinema, and completed a conversion of the theatre into our 14th premium large-screen *UltraScreen* auditorium in June 2012. We closed one eight-screen theatre in Milwaukee, Wisconsin during fiscal 2013. We also closed two individual screens at separate theatres during fiscal 2013 in conjunction with the construction of a new *Take Five Lounge* and *UltraScreen* at the respective theatres.

Hotels and Resorts

The hotels and resorts division contributed 45.6% of our consolidated revenues and 25.4% of our consolidated operating income, excluding corporate items, during fiscal 2014, compared to 46.7% and 20.7%, respectively, during fiscal 2013 and 44.7% and 21.3%, respectively, during fiscal 2012. As of May 29, 2014, the hotels and resorts division majority-owned and operated three full-service hotels in downtown Milwaukee, Wisconsin, a full-facility destination resort in Lake Geneva, Wisconsin and full-service hotels in Madison, Wisconsin, Kansas City, Missouri, Chicago, Illinois, Oklahoma City, Oklahoma and Lincoln, Nebraska. In addition, the hotels and resorts division managed 10 hotels, resorts and other properties for other owners. Included in the 10 managed properties are two hotels owned by joint ventures in which we have a minority interest and two condominium hotels in which we own the public space. The following table sets forth revenues, operating income, operating margin and rooms data for the hotels and resorts division for the last three fiscal years:

	F2014	F2013	Change F14 v. F13		F2012	Change F13 v. F12		
			Amt.	Pct.		Amt.	Pct.	
			(in millions, except percentages)					
Revenues	\$204.1	\$192.7	\$11.4	5.9 %	\$185.2	\$7.5	4.0 %	
Operating income	\$15.8	\$10.7	\$5.1	48.6 %	\$12.7	\$(2.0)	-16.1 %	
Operating margin	7.8 %	5.5 %			6.9 %			

	F2014	F2013	F2012
Available rooms at fiscal year-end			
Company-owned	2,817	2,817	2,520
Management contracts with joint ventures	611	799	427
Management contracts with condominium hotels	480	480	480
Management contracts with other owners	1,231	1,300	1,300
Total available rooms	5,139	5,396	4,727

Fiscal 2014 versus Fiscal 2013

Hotels and resorts division revenues increased during fiscal 2014 compared to the prior year due primarily to higher occupancy rates and average daily rates at our comparable hotels and an increase in food and beverage revenues during fiscal 2014 compared to the prior year. Division revenues were also favorably impacted during fiscal 2014 by the addition of a new hotel, The Cornhusker, A Marriott Hotel, during last year's second quarter. Conversely, division operating income during fiscal 2014 was negatively impacted by approximately \$300,000 of real estate tax adjustments resulting from new tax assessments recently received at several of our hotels. We also believe our fiscal 2014 operating income was negatively impacted by the fact that two of our hotels, The Cornhusker, A Marriott Hotel, and The Pfister Hotel, were being renovated during the year. Comparisons of our fiscal 2014 results to the prior year were favorably impacted by the fact that operating income during fiscal 2013 was negatively impacted by the

resolution of all material lawsuits related to the Platinum Hotel & Spa in Las Vegas, Nevada, which added \$3.3 million of costs to our fiscal 2013 operating results. Our fiscal 2013 operating income was also negatively impacted by an impairment charge of approximately \$250,000 related to the closing of the water park at our Hilton Milwaukee hotel.

The following table sets forth certain operating statistics, including our average occupancy percentage (number of occupied rooms as a percentage of available rooms), our average daily room rate, or ADR, and our total revenue per available room, or RevPAR, for company-owned properties:

Operating Statistics (1)	F2014	F2013	Change F14 v. F13	
			Amt.	Pct.
Occupancy percentage	74.3 %	73.6 %	0.7 pts	1.0%
ADR	\$142.61	\$139.48	\$3.13	2.2%
RevPAR	\$106.02	\$102.67	\$3.35	3.3%

These operating statistics represent averages of our comparable eight distinct company-owned hotels and resorts, (1)branded and unbranded, in different geographic markets with a wide range of individual hotel performance. The statistics are not necessarily representative of any particular hotel or resort.

According to data received from Smith Travel Research and compiled by us in order to compare our fiscal year results, comparable “upper upscale” hotels throughout the United States experienced an increase in RevPAR of 6.1% during our fiscal 2014. We believe our RevPAR increases during fiscal 2014 were likely negatively impacted by a difficult comparison in the Chicago hotel market (even though our hotel outperformed the market), a difficult Midwestern winter, a recent increase in room supply in our Milwaukee market and the fact that we had rooms out of service at our Pfister Hotel as a result of the tower building room renovation that was completed at the end of May 2014. RevPAR increased at six of our eight comparable company-owned properties during fiscal 2014 compared to the prior year and, if the two hotels with RevPAR declines (our Chicago hotel and the Pfister Hotel) are excluded, our remaining six comparable company-owned hotels reported a RevPAR increase of 6.2% during fiscal 2014 compared to the prior year, exceeding the national average. Room demand continued to be strong overall, but inconsistent demand from the group business segment contributed to variations in our results by quarter, as evidenced by the table below:

	Change F14 v. F13			
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.

Occupancy percentage 1.1 pts