

MARCUS CORP
Form 10-K
August 11, 2015

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 28, 2015

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	39-1139844
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 East Wisconsin Avenue, Suite 1900

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Milwaukee, Wisconsin 53202-4125
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (414) 905-1000

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

<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).

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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. o

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(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 27, 2014 was approximately \$295,306,432. 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, 2015 – 18,877,849

Class B common stock outstanding at August 5, 2015 – 8,710,972

Portions of the registrant's definitive Proxy Statement for its 2015 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 recent tragedy in a movie theatre in Louisiana. 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 28, 2015, our theatre operations included 55 movie theatres with 681 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 28, 2015, 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 11 hotels, resorts and other properties for third parties in Wisconsin, California, Georgia, Minnesota, Nevada, Florida and Texas. As of May 28, 2015, we owned or managed approximately 5,211 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 2015, we owned or operated 55 movie theatre locations with a total of 681 screens in Wisconsin, Illinois, Iowa, Minnesota, Nebraska, North Dakota and Ohio. We averaged 12.4 screens per location at the end of fiscal 2015, compared to 12.5 screens per location at the end of fiscal 2013 and 2014. Included in the fiscal 2015, fiscal 2014 and fiscal 2013 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 76% of our total screens, 18 multiplex theatres (two to 11 screens) and one single-screen theatre. At fiscal year-end, we operated 653 first-run screens, 11 of which we operated under management contracts, and 28 budget-oriented screens.

We have invested nearly \$90 million to further enhance the movie-going experience and amenities in new and existing theatres over the last two fiscal years, with more investments planned for fiscal 2016. These investments include:

New theatres. Late in our fiscal 2015 fourth quarter, we opened our newest theatre, the Marcus Palace Cinema, in Sun Prairie, Wisconsin. Replacing an existing nearby theatre in Madison, Wisconsin, this new 12-screen theatre features all-reserved DreamLoungerSM recliner seating in every auditorium, two UltraScreen DLX[®] auditoriums, four *Big Screen Bistro*SM in-theatre dining auditoriums, a *Zaffiro’s*[®] *Express* and a *Take Five*SM *Lounge*. Initial customer response to this new location has exceeded our expectations. During fiscal 2016, we expect to begin construction on another replacement theatre in a different market and we are looking for additional sites for new locations. In addition, we are currently evaluating an opportunity to build our first stand-alone *Big Screen Bistro* location. Construction on this location may also begin in fiscal 2016. In addition to building new theatres, we believe acquisitions of existing theatres or theatre circuits may also be a viable growth strategy for us. Over one-third of our current circuit was acquired over the past eight years, and we have engaged third-party assistance to actively help us seek additional potential acquisitions in the future.

DreamLounger recliner additions. These luxurious, state-of-the-art 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. 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. By the end of May 2014, we had added DreamLoungers to all auditoriums in eight of our theatres. In addition to the new Marcus

Palace Cinema described above, we also added DreamLounger recliner seats to four more existing theatres during the second half of fiscal 2015. As of May 28, 2015, we offered DreamLoungers in approximately 27% of our company-owned, first-run theatres and 30% of our company-owned, first-run screens, percentages that we believe are the highest among the top chains in the industry. We are currently evaluating opportunities to add our DreamLounger premium seating to three to four additional existing theatres during fiscal 2016, in addition to the two new theatres described above.

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. During fiscal 2015, we converted two more *UltraScreens* to the DLX concept and added three new *UltraScreen DLX* screens, including two at the new Marcus Palace Cinema. As of May 28, 2015, we had seven traditional *UltraScreens*, five recently introduced *SuperScreen DLX*SM screens (slightly smaller screen but with the same DreamLounger seating and Dolby Atmos sound – a PLF presentation designed for smaller markets) and 16 *UltraScreen DLX* screens in operation. As a result, approximately 49% of our company-owned, first-run theatres offer a premium, large format option to its customers, which we believe to be among the highest percentages in the industry. Our PLF screens 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 and seven *SuperScreen DLX* auditoriums during fiscal 2016.

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 seven new *Take Five Lounge* or *Take Five Express* concepts and relocated and expanded our original *Take Five Lounge* at our Majestic Cinema of iBrookfield during fiscal 2015. We opened another *Take Five Express* early in fiscal 2016, increasing our number of theatres with this concept to 14, representing approximately 29% of our company-owned, first-run theatres. We have one *Take Five Lounge* under construction and we anticipate adding at least one additional *Take Five Express* outlet during the second half of fiscal 2016.

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 eight new *Zaffiro's Express* outlets during fiscal 2015 and we opened two additional outlets early in fiscal 2016, increasing our number of theatres with this concept to 16, representing approximately 33% of our company-owned, first-run theatres. We also operate three ¹*Zaffiro's Pizzeria and Bar* full-service restaurants, as well as one newly-opened *Reel Sizzle*® counter griddle concept, featuring burgers, chicken sandwiches and tenders, along with ice cream and shakes. We currently have one *Zaffiro's Express* outlet under construction and we anticipate adding up to three additional *Zaffiro's Express* outlets during the second half of fiscal 2016.

Big Screen Bistro – this concept offers full-service, in-theatre dining with a complete menu of drinks and chef-prepared salads, sandwiches, entrées and desserts. During fiscal 2015, we added this concept to ten screens at three separate locations, including the new Marcus Palace Cinema, increasing our number of theatres and screens with this concept to six and 21, respectively (including one theatre and five screens managed for another owner). In

addition to the possibility of building our first stand-alone *Big Screen Bistro* with up to eight screens, we plan to evaluate additional opportunities to expand this concept in the future.

We rolled out “\$5 Tuesday” and “\$5 Student Thursday” promotions at every theatre in our circuit in mid-November 2013. We offer a free 44-oz popcorn to our Magical Movie Rewards members, as well as additional concession specials for all of our customers. We have met our goal of increasing 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, as our Tuesday attendance has increased dramatically since the introduction of the 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 customer loyalty program called Magical Movie RewardsSM on March 30, 2014. Designed to enhance the movie-going experience for our customers, as of the end of July 2015, we have enrolled over one million members. Over one-third (36%) of all transactions in our theatres since program inception have been completed by registered members of the loyalty program. The program allows members to earn points for each dollar spent and access special offers only available to members. The rewards are 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 provides us with insight into customer preferences, attendance habits and general demographics, which we expect will help us deliver an enhanced, personalized film-going experience to our members. The program also gives us the ability to cost effectively promote non-traditional programming, particularly during non-peak time periods. We believe that this will result in increased movie-going frequency, higher average concession revenues per person, increased loyalty to Marcus Theatres and ultimately, improved operating results.

In September 2013, we launched our *Theatre Entertainment Network*SM, 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 program called *Indie Focus*. We now offer *Indie Focus* at 11 theatres in six states. The program offers customers the opportunity to view high quality art and independent films at theatres throughout our circuit. In addition, we offer Bollywood and Hispanic film product at select theatres, along with a Reel Movies for Real Needs program that provides a sensory sensitive environment (lower sound and lights up) for guests with special needs.

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 38% of our fiscal 2015 box office receipts, compared to 39% during fiscal 2014. The following five fiscal 2015 films accounted for over 18% of our total box office and produced the greatest box office receipts for our circuit: *American Sniper*, *Avengers: Age of Ultron*, *The Hunger Games: Mockingjay – Part 1*, *Furious 7* and *Guardians of the Galaxy*.

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 entered into an agreement to allow moviegoers to buy tickets on Fandango, the largest online ticket-seller for the nation's top seven theatre chains. We recently enhanced our web site and 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 28, 2015, we offered digital projection systems at 100% of our first-run screens, including all *UltraScreens*. As of May 28, 2015, 205 screens, or 31% of our first-run screens, were equipped to show films in digital 3D, including the vast majority of our *UltraScreens*. There are approximately 28 3D films scheduled for release during fiscal 2016, with more possibly announced at a later date, compared to 25 digital 3D films that were played in our theatres during fiscal 2015.

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 signature cocktail and dining concepts as described above. The response to our new food and beverage offerings has been positive, and we have plans to expand 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. In fiscal 2014, The Pfister earned recognition as the Best Hotel in Milwaukee by *U.S. News & World Report*, and in fiscal 2015, The Pfister Hotel earned its 39th consecutive AAA Four Diamond Award from the American Automobile Association, which represents every year the award has been in existence. Also, in June 2015, TripAdvisor awarded The Pfister the TripAdvisor® 2015 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 May 2013, we renovated and reintroduced the first of our new *Miller Time® Pub & Grill* restaurants at this hotel. In fiscal 2015, the Hilton Milwaukee City Center earned its fifth consecutive AAA Four Diamond Award from the American Automobile Association. In June 2015, TripAdvisor awarded Hilton Milwaukee City Center the TripAdvisor® 2015 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. In June 2015, TripAdvisor awarded Hilton Madison at Monona Terrace the TripAdvisor® 2015 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 2015, the Grand Geneva Resort & Spa earned its 18th consecutive AAA Four Diamond Award from the American Automobile Association. In June 2015, TripAdvisor awarded the Grand Geneva Resort & Spa the TripAdvisor® 2015 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 2015, TripAdvisor awarded the Hotel Phillips the TripAdvisor® 2015 Certificate of Excellence. In late July 2015, we announced that we had entered into an agreement to sell this hotel. The sale is expected to occur on or about September 1, 2015.

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.

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 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 2015, The Skirvin Hilton earned its 9th consecutive AAA Four Diamond Award from the American Automobile Association. Our equity interest in this hotel was 60% as of May 28, 2015. In June 2015, TripAdvisor awarded The Skirvin Hilton the TripAdvisor® 2015 Certificate of Excellence.

AC Hotel Chicago Downtown

Pursuant to a long-term lease, we operate the AC Hotel Chicago Downtown, a 226-room hotel in Chicago, Illinois. Formerly operated as a Four Points by Sheraton, during fiscal 2015, we initiated a major renovation and conversion of this hotel, officially opening it as the fourth AC Hotel by Marriott branded property in the U.S. in June 2015. Located in the heart of Chicago's shopping, dining and entertainment district, the AC Hotel by Marriott lifestyle brand targets the millennial traveler searching for a design-led hotel in a vibrant location with high-quality service. The AC Hotel Chicago Downtown features urban, simplistic and clean designs with European aesthetics and elegance, the latest technology and communal function spaces. Amenities include the AC Lounge, a bar area with cocktails, craft beers, wine and tapas, the AC Kitchen, serving a European-inspired breakfast menu, and the AC Library, a collaborative space with communal tables and self-service business center located just off the main lobby. The AC Hotel Chicago Downtown also features an indoor swimming pool, fitness room, 3,000 square feet of meeting space and an on-site parking facility. The hotel has space available to be leased to area restaurants.

The Cornhusker, A Marriott Hotel

We are a 73% majority owner of a joint venture in The Cornhusker, A Marriott Hotel in downtown Lincoln, Nebraska. In December 2012, we re-affiliated The Cornhusker with Marriott International and renamed the hotel The Cornhusker, A Marriott Hotel. The Cornhusker, A Marriott Hotel, 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. In September 2014, we completed a major renovation, in which we renovated the entire hotel, including the lobby, all guest rooms and meeting space. Also as a part of this renovation, we opened our second *Miller Time Pub & Grill*. In November 2014, we were awarded the Business Leadership Award by The Downtown Lincoln Association, as part of its annual Impact Awards program for recent investment commitments to the city of Lincoln, Nebraska.

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.

We manage The Garland hotel in North Hollywood, California. The Garland hotel 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 2015, TripAdvisor awarded The Beverly Garland the TripAdvisor® 2015 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 Houston NW/Chateau 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 2015, TripAdvisor awarded Hilton Garden Inn Houston NW/Chateau the TripAdvisor® 2015 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 June 2015, TripAdvisor awarded Hilton Minneapolis/Bloomington the TripAdvisor® 2015 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 December 2014, *Wisconsin Meetings* magazine voted Heidel House Resort & Spa the Best Wisconsin Lakeshore Resort for 2015, and its General Manager was named Innkeeper of the Year by the Wisconsin Hotel & Lodging Association. In June 2015, TripAdvisor awarded the Heidel House Resort & Spa the TripAdvisor® 2015 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.

We own an 11% minority interest and serve as manager of 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. 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, which was completed in fall 2014. 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.

In November 2014, we assumed management and acquired a 10% interest in The Hotel Zamora and Castile Restaurant in St. Pete Beach, Florida. The Hotel Zamora and Castile Restaurant, a boutique luxury property overlooking the Intracoastal Waterway and the Gulf of Mexico, opened in June 2014 and was named one of nine great new U.S. beach hotels by CNN in August 2014. The hotel offers 72 luxurious guest rooms, including 22 two-bedroom suites, and 9,000 square feet of meeting space, including one of the most scenic rooftops in Florida.

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. In June 2015, TripAdvisor awarded the Timber Ridge Lodge the TripAdvisor® 2015 Certificate of Excellence.

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 2015, TripAdvisor awarded the Platinum Hotel & Spa the TripAdvisor® 2015 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 2015. 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.

In 2015, TripAdvisor® awarded ten of our restaurants and lounges their Certificate of Excellence. These included: the Blu Bar & Lounge, Café at the Pfister, Capitol ChopHouse®, Geneva ChopHouse®, Kil@wat, Mason Street Grill, Milwaukee ChopHouse®, Park Avenue Grill, Ristoranté Brissago, and The Front Yard.

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 2015, we had approximately 7,100 employees, approximately 55% of whom were employed on a variable or 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 2015, approximately 8% of our employees were covered by a collective bargaining agreement, of which approximately 75% were covered by an agreement that will expire within one year.

Website Information and Other Access to Corporate Documents

Our corporate website is www.marcuscorp.com. All of our Form 10-Ks, Form 10-Qs and Form 8-Ks, and amendments thereto, are available on this website 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 website. 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.

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 less than four months. Many current films are now released to ancillary markets within 90 days or less, and one studio recently announced a test with two small-budget films whereby ancillary channels would obtain the films approximately two weeks after the film has predominantly stopped playing in movie theatres. 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.

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.

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 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 tragedies that took place at movie theatres in Colorado and Louisiana in recent years, 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.

We are Subject to Substantial Government Regulation, Which Could Entail Significant Cost.

We are subject to various federal, state and local laws, regulations and administrative practices affecting our business, and we must comply with provisions regulating health and sanitation standards, equal employment, environmental, and licensing for the sale of food and alcoholic beverages. Our properties must also comply with Title III of the Americans with Disabilities Act of 1990, or ADA. Compliance with the ADA requires that public accommodations "reasonably accommodate" individuals with disabilities and that new construction or alterations made to "commercial facilities" conform to accessibility guidelines unless "structurally impracticable" for new construction or technically infeasible for alterations. Non-compliance with the ADA could result in the imposition of injunctive relief, fines or an award of damages to private litigants or additional capital expenditures to remedy such noncompliance. Changes in existing laws or implementation of new laws, regulations and practices could also have a significant impact on our business. For example, a significant portion of our staff level employees are part time workers who are paid at or near the applicable minimum wage in the relevant jurisdiction. Increases in the minimum wage and implementation of reforms requiring the provision of additional benefits would increase our labor costs.

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 28, 2015, 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 28, 2015, we also managed three 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 28, 2015, in the following table:

Business Segment	Total Number of Facilities in Operation	Owned⁽¹⁾	Leased from Unrelated Parties⁽²⁾
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