

(Mark One)

- X Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 30, 1994.
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number 0-15782

SHOWBIZ PIZZA TIME, INC.
(Exact name of registrant as specified in its charter)

Kansas (State or jurisdiction of incorporation or organization)	48-0905805 (I.R.S. Employer Identification No.)
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4441 West Airport Freeway P.O. Box 152077 Irving, Texas (Address of principal executive offices)	75015 (Zip Code)
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Registrant's telephone number, including area code: (214) 258-8507

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, par value \$.10 each
(Title of Class)
Class A Preferred Stock, par value \$60.00 each
(Title of Class)

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

At March 17, 1995, an aggregate of 12,275,177 shares of the registrant's Common Stock, par value of \$.10 each (being the registrant's only class of common stock), were outstanding, and the aggregate market value thereof (based upon the last reported sale price on March 17, 1995) held by non-affiliates of the registrant was \$ 91,521,632.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, to be filed pursuant to Section 14(a) of the Act in connection with the registrant's 1995 annual meeting of shareholders, have been incorporated by reference in Part III of this report.

P A R T I

Item 1. Business

General

ShowBiz Pizza Time, Inc. (the "Company"), was incorporated in the

State of Kansas in 1980 and is engaged in the family restaurant/entertainment center business. The Company considers this to be its sole industry segment.

The Company operated, as of March 17, 1995, 227 Chuck E. Cheese's Pizza ("Chuck E. Cheese's") restaurants (including six restaurants managed by the Company for others). In addition, as of March 17, 1995, franchisees of the Company operated 101 Chuck E. Cheese's restaurants. Effective May 5, 1994, BHC Acquisition Corporation ("BAC"), a wholly owned subsidiary of the Company, sold its Monterey's Tex-Mex Cafe restaurants.

Chuck E. Cheese's Restaurants

Business Development

Chuck E. Cheese's restaurants offer a variety of pizza, a salad bar, and selected sandwiches and desserts and feature musical and comic entertainment by life-size, computer-controlled robotic characters, family oriented games, rides and arcade-style activities. The restaurants are intended to appeal to families with children between the ages of 2 and 12. The Company opened its first restaurant in March 1980.

The Company and its franchisees operate in a total of 44 states and the Company has concentrated its ownership and operation of Chuck E. Cheese's restaurants within a 28-state area. See "Item 2. Properties."

The following table sets forth certain information with respect to the Chuck E. Cheese's restaurants owned by the Company (excludes restaurants managed by the Company for others and franchised restaurants):

	1994 ----	1993 ----	1992 ----
Average annual revenues per restaurant (1)	\$1,206,000	\$1,259,000	\$1,354,000
Number of restaurants open at end of period	220	209	176
Percent of total restaurant revenues:			
Food and beverage sales	71.0%	71.6%	71.9%
Game sales	25.8%	25.3%	25.3%
Merchandise sales	3.2%	3.1%	2.8%

- (1) In computing these averages, only restaurants which were open for a period greater than one year at the beginning of each respective year were included (159, 139 and 129 restaurants in 1994, 1993, and 1992, respectively). Fiscal year 1992 consisted of 53 weeks while each of fiscal years 1994 and 1993 consisted of 52 weeks.

Revenues from Chuck E. Cheese's restaurants owned by the Company increased by 3.4% during 1994 over 1993, due to new restaurant openings during both years.

The revenues from Chuck E. Cheese's restaurants are seasonal in nature. The restaurants tend to generate more revenues during the first and third fiscal quarters as compared to the second and fourth fiscal quarters.

Each Chuck E. Cheese's restaurant generally employs a general

manager, one or two managers, an electronic specialist who is responsible for repair and maintenance of the robotic characters and games, and 45 to 75 food preparation and service employees, most of whom work only part-time.

To maintain a unique and exciting environment in the restaurants, the Company believes it is essential to reinvest capital through the evolution of its games, rides and entertainment packages and continuing enhancement of the facilities. The Company initiated a remodel program in 1986 under which all Company operated restaurants were remodeled by the end of 1992. In 1994, the Company initiated a "repositioning" program to evolve and expand its efforts to significantly enhance its Chuck E. Cheese's restaurants. The Company completed 22 restaurants under this program in 1994 and currently intends to reposition approximately 140 additional restaurants by the end of 1996.

The Company opened 12 and 33 new Chuck E. Cheese's restaurants in 1994 and 1993, respectively. The Company plans to open two to three new Chuck E. Cheese's restaurants during 1995. The reduction of expected new store openings in 1995 and 1994 compared to 1993, is intended to create an appropriate commitment of capital and human resources between existing restaurants and new development.

In the event certain site characteristics considered essential for the success of a restaurant deteriorate, the Company will consider relocating the restaurant to a more desirable site. The Company relocated two restaurants in 1993.

The Company believes its ownership of trademarks to the names and character likenesses featured in the robotic animation stage show (and other in-store entertainment) in its restaurants to be an important competitive advantage.

Restaurant Design and Entertainment

Chuck E. Cheese's restaurants are typically located in shopping centers or in free-standing buildings and are generally 7,500 to 14,000 square feet in area. Depending primarily on the demographic characteristics of a specific site, the building design of new restaurants developed by the Company range from 8,000 to 10,000 square feet in area.

The dining area of each Chuck E. Cheese's restaurant features a variety of comic and musical entertainment by computer-controlled robotic characters, together with various animated props, located on various stage type settings. The dining area typically provides table and chair seating for 250 to 375 customers.

Each Chuck E. Cheese's restaurant typically contains a separate family-oriented playroom area offering approximately 40 coin- and token-operated attractions, including arcade-style games, kiddie rides, video games, skill oriented games and other similar entertainment. Certain games dispense tickets that can be redeemed by the guests for prizes. Also included in the playroom area is a ball-crawl or other free attraction for young children. The playroom area normally occupies approximately 40% of the restaurant's public area and contributes significantly to its revenues. A limited number of free tokens are furnished with food orders. Additional tokens may be purchased.

Food and Beverage Products

Each Chuck E. Cheese's restaurant offers varieties of pizza, a salad bar and selected sandwiches and desserts. Standard beverages are also served, along with beer and wine where permitted by local laws. The Company believes that the quality of its food compares favorably with that of its competitors.

The majority of food, beverages and other supplies used in the Company-operated restaurants is currently distributed under a system-wide agreement with a major food distributor. The Company believes that this distribution system creates certain cost and operational efficiencies for the Company.

Marketing

The primary customer base for the Company's restaurants consists of families having children between 2 and 12 years old. The Company runs advertising campaigns which target families with young children and features the family entertainment experiences available at Chuck E. Cheese's restaurants, and is primarily aimed at increasing the frequency of return visits. The primary advertising medium continues to be television, due to its broad access to family audiences and its ability to communicate the Chuck E. Cheese's experience. The television advertising campaigns are supplemented by select radio campaigns, promotional offers in newspapers and direct mail advertisements.

Franchising

The Company began franchising its restaurants in October 1981 and the first franchised restaurant opened in June 1982. At March 17, 1995, 101 Chuck E. Cheese's restaurants were operated by a total of 58 different franchisees, as compared to 109 of such restaurants at March 18, 1994. The Company sold four franchises in 1994.

The Company opened a franchise restaurant in Chile during the third quarter of 1994. Opportunities for further international franchise development are being reviewed by the Company.

The Chuck E. Cheese's standard franchise agreements grant to the franchisee the right to develop and operate a restaurant and use the associated trademarks within the standards and guidelines established by the Company. The franchise agreement presently offered by the Company has an initial term of 15 years and includes a 15-year renewal option. The earliest expiration dates of outstanding Chuck E. Cheese's franchises are in 1997.

The franchise agreements governing existing franchised Chuck E. Cheese's restaurants currently require each franchisee to pay: (i) to the Company, in addition to an initial franchise fee of \$50,000, a continuing monthly royalty fee equal to 3.8% of gross sales; (ii) to the Advertising Fund [an independent fund established and managed by an association of the Company and its franchisees to pay costs of system-wide advertising (the "Association")] an amount equal to 0.9% of gross sales; and (iii) to the Entertainment Fund (an independent fund established and managed by such Association to further develop and improve entertainment attractions) an amount equal to 0.4% of gross sales. The Chuck E. Cheese's franchise agreements also require franchisees to expend at least 3% of gross sales for local advertising. Under the Chuck E. Cheese's franchise agreements, the Company is required, with respect to Company-operated restaurants, to spend for local advertising and to contribute to the Advertising Fund and the Entertainment Fund at the same rates as franchisees.

Competition

The restaurant and entertainment industries are highly competitive, with a number of major national and regional chains being engaged in the pizza restaurant or entertainment business. Although there are few other restaurant chains presently utilizing the concept of combining robotic characters and restaurant operations, there are several competitors presently combining family entertainment and restaurant operations. The Company believes that it will continue to encounter competition in the future. Major national and regional chains, some of which have capital resources as great or greater than the Company, are expanding into the family restaurant and entertainment markets.

The Company believes that the principal competitive factors affecting Chuck E. Cheese's restaurants are the relative quality of food and service, quality and variety of offered entertainment, and location and attractiveness of the restaurants as compared to its competitors in the restaurant or entertainment industries.

Monterey's Tex-Mex Cafe Restaurants

The Company, through its wholly owned subsidiary BAC, operated 27 Monterey's Tex-Mex Cafe restaurants. Effective May 5, 1994, the Company sold its Monterey's Tex-Mex Cafe restaurants for an aggregate purchase price consisting of approximately \$6.7 million in cash, \$4.7 million in subordinated promissory notes and the retention of a 12 1/2% equity interest in the acquiring company.

Trademarks

The Company owns various trademarks, including "Chuck E. Cheese" and "ShowBiz Pizza" that are used in connection with the restaurants and have been registered with the United States Patent and Trademark Office. The duration of such trademarks is unlimited, subject to continued use. The Company believes that it holds the necessary rights for protection of the marks essential to the conduct of their present restaurant operations.

Government Regulation

The development and operation of Chuck E. Cheese's restaurants are subject to various federal, state and local laws and regulations, including but not limited to those that impose restrictions, levy a fee or tax, or require a permit or license on the service of alcoholic beverages and the operation of games and rides. The Company is subject to the Fair Labor Standards Act, the Americans With Disabilities Act, and family leave mandates. A significant portion of the Company's restaurant personnel are paid at rates related to the minimum wage established by federal and state law. Increases in such minimum wage result in higher labor costs to the Company, which may be partially offset by price increases and operational efficiencies.

If certain mandated health care legislation is passed, it could negatively impact the business community by increasing costs. The Company would attempt to minimize the impact of increased costs by operational efficiency improvements and increased menu prices as permitted within the competitive market.

Working Capital Practices

The Company attempts to maintain only sufficient inventory of supplies in the restaurants which it operates to satisfy current operational needs. The Company's accounts receivable consist primarily of credit card receivables, franchise royalties, management fees and advances to managed properties.

Employees

The number of persons employed by the Company varies seasonally, with the greatest number being employed during the summer months. On March 17, 1995, the Company had approximately 13,500 employees, including 13,325 in the operation of Chuck E. Cheese's restaurants and 175 employed by the Company in the Company's executive offices. None of the Company's employees is a member of any union or collective bargaining group. The Company considers its employee relations to be good.

Item 2. Properties

The following table sets forth certain information regarding the

Chuck E. Cheese's restaurants operated by the Company (excluding six restaurants managed by the Company for others) as of March 17, 1995.

State -----	Chuck E. Cheese's -----
Alabama	5
Arkansas	2
California	47
Colorado	4
Connecticut	5
Florida	15
Georgia	7
Illinois	14
Indiana	7
Kansas	1
Kentucky	1
Louisiana	4
Maryland	10
Massachusetts	10
Michigan	11
Missouri	7
Nevada	1
Nebraska	2
New Hampshire	2
New Jersey	9
New York	5
North Carolina	2
Ohio	11
Pennsylvania	7
Tennessee	2
Texas	24
Virginia	3
Wisconsin	3

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Of the 227 Chuck E. Cheese's restaurants operated by the Company as of March 17, 1995, 212 were leased by the Company and 15 were owned by the Company. The leases of these restaurants will expire at various times from 1995 to 2009, as described in the table below.

Year of Expiration -----	Number of Restaurants -----	Range of Renewal Options (Years) -----
1995	10	None to 10
1996	14	None to 20
1997	27	None to 20
1998	23	None to 20
1999 and thereafter	138	None to 20

The leases of Chuck E. Cheese's restaurants contain terms which vary from lease to lease, although a typical lease provides for a primary term of 10 years, with two additional five-year options to renew, and provides for annual minimum rent payments of approximately \$6.00 to \$22.00 per square foot, subject to periodic adjustment. Most of the restaurant leases require the Company to pay the cost of repairs, insurance and real estate taxes and, in most instances, provide for additional rent equal to the amount by which a percentage (typically 6%) of gross revenues exceeds the minimum rent.

Item 3. Legal Proceedings.

In December 1991, the Company, The Hallwood Group Incorporated, ("Hallwood"), Integra-A Hotel and Restaurant Company ("Integra"), and their individual directors were named defendants in two

separate but related lawsuits brought in the 14th and 134th District Courts of Dallas County, Texas. In April 1993, the Company and its two directors who are also employees of the Company, were dismissed as defendants in the lawsuit brought in the 134th District Court by an Integra common stockholder. Integra owned approximately 90% of the outstanding Common Stock of the Company prior to Integra's distribution of such Common Stock in December 1988 (the "1988 Distribution") to its shareholders of record. The plaintiffs in the remaining lawsuit constitute certain holders of warrants, options and preferred stock of Integra who seek to serve as representatives of proposed classes of other holders of such securities. The plaintiffs allege that the Company has (i) violated Texas statutes related to securities fraud and the fraudulent transfer of assets, (ii) committed common law fraud, and (iii) breached fiduciary and other duties to the plaintiffs. As amended, this suit seeks rescission of the 1988 distribution actual damages in excess of \$184 million, and punitive damages in excess of \$500 million. To date, no class has been certified as against the Company. The case is set for trial on May 1, 1995. The Company believes that the claims made against it in this suit are without merit and intends to vigorously defend this lawsuit. However, the Company is actively pursuing negotiations for settlement of the lawsuit.

In May 1994, Hermitage Hotel, Ltd., L. P., filed a lawsuit against the Company, Hallwood and certain directors of the Company in the 101st District Court of Dallas County, Texas. The lawsuit seeks recovery on behalf of plaintiff under theories of successor liability, tortious interference with contract, fraud, negligent representation and breach of contract. The plaintiff is seeking approximately \$10.2 million in actual damages, \$30 million in exemplary damages, attorneys' fees and court costs. The Company believes that the claims made against it in this suit are without merit and intends to vigorously defend this lawsuit. However, the Company is actively pursuing negotiations for settlement of the lawsuit.

In June 1993, the Company was named as a nominal defendant in a shareholders' derivative action in the 68th Judicial District Court in Dallas County, Texas in which three of the Company's executive officers, four of the Company's outside directors and Hallwood were named defendants. The plaintiffs in this lawsuit have alleged the individual defendants (i) breached their fiduciary duties to stockholders, (ii) committed constructive fraud and (iii) unjustly enriched themselves as a result of alleged violations of federal securities laws and illegal insider trading between July 13, 1992 and June 11, 1993. The Company does not believe that this action will result in any significant damages to the Company.

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In July 1993, the Company was named a defendant in a lawsuit brought in the Circuit Court for Davidson County, Nashville, Tennessee by Third National Bank in Nashville, as Trustee pursuant to a municipal bond issuance of \$6.4 million made in 1980, for which Integra executed a guaranty. The plaintiff has alleged that Integra's guaranty of the municipal bond issuance was binding on successors of Integra and that the Company is the legal successor to Integra. The plaintiff is seeking to recover a judgement against the Company in the full amount of its claim against Integra, which is unspecified, as well as attorneys' fees and costs. In April 1994, the court dismissed the plaintiff's complaint for failure to state a claim upon which relief can be granted. Plaintiff has appealed the dismissal to the 6th Circuit Court of Appeals. The Company believes the allegations made in this suit to be without merit and will offer a vigorous defense in this lawsuit.

In January 1994, the Company was named a defendant in a lawsuit brought in the Supreme Court of the State of New York, County of Queens, by Big Six Towers, Inc., in its purported capacity as a landlord to the Company with regard to a restaurant/entertainment center location in Queens County, New York which the Company had contracted to lease from the plaintiff. The plaintiff has alleged that the Company has breached the lease and is seeking total

damages in excess of \$4.0 million against the Company. The Company believes it validly terminated the lease in question pursuant to an agreement with the plaintiff and believes the allegations made in this suit to be without merit and therefore intends to vigorously defend this lawsuit.

Certain other pending legal proceedings exist against the Company which the Company believes are not material in amount or have arisen in the ordinary course of its business.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of 1994.

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P A R T I I

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

As of March 17, 1995, there were an aggregate of 12,275,177 shares of the Company's Common Stock outstanding and approximately 5,489 stockholders of record.

The Company's Common Stock is listed on the National Market System of the National Association of Securities Dealers Automated Quotation ("NASDAQ") system under the symbol "SHBZ". The following table sets forth the highest and lowest prices per share of the Common Stock during each quarterly period within the two most recent years, as reported on the National Market System of NASDAQ:

		High -----	Low -----
1994	- 1st quarter	\$15 1/4	\$ 11 3/4
----	- 2nd quarter	14	9 1/4
	- 3rd quarter	11 1/4	7 1/4
	- 4th quarter	9 1/8	7 1/4
1993	- 1st quarter	35 1/2	25 1/2
----	- 2nd quarter	34 1/2	16
	- 3rd quarter	17 1/2	12 1/4
	- 4th quarter	15	12 1/2

The Company may not pay any dividends to holders of its Common Stock (except in shares of Common Stock) unless an amount equal to all dividends then accrued on its Class A Preferred Stock par value \$60.00 per share ("the Preferred Stock") has been paid or set aside to be paid. A dividend to holders of record of Preferred Stock as of December 28, 1994 in the amount of \$1.20 per share will be paid on March 28, 1995. The Company also may not pay any dividend or make any other distribution on its Common Stock (except in shares of Common Stock or rights to acquire capital stock of the Company) so long as any amount is outstanding under the terms of its revolving loan agreement.

The Company has not paid any dividends on its Common Stock, has no present intention of paying cash dividends thereon in the future and is currently restricted from paying cash dividends

under the terms of its current revolving loan agreement. The Company plans to retain any earnings to finance anticipated capital expenditures and reduce its long-term debt. Future dividend policy with respect to the Common Stock will be determined by the Board of Directors of the Company, taking into consideration factors such as future earnings, capital requirements, potential loan agreement restrictions and the financial condition of the Company.

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Item 6. Selected Financial Data.

	1994 -----	1993 -----	1992 -----	1991 -----	1990 -----
	(Thousands, except per share data)				
Operating results (1):					
Revenues	\$267,827	\$271,998	\$253,124	\$208,118	\$181,558
Costs and expenses . .	263,541	253,300	226,686	187,295	164,305
	-----	-----	-----	-----	-----
Operating income . .	4,286	18,698	26,438	20,823	17,253
Other income (expenses)	(1,173)	(451)	(1,188)	(1,890)	(3,354)
	-----	-----	-----	-----	-----
Income before income taxes . .	3,113	18,247	25,250	18,933	13,899
Income taxes:					
Current expense . . .	869	1,751	1,161	1,050	678
Deferred expense . .	1,568	4,605	8,586	6,285	4,769
	-----	-----	-----	-----	-----
	2,437	6,356	9,747	7,335	5,447
	-----	-----	-----	-----	-----
Net income	\$ 676	\$ 11,891	\$ 15,503	\$ 11,598	\$ 8,452
	=====	=====	=====	=====	=====
Per Share (2):					
Primary:					
Net income . . \$	.03	\$.86	\$ 1.11	\$.82	\$.61
Weighted average shares outstanding . .	12,127	13,455	13,662	13,700	13,254
Fully diluted:					
Net income . . \$	.03	\$.86	\$ 1.11	\$.82	\$.61
Weighted average shares outstanding . .	12,127	13,464	13,713	13,728	13,367
Cash flow data:					
Cash provided by					
operations . . . \$	30,819	\$ 44,905	\$ 44,246	\$ 36,097	\$ 29,884
Purchases of property and equipment . .	29,421	44,600	33,903	25,088	21,471
Balance sheet data:					
Total assets . . . \$	188,308	\$193,649	\$173,217	\$158,563	\$146,435
Long-term obligations (including current portion and redeemable preferred stock)	33,223	29,816	17,743	21,360	26,929
Shareholders' equity	125,515	136,647	132,167	115,500	99,973
Number of restaurants at year end:					
Chuck E. Cheese's:					
Company operated .	226	215	182	159	144
Franchise	106	110	113	113	123
	-----	-----	-----	-----	-----
	332	325	295	272	267
Monterey's Tex-Mex Cafe's	-----	-----	-----	-----	-----
	27	28	27	27	27
	-----	-----	-----	-----	-----

(1) Fiscal year 1992 was 53 weeks in length while fiscal years 1994, 1993, 1991, and 1990 were 52 weeks in length.

(2) No cash dividends on common stock were paid in any of the years presented.

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

Results of Operations

1994 Compared to 1993

Revenues declined 1.5% to \$267.8 million in 1994 from \$272.0 million in 1993 due to the sale of the Company's Monterey's Tex-Mex Cafe restaurants effective May 5, 1994. Revenue generated by the Company's Chuck E. Cheese's restaurants increased by 3.4% to \$261.6 million in 1994 from \$253.0 million in 1993 due to the net addition of 11 Company restaurants in 1994 and 33 Company restaurants in 1993. Sales from the Company's Chuck E. Cheese's restaurants which were open during all of 1994 and 1993 ("comparable store sales") declined 5.8% between the years. Revenues from the Company's Monterey's Tex-Mex Cafe restaurants declined to \$6.2 million in 1994 from \$19.0 million in 1993 due to the sale of the Monterey's restaurants mentioned above.

Operating income decreased to \$4.3 million in 1994 from \$18.7 million in 1993. Included in operating income for 1994 is a gain of \$5.5 million related to the sale of the Company's Monterey's Tex-Mex Cafe restaurants and a \$2.3 million loss associated with the impairment in fair value of certain Chuck E. Cheese's restaurants. Operating income in 1994 was also reduced by approximately \$900,000 due to a write-off of all unamortized preopening expenses resulting from a change in the estimated future benefit of such expenses. The decline in operating income is primarily due to the decline in comparable store sales and operating margins in the Company's Chuck E. Cheese's restaurants. A material portion of operating costs are fixed resulting in an erosion of operating margins at lower sales levels.

A summary of the results of operations of the Company as a percentage of revenues for the last three fiscal years is shown below.

	1994	1993	1992
	-----	-----	-----
Revenues	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of sales	51.4%	50.5%	49.5%
Selling, general and administrative	17.7%	15.5%	15.7%
Depreciation and amortization . . .	9.7%	8.5%	7.6%
(Gain) loss on property transactions.	(1.0%)	0.2%	0.3%
Other operating expenses	20.6%	18.4%	16.5%
	-----	-----	-----
	98.4%	93.1%	89.6%
	-----	-----	-----
Operating income	1.6%	6.9%	10.4%
	=====	=====	=====

Revenues

Revenues from the Company's Chuck E. Cheese's restaurants increased

by 3.4% to \$261.6 million in 1994 from \$253.0 million in 1993 due to sales from new restaurants opened throughout 1994 and 1993. Comparable store sales of Chuck E. Cheese's restaurants which were open during all of both 1994 and 1993 declined by 5.8% between the years. Average annual sales per restaurant decreased to approximately \$1,206,000 in 1994. Menu prices were comparable between the two years.

Management believes that several factors may have contributed to the comparable store sales decline, including increased competition and to a lesser extent, a decrease in the number of restaurants remodeled since 1992 and the impact of newly opened restaurants on comparable store sales of existing restaurants in certain markets. Some of the factors impacting comparable store sales are believed to be negatively impacting sales volumes of newer restaurants opened since 1990. During 1994, the average sales volume of the 70 new Chuck E. Cheese's restaurants opened in 1991 through 1993 was 3.0% lower than the average sales volume of existing restaurants during the same period.

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Revenues from franchise fees and royalties decreased by 5.6% from 1993 to 1994 primarily due to a 6.4% decline in comparable franchise store sales for restaurants open all of 1994 and 1993, and a decline in the number of restaurants operated each year. During 1994, two new franchise restaurants opened and six franchise restaurants closed.

Revenues from Monterey's Tex-Mex Cafe restaurants were \$6.2 million in 1994 compared to \$19.0 million in 1993 due to the sale of the Company's Monterey's Tex-Mex Cafe restaurants effective May 5, 1994.

Costs and Expenses

Costs and expenses as a percentage of revenues increased to 98.4% in 1994 from 93.1% in 1993.

Cost of sales increased as a percentage of revenues to 51.4% in 1994 from 50.5% in 1993. Cost of food, beverage, prize and merchandise items for Chuck E. Cheese's restaurants as a percentage of restaurant sales increased to 18.2% in 1994 from 18.0% in 1993 primarily due to increases in cheese costs and in costs relating to the enhancement of certain prize and merchandise items. Labor expenses for Chuck E. Cheese's restaurants as a percentage of restaurant sales increased to 30.0% in 1994 from 29.0% in 1993 primarily due to the decline in comparable store sales and enhancements in services provided to guests, including child security.

Selling, general and administrative expenses as a percentage of revenues increased to 17.7% in 1994 from 15.5% in 1993 due primarily to increased advertising expense as a percentage of revenues. Corporate overhead costs were impacted by an increase of approximately \$1.2 million primarily during the first three quarters of 1994 as a result of increasing the number of operational regional and district managers. Overhead costs were also impacted in 1994 by an allowance for potential legal settlements.

Depreciation and amortization expense as a percentage of revenues increased to 9.7% in 1994 from 8.5% in 1993 primarily due to a write-off of all unamortized preopening expenses of approximately \$900,000 resulting from a change in the estimated future benefit of such expenses, the higher depreciation and amortization expense of new restaurants relative to older restaurants and the decline in comparable store sales.

The Company had a net gain on property transactions of \$2.6 million in 1994 compared to a loss on property transactions of \$675,000 in 1993. The Company recognized a gain of \$5.5 million from the sale of its Monterey's Tex-Mex Cafe restaurants effective May 5, 1994. The gain was partially offset by a loss of approximately \$2.3 million in 1994. The loss was a result of the Company's decision to close one Chuck E. Cheese's restaurant and the impairment in fair value of the fixed assets of ten Chuck E. Cheese's restaurants due to the Company's decision not to renew the leases as a result of the deterioration of

site characteristics or the inability to renew the leases at acceptable rental terms. The Company will consider possible relocation of some of the restaurants. The Company provided for an additional loss on property transactions of approximately \$597,000 in 1994 compared to \$675,000 in 1993 due to the replacement of certain assets in conjunction with the enhancement of facilities and entertainment packages of restaurants.

Other operating expenses increased as a percentage of revenues to 20.6% in 1994 from 18.4% in 1993 primarily due to increased rent, utility and property tax expenses as a percentage of revenues and the decline in comparable store sales.

Operating Income

As a result of the changes in revenues and expenses discussed above, operating income declined to \$4.3 million in 1994 from \$18.7 million in 1993. Included in operating income are the operations of Monterey's Tex-Mex Cafe restaurants through May 5, 1994. Operating income in 1994 for Monterey's Tex-Mex Cafe restaurants was \$6.0 million, including a gain on property transactions of \$5.5 million, compared to operating income of \$652,000 in 1993.

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Net Income

Interest expense increased to \$1.9 million in 1994 from \$797,000 in 1993 due primarily to an increase in long-term debt of \$18.5 million since the third quarter of 1993 primarily to fund the Company's repurchase of its common stock and an increase in interest rates. In the fourth quarter of 1994, the Company established an allowance of approximately \$1.1 million related to deferred tax credit carryforwards which are estimated to expire in 1997. Income tax expense was increased by approximately \$1.1 million as a result of this allowance. In the third quarter of 1993, income tax expense was reduced approximately \$971,000 primarily due to a non-recurring tax gain resulting from the increased valuation of the Company's deferred tax asset due to an increase in federal corporate income tax rates enacted in 1993. The Company's net income decreased to \$676,000 in 1994 from \$11.9 million in 1993 due to the changes in revenues and expenses as discussed above. The Company's primary and fully diluted earnings per share decreased to \$.03 per share in 1994 from \$.86 per share in 1993.

1993 Compared to 1992

Revenues increased 7.5% to \$272.0 million in 1993 from \$253.1 million in 1992. Revenue generated by the Company's Chuck E. Cheese's restaurants increased by 8.1% to \$253.0 million in 1993 from \$234.0 million in 1992 due to the net addition of 33 Company restaurants in 1993 and 23 Company restaurants in 1992. Sales from the Company's Chuck E. Cheese's restaurants which were open during all of 1993 and 1992 declined 5.3% between the years. Revenues from the Company's Monterey's Tex-Mex Cafe restaurants declined slightly to \$19.0 million in 1993 from \$19.1 million in 1992 primarily due to a decline in comparable store sales of .6% between the years. Fiscal years 1993 and 1992 consisted of 52 and 53 weeks, respectively.

Operating income decreased to \$18.7 million in 1993 from \$26.4 million in 1992 due primarily to declines in comparable store sales and operating margins in both restaurant concepts. A material portion of operating costs are fixed resulting in an erosion of operating margins at lower sales levels.

Chuck E. Cheese's Restaurants

Revenues

Revenues from the Company's Chuck E. Cheese's restaurants increased by 8.1% to \$253.0 million in 1993 from \$234.0 million in 1992 due to sales from new restaurants opened throughout 1993 and 1992. Comparable

store sales of Chuck E. Cheese's restaurants which were open during all of both 1993 and 1992 declined by 5.3% between the years. Average annual sales per restaurant decreased to approximately \$1,259,000 in 1993. Menu prices were increased approximately 1.1% between the two years.

Management believes that several factors may have contributed to the comparable store sales decline, including generally severe winter weather and a March snowstorm which caused the brief closing of numerous restaurants, ineffective advertising and the decrease in number and apparent effectiveness of restaurants remodeled during 1992 and 1993. Other factors that management believes contributed to the decline in comparable store sales include increased competition and the impact of newly opened restaurants on comparable store sales of existing restaurants in certain markets. Some of the factors impacting comparable store sales are believed to be negatively impacting sales volumes of newer restaurants opened since 1988. New restaurants opened from 1988 through 1992 averaged approximately \$1,341,000 in sales during 1993, which is slightly in excess of the sales volume of the average Company restaurant. This compares to the prior year in which new restaurants had sales volumes significantly higher than the average Company restaurant.

Revenues from franchise fees and royalties decreased by 11.1% from 1992 to 1993 primarily due to 52 weeks of revenue in 1993 compared to 53 weeks of revenue in 1992, a 1.0% decline in comparable franchise store sales for restaurants open all of 1993 and 1992, and a decline in the number of franchise restaurants operated each year. During 1993, the Company purchased two franchise restaurants, one new franchise restaurant opened and two franchise restaurants closed.

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Costs and Expenses

Costs and expenses as a percentage of revenues increased to 92.9% in 1993 from 89.1% in 1992.

Cost of sales increased as a percentage of revenues to 49.7% in 1993 from 48.5% in 1992. Cost of food, beverage, prize and merchandise items as a percentage of restaurant sales remained constant at 18.0% in both 1993 and 1992. Labor expenses as a percentage of restaurant sales increased slightly to 29.0% in 1993 from 28.0% in 1992 primarily due to the decline in comparable store sales.

Selling, general and administrative expenses as a percentage of revenues declined to 15.6% in 1993 from 15.9% in 1992 due primarily to a decrease in management bonus expense and other corporate overhead expenses as a percentage of revenues which was partially offset by an increase in advertising expense as a percentage of revenues.

Depreciation and amortization expense as a percentage of revenues increased to 8.5% in 1993 from 7.6% in 1992 primarily due to the higher depreciation and amortization expense of new restaurants relative to older restaurants and the decline in comparable store sales.

Other operating expenses increased as a percentage of revenues to 18.9% in 1993 from 16.9% in 1992 primarily due to increased rent, utility and insurance expenses as a percentage of revenues and the decline in comparable store sales.

The Company provided for a loss on property transactions of \$585,000 in 1993 compared to \$654,000 in 1992 primarily due to closing three restaurants in 1993 and to the replacement of certain assets in conjunction with the remodeling of restaurants.

Operating Income

As a result of the changes in revenues and expenses discussed above, operating income decreased to \$18.0 million in 1993 from \$25.4 million in 1992.

Monterey's Tex-Mex Cafe Restaurants

Revenues

Revenues decreased to \$19.0 million in 1993 from \$19.1 million in 1992 due primarily to a .6% decline in comparable store sales between the two years. One restaurant was opened in the third quarter of 1992 and was subsequently sold in the fourth quarter of 1993. Menu prices were increased approximately 2.0% between the periods.

Costs and Expenses

Costs and expenses increased as a percentage of revenues to 96.6% in 1993 from 94.5% in 1992.

Cost of sales declined slightly to 61.3% in 1993 from 61.8% in 1992. The cost of food and beverage items as a percentage of restaurant sales decreased slightly to 27.4% in 1993 compared to 27.7% in 1992 due primarily to lower food prices on certain items resulting from a change in food distributors in the third quarter of 1992 and the increase in menu prices implemented in the second quarter of 1993. These factors were slightly offset by a change in product ingredients which was implemented in the third quarter of 1992. Labor expenses as a percentage of restaurant sales increased slightly to 31.7% in 1993 from 31.6% in 1992 primarily as a result of the decline in comparable store sales.

Selling, general and administrative expenses as a percentage of revenues increased to 14.1% in 1993 from 13.6% in 1992 primarily due to an increase in advertising expense and in corporate overhead expenses including an increase in research and development costs.

Other operating expenses increased as a percentage of revenues to 12.5% in 1993 from 11.3% in 1992 primarily due to an increase in rent and utility expenses as a percentage of revenues and the decline in comparable store sales.

The Company provided for a loss on property transactions of \$90,000 from the sale of one restaurant in the fourth quarter of 1993.

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Operating Income

Operating income declined to \$652,000 in 1993 from \$1,049,000 in 1992 as a result of the changes in revenues and expenses discussed above.

Consolidated Income

Interest expense declined to \$797,000 in 1993 from \$1.5 million in 1992 due primarily to reductions in long-term debt of \$1.8 million in the first three quarters of 1993 and \$4.6 million in 1992 and reduced interest rates between the years. Income taxes were decreased approximately \$971,000 in the third quarter of 1993 due to a non-recurring tax gain resulting from the increased valuation of the Company's deferred tax asset due to an increase in federal corporate income tax rates enacted in 1993. The Company's net income decreased to \$11.9 million in 1993 from \$15.5 million in 1992 due to the changes in revenues and expenses as discussed above. The Company's primary and fully diluted earnings per share decreased to \$.86 per share in 1993 from \$1.11 per share in 1992.

Inflation

The Company's costs of operations, including but not limited to, labor, supplies, utilities, financing and rental costs, are significantly affected by inflationary factors. The Company pays most of its part-time employees rates that are related to federal and state mandated minimum wage requirements. Increases in any such costs would result in higher costs to the Company, which the Company expects would

be partially offset by menu price increases and increased efficiencies in operations.

Financial Condition, Liquidity and Capital Resources

Cash provided by operations declined to \$30.8 million in 1994 from \$44.9 million in 1993. The Company's primary requirements for cash relate to planned capital expenditures and debt service. During 1994, the Company made approximately \$29.4 million in capital expenditures primarily related to the opening of 12 new Chuck E. Cheese's restaurants and the enhancement of facilities and entertainment packages at 27 restaurants, including 22 restaurants completed under the "repositioning" program described below.

The Company previously announced that it planned to repurchase shares of the Company's common stock at an aggregate purchase price of up to \$30 million. As of December 30, 1994, the Company had repurchased shares of its common stock in the open market for an aggregate purchase price of approximately \$24.9 million. The Company has purchased treasury shares up to the limit permitted under its revolving loan agreement and intends to use its future cash flow for the enhancement of existing facility and entertainment packages and new store development. The ability of the Company to satisfy its capital expenditure and debt service requirements depends on the availability of sufficient funds for such purpose. The Company expects that it will satisfy such requirements from cash provided by operations and funds available under its revolving loan agreement or from refinancing.

In 1994, the Company's revolving loan agreement was amended to provide a credit facility of up to \$30.8 million due on January 31, 1996. Beginning July 1, 1995, available borrowings under the credit line reduce each month to \$18.3 million by January 1, 1996. Available borrowings are reduced by outstanding letters of credit which totaled \$1.5 million at December 30, 1994. The Company is required to comply with certain financial ratio tests during the term of the revolving loan agreement. The Company is currently considering refinancing alternatives and believes it will complete such refinancing prior to the maturity of its current credit facility. If the Company is unable to complete such refinancing, it would impair the Company's ability to fully execute its capital expenditure enhancement plans.

The Company believes that the success of its facility and enhancement program in addition to new restaurant development will continue to be significant factors in its ability to generate increased revenues over the foreseeable future. The Company continues to evolve and expand its efforts to significantly enhance its Chuck E. Cheese's locations. This "repositioning" program is being carried out on a market by market basis and involves: an improved exterior identity, a facility upgrade, an expanded free ball-crawl with tubes and tunnels suspended from or reaching to the ceiling, and an enhancement of the variety and number of games and rides offered to its guests. The Company has completed 22 restaurants under this program in 1994. Although the Company has had limited time to evaluate the results of these 22 repositioned restaurants, average sales of these restaurants for the periods following their repositioning have increased over 12% compared to the same periods of the previous year. Sales in these restaurants during the three months immediately prior to their repositioning averaged 6% less than the sales during the comparable three month periods of the prior year resulting in an improvement in sales trends of approximately 18%. Based on the early sales results of these repositioned restaurants, the Company currently intends to reposition approximately 140 additional Chuck E. Cheese's restaurants by the end of 1996. The Company anticipates that the repositioning of the remaining restaurants will cost on the average approximately \$300,000 per restaurant. However, this amount can vary significantly at a particular restaurant depending on several factors, including the restaurant's square footage, date of most recent remodel and the existing assets of the restaurant. The Company plans to open two to three new Chuck E. Cheese's restaurants

in 1995. In the event certain site characteristics considered essential for the success of a restaurant deteriorate, the Company will consider closing the restaurant or relocating the restaurant to a more desirable site.

The Company is implementing several strategies designed to strengthen the sales vitality of its existing restaurant base in what management believes is a competitive market. The Company appointed a new advertising agency during the fourth quarter of 1993; the Company has accelerated its commitment of capital to existing stores; and the Company is limiting its 1995 new restaurant development to ensure that the sales vitality of the Company's existing restaurant base and new restaurant growth are both given appropriate priority. The Company believes that certain operating costs will increase as a result of implementing these strategies designed to strengthen existing restaurant sales. If the declines in comparable store sales of the Company's Chuck E. Cheese's restaurants experienced in 1994 and 1993 continue to be experienced over a longer term, an adverse impact on the Company's operating margins and results of operations could continue.

The Company is involved in a number of lawsuits. The Company presently believes that it will continue to incur expense to defend against and resolve such litigation, and anticipates that it will satisfy such expense with cash flow from operations.

The Company believes it will realize substantial benefit from utilization of approximately \$74 million in net operating loss carryforwards to reduce federal income tax liability. Such net operating loss carryforwards expire from years 1999 through 2002. Although the use of such carryforwards could, under certain circumstances, be limited, the Company is presently unaware of the occurrence of any event which would result in the imposition of such limitation. The Company has adopted an amendment to its Restated Articles of Incorporation which is intended to prevent changes in ownership of its common stock that would cause such limitation. In addition, the Company has investment tax credit, job tax credit and alternative minimum tax credit carryforwards of approximately \$7 million. The investment tax credit and the job tax credit carryforwards expire in years 1997 through 2002. Tax credit carryforwards can be utilized by the Company only after all net operating loss carryforwards have been realized. At December 30, 1994, the deferred tax asset was reduced approximately \$1.1 million due to an allowance for the estimated expiration of tax credit carryforwards in 1997. If the Company's results of operations continue to decline or fail to timely achieve levels necessary to utilize the net operating loss carryforwards, the investment tax credit and job credit carryforwards and net operating loss carryforwards could expire prior to utilization, resulting in a charge against income.

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Item 8. Financial Statements and Supplementary Data

SHOWBIZ PIZZA TIME, INC.
YEARS ENDED DECEMBER 30, 1994, DECEMBER 31, 1993
AND JANUARY 1, 1993

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
ShowBiz Pizza Time, Inc.
Irving, Texas

We have audited the accompanying consolidated balance sheets of ShowBiz Pizza Time, Inc. and subsidiary as of December 30, 1994 and December 31, 1993 and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years (52 or 53 weeks) in the period ended December 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ShowBiz Pizza Time, Inc. and subsidiary as of December 30, 1994 and December 31, 1993 and the results of their operations and their cash flows for each of the three years in the period ended December 30, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for preopening costs in 1994.

DELOITTE & TOUCHE LLP

Dallas, Texas
March 3, 1995

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SHOWBIZ PIZZA TIME, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 30, 1994 AND DECEMBER 31, 1993
(Thousands, except share data)
ASSETS

December 30,	December 31,
1994	1993
-----	-----

Current assets:

Cash and cash equivalents	\$ 2,381	\$ 4,511
Accounts receivable, including receivables from related parties of \$416 and \$309, respectively	3,361	3,694
Current portion of notes receivable, including receivables from related parties of \$300 and \$368, respectively	529	521
Inventories	3,107	2,909
Prepaid expenses	2,900	2,771
Current portion of deferred tax asset . . .	3,583	6,013
	-----	-----
Total current assets	15,861	20,419
	-----	-----
Investments in related parties	699	237
	-----	-----
Property and equipment	130,190	133,007
	-----	-----
Deferred tax asset	29,414	29,479
	-----	-----
Other assets:		
Notes receivable, less current portion, including receivables from related parties of \$1,708 and \$1,676, respectively	6,705	2,886
Deferred charges, less amortization	2,083	4,357
Other	3,356	3,264
	-----	-----
	12,144	10,507
	-----	-----
	\$ 188,308	\$ 193,649
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ 10,060	\$ 51
Accounts payable and accrued liabilities	26,545	24,762
	-----	-----
Total current liabilities	36,605	24,813
	-----	-----
Long-term debt, less current portion	19,947	26,846
	-----	-----
Deferred credits	3,025	2,424
	-----	-----
Other liabilities	1,314	1,120
	-----	-----
Commitments and contingencies		
Redeemable preferred stock, \$60 par value, redeemable for \$2,974 in 2005	1,902	1,799
	-----	-----
Shareholders' equity:		
Common stock, \$.10 par value; authorized 30,000,000 shares; 14,337,235 and 14,282,520 shares issued, respectively . . .	1,434	1,428
Capital in excess of par value	156,532	157,226
Retaining earnings	5,012	4,677
Deferred compensation	(7,200)	(9,934)
Less treasury shares of 2,072,784 and 1,045,984, respectively, at cost	(30,263)	(16,750)
	-----	-----
	125,515	136,647
	-----	-----
	\$ 188,308	\$ 193,649
	=====	=====

See notes to consolidated financial statements.

SHOWBIZ PIZZA TIME, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993
(Thousands, except per share data)

	1994 -----	1993 -----	1992 -----
Food and beverage revenues	\$189,257	\$197,090	\$183,798
Games and merchandise revenues	74,331	70,242	64,033
Franchise fees and royalties	4,078	4,321	4,863
Joint venture income	161	345	430
	-----	-----	-----
	267,827	271,998	253,124
	-----	-----	-----
Costs and expenses:			
Cost of sales	137,729	137,343	125,279
Selling, general and administrative expenses, including related party expenses of \$125 in each year	47,263	42,129	39,733
Depreciation and amortization	26,032	23,058	19,249
(Gain) loss on property transactions.	(2,597)	675	654
Other operating expenses.	55,114	50,095	41,771
	-----	-----	-----
	263,541	253,300	226,686
	-----	-----	-----
Operating income	4,286	18,698	26,438
	-----	-----	-----
Other income (expenses):			
Interest income, including related party income of \$209, \$177, and \$219, respectively.	688	346	320
Interest expense, including related party expense of \$99 and \$376, in 1993 and 1992, respectively.	(1,861)	(797)	(1,508)
	-----	-----	-----
	(1,173)	(451)	(1,188)
	-----	-----	-----
Income before income taxes	3,113	18,247	25,250
Income taxes:			
Current expense.	869	1,751	1,161
Deferred expense	1,568	4,605	8,586
	-----	-----	-----
	2,437	6,356	9,747
	-----	-----	-----
Net income	\$ 676	\$ 11,891	\$ 15,503
	=====	=====	=====
Earnings per common and common equivalent share:			
Primary:			
Net income	\$.03	\$.86	\$ 1.11
	=====	=====	=====
Weighted average shares outstanding.	12,127	13,455	13,662
	=====	=====	=====
Fully diluted:			
Net income	\$.03	\$.86	\$ 1.11
	=====	=====	=====
Weighted average shares outstanding.	12,127	13,464	13,713
	=====	=====	=====

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993
(Thousands, except per share data)

Common Stock		Capital in Excess of Par Value	Retained Earnings (Deficit)	Deferred Compen- sation	Treasury Stock	
Shares	Par Value				Shares	Cost
Balances, Dec. 27, 1991.						
12,538	\$ 1,254	\$136,358	\$(22,034)		28	\$ (78)
Net income						
			15,503			
Redeemable preferred stock accretion .. (103)						
Redeemable preferred stock						
dividends, \$4.80 per share. (238)						
Stock options exercised.						
353	35	1,324				
Warrants exercised						
74	8	124				
Stock grant plan						
2		1,040	\$ (999)			
Tax benefit from exercise of stock						
options and stock grants						
			4,436			
Treasury stock acquired.						
					184	(4,733)
Amortization of deferred compensation						
				333		
Stock split costs.						
			(17)			
Cancellation of fractional shares.						
(2)		(46)				

Balances, Jan. 1, 1993						
12,965	1,297	143,219	(6,872)	(666)	212	(4,811)
Net income						
			11,891			
Redeemable preferred stock						
accretion. (104)						
Redeemable preferred stock						
dividends, \$4.80 per share (238)						
Stock options exercised.						
48	5	573				
Warrants exercised						
855	85	1,435				
Stock grant plan						
414	41	12,000	(12,000)			
Tax expense from exercise of stock						
options and stock grants						
			(37)			
Treasury stock acquired.						
					834	(11,939)
Amortization of deferred compensation.						
				2,732		
Stock issued under 401(k) plan						
1		36				

Balances, Dec. 31, 1993.						
14,283	1,428	157,226	4,677	(9,934)	1,046	(16,750)
Net income						
			676			
Redeemable preferred stock accretion . (103)						
Redeemable preferred stock						
dividends, \$4.80 per share. (238)						
Stock options exercised.						
54	6	234				
Tax expense from exercise of stock options						
and stock grants (928)						
Treasury stock acquired.						
					1,027	(13,513)
Amortization of deferred						
compensation						
				2,734		

Balances, Dec. 30, 1994.						

14,337	\$ 1,434	\$156,532	\$ 5,012	\$ (7,200)	2,073	(30,263)
=====	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

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SHOWBIZ PIZZA TIME, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993
(Thousands)

	1994	1993	1992
	-----	-----	-----
<S			
Operating activities:			
Net income	\$ 676	\$11,891	\$15,503
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization . . .	26,032	23,058	19,249
Deferred income taxes	1,568	4,605	8,586
(Gain) loss on property transactions.	(2,597)	675	654
Compensation expense under stock grant plan	2,734	2,756	418
Other	619	399	756
Net change in receivables, inventories, prepaids, payables and accrued liabilities	1,787	1,521	(920)
	-----	-----	-----
Cash provided by operations . . .	30,819	44,905	44,246
	-----	-----	-----
Investing activities:			
Purchases of property and equipment . .	(29,421)	(44,600)	(33,903)
Proceeds from disposition of property and equipment	6,725	250	
Payments received on notes receivable . .	2,992	978	1,041
Additions to notes receivable	(2,169)	(724)	(928)
Change in deferred charges, investments and other assets	(703)	(1,813)	(2,082)
	-----	-----	-----
Cash used in investing activities . .	(22,576)	(45,909)	(35,872)
	-----	-----	-----
Financing activities:			
Proceeds from line of credit	8,535	24,050	16,650
Payments on line of credit	(5,235)	(10,550)	(8,650)
Reduction of debt and capital lease obligations, including payments to related parties of \$1,658 and \$6,447 in 1993 and 1992, respectively	(47)	(1,692)	(12,231)
Redeemable preferred stock dividends . .	(238)	(238)	(238)
Acquisition of treasury stock	(13,513)	(11,939)	(4,733)
Exercise of stock options and warrants, including exercise by a related party of \$1,488 and \$130 in 1993 and 1992, respectively	240	2,098	1,491
Other	(115)	324	80
	-----	-----	-----
Cash used in financing activities	(10,373)	2,053	(7,631)
	-----	-----	-----
Increase in cash and cash equivalents . .	(2,130)	1,049	743
Cash and cash equivalents, beginning of year	4,511	3,462	2,719
	-----	-----	-----
Cash and cash equivalents, end of year . \$	2,381	\$ 4,511	\$ 3,462

See notes to consolidated financial statements.

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993

1. Summary of significant accounting policies:

Operations:

ShowBiz Pizza Time, Inc. (the "Company") operates and franchises family restaurant entertainment centers as Chuck E. Cheese's restaurants, and through BHC Acquisition Corporation ("BAC"), its wholly owned subsidiary, also operated Monterey's Tex-Mex Cafe restaurants. The Monterey's Tex-Mex Cafe restaurants were sold effective May 5, 1994.

Fiscal year:

The Company's fiscal year is 52 or 53 weeks and ends on the Friday nearest December 31. References to 1994, 1993 and 1992 are for the fiscal years ended December 30, 1994, December 31, 1993 and January 1, 1993, respectively. Fiscal year 1992 was 53 weeks in length, while 1994 and 1993 were each 52 weeks in length.

Basis of consolidation:

The consolidated financial statements include the accounts of the Company and BAC. All significant intercompany accounts and transactions have been eliminated.

Cash and cash equivalents:

Cash and cash equivalents of the Company are composed of demand deposits with banks and short-term cash investments with remaining maturities of less than three months from the date of purchase by the Company.

Inventories:

Inventories of food, paper products and supplies are stated at the lower of cost or market on a first-in, first-out basis.

Property and equipment, depreciation and amortization:

Property and equipment are stated at cost. Depreciation and amortization are provided by charges to operations over the estimated useful lives of the assets, or the lease term if less, by the straight-line method.

Deferred charges and related amortization:

Loan costs are deferred and amortized over the term of the respective agreements. Franchise rights are amortized over the remaining life of the franchise agreements. In the fourth quarter of 1994, the Company revised its estimate of the future benefit for preopening expenses. As a result, the Company expensed all unamortized preopening expenses of approximately \$900,000. The Company will now expense all preopening expenses as incurred. Previously, preopening expenses were amortized over a two year period. Other deferred charges are amortized over various periods of up to five years. All amortization is provided by the straight-line method.

Franchise fees and royalties:

The Company recognizes initial franchise fees upon fulfillment of all significant obligations to the franchisee. Royalties from franchisees are accrued as earned.

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SHOWBIZ PIZZA TIME, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 YEARS ENDED DECEMBER 30, 1994,
 DECEMBER 31, 1993 AND JANUARY 1, 1993

2. Significant transactions:

Effective May 5, 1994, the Company sold its Monterey's Tex-Mex Cafe restaurants for an aggregate purchase price consisting of approximately \$6.7 million in cash, \$4.7 million in subordinated promissory notes and the retention of a 12 1/2% equity interest in the acquiring company. Due to the Company's substantial equity interest, the acquiring company is a related party subsequent to the transaction. Revenues from the Company's Monterey's Tex-Mex Cafe restaurants were \$6.2 million in 1994. Operating income was \$6.0 million in 1994. Operating income includes a gain of \$5.5 million from the sale.

The Company provided for a loss of approximately \$2.3 million in 1994 as a result of the Company's decision to close one Chuck E. Cheese's restaurant and the impairment in fair value of the fixed assets of ten Chuck E. Cheese's restaurants. The impairment in fair value of the ten restaurants is due to the Company's decision not to renew the leases as a result of the deterioration of site characteristics or the inability to renew the leases at acceptable rental terms.

3. Accounts receivable:

	1994	1993
	-----	-----
	(thousands)	
Trade	\$ 382	\$ 309
Other	3,454	3,651
	-----	-----
	3,836	3,960
Less allowance for doubtful collection	(475)	(266)
	-----	-----
	\$ 3,361	\$ 3,694
	=====	=====

4. Notes receivable:

The Company's notes receivable at December 30, 1994 and December 31, 1993 arose principally as a result of the sale of restaurants, advances to franchisees, joint ventures and managed properties and lines of credit established with the International Association of ShowBiz Pizza Time Restaurants, Inc., a related party (Note 19). The notes have various terms, but most are payable in monthly installments of principal and interest through 2000, with interest rates ranging from 8.5% to 13.5%. Substantially all notes are collateralized by the related property and equipment. Balances of notes receivable are net of an allowance for doubtful collection of \$139,000 at December 30, 1994. There was no allowance at December 31, 1993.

5. Property and equipment:

	Estimated Lives ----- (in years)	1994 ----- (thousands)	1993 ----- (thousands)
Land and improvements	0 - 10	\$ 4,650	\$ 5,538
Leasehold improvements	4 - 15	107,928	109,445
Buildings and improvements	4 - 25	8,789	9,061
Furniture, fixtures and equipment	2 - 10	87,756	80,562
Property leased under capital leases (Note 8)	10 - 15	1,328	1,486
		-----	-----
		210,451	206,092
Less accumulated depreciation and amortization		(81,805)	(77,142)
		-----	-----
		128,646	128,950
Construction in progress		1,544	4,057
		-----	-----
		\$ 130,190	\$ 133,007
		=====	=====

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993

6. Deferred charges:

	1994 ----- (thousands)	1993 ----- (thousands)
Franchise rights	\$ 5,000	\$ 5,000
Loan costs	434	370
Preopening expenses (Note 1)		4,088
Consulting contracts		643
Other	557	563
	-----	-----
	5,991	10,664
Less accumulated amortization	(3,908)	(6,307)
	-----	-----
	\$ 2,083	\$ 4,357
	=====	=====

7. Accounts payable and accrued liabilities:

	1994 ----- (thousands)	1993 ----- (thousands)
Accounts payable	\$ 10,819	\$ 10,683
Salaries and wages	3,990	3,367
Insurance	7,670	6,291
Taxes, other than income	2,528	2,941
Other	1,538	1,480
	-----	-----
	\$ 26,545	\$ 24,762
	=====	=====

8. Leases:

The Company leases certain restaurants and related property and equipment under operating and capital leases. All leases require the Company to pay property taxes, insurance and maintenance of the leased assets. The leases generally have initial terms of seven to 30 years with various renewal options.

Following is a summary of property leased under capital leases:

	1994 ----- (thousands)	1993 -----
Buildings and improvements	\$ 1,328	\$ 1,486
Less accumulated depreciation	(771)	(735)
	----- \$ 557 =====	----- \$ 751 =====

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993

8. Leases (continued):

Scheduled annual maturities of the obligations for capital and operating leases as of December 30, 1994, are:

Years -----	Capital ----- (thousands)	Operating -----
1995	\$ 275	\$ 26,157
1996	292	25,194
1997	292	22,869
1998	256	19,701
1999	184	17,467
2000-2009 (aggregate payments)	1,238	53,259
Minimum future lease payments	----- 2,537	----- \$164,647 =====
Less amounts representing interest	(1,330)	
Present value of future minimum lease payments	----- 1,207	
Less current portion	(60)	
	----- \$ 1,147 =====	

Certain of the Company's real estate leases, both capital and operating, require payment of contingent rent in the event defined revenues exceed specified levels.

The Company's rent expense is comprised of the following:

	1994 -----	1993 -----	1992 -----
		(thousands)	
Minimum	\$28,003	\$25,305	\$20,485
Contingent.	216	185	525
	-----	-----	-----
	\$28,219	\$25,490	\$21,010
	=====	=====	=====

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 30, 1994
DECEMBER 31, 1993 AND JANUARY 1, 1993

9. Long-term debt:

	1994 -----	1993 -----
		(thousands)
Revolving bank loan, due January 1996 . . .	\$ 28,800	\$ 25,500
Obligations under capital leases (Note 8) .	1,207	1,397
	-----	-----
	30,007	26,897
Less current portion.	(10,060)	(51)
	-----	-----
	\$19,947	\$26,846
	=====	=====

The Company's revolving loan agreement was amended to provide the Company with a credit line of up to \$30.8 million due on January 31, 1996. Beginning July 1, 1995, available borrowings under the credit line reduce each month to \$18.3 million by January 1, 1996. Available borrowings are further reduced by outstanding letters of credit which totaled \$1.5 million at December 30, 1994. Interest is provided at a rate equal to prime, 8.5% at December 30, 1994, plus 1%, increasing to 2.75% by January 1996. A 1/5% annual commitment fee is payable on any unused credit line.

Under the terms of the revolving loan agreement, the Company is prohibited from paying dividends on its common stock and must achieve certain profitability levels.

The Company has a substantial portion of its assets pledged as collateral for the bank loan, including \$7,234,000 in notes receivable and property and equipment with a net book value of \$70,862,000.

10. Commitments and contingencies:

The Company has guaranteed certain obligations related to restaurant building and equipment leases. The underlying assets are collateral for the leases and the makers or assignees of all of the obligations are required to perform thereunder before the Company is required to fulfill its guarantee. In the event of default by the maker or assignee, the Company, in almost all cases, may make payment under the guarantees in accordance with the original payment schedule and has the right to locate potential buyers or subtenants for the assets. As of December 30, 1994, such guarantees aggregated approximately \$ 1,126,000.

11. Litigation:

The Company has been named a defendant in litigation brought by plaintiffs as individuals and as representatives of a purported class who are holders of securities issued by Integra - A Hotel and Restaurant Company ("Integra") which has sought protection from creditors under Chapter 11 of the Federal Bankruptcy Code. This suit has alleged that the Company, Integra and The Hallwood Group, Incorporated ("Hallwood") violated state securities laws, committed common law fraud and breached fiduciary duties to the plaintiffs in connection with the Integra securities acquired by the plaintiffs from 1986 through 1988 and that the 1988 Integra distribution of 90% of the common stock of the Company to holders of Integra common stock constituted a fraudulent transfer under Texas law. The plaintiffs have sought actual damages in an amount equal to the alleged loss of value of their Integra securities, rescission of the Company's 1988 spin-off and punitive damages.

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993

11. Litigation (continued):

The Company has been named a defendant in litigation brought by the trustee of a municipal bond issuance made in 1980 upon which Integra executed a guaranty. The plaintiff in this suit has alleged that Integra's guaranty of the municipal bond issuance was binding on successors of Integra and that the Company is a legal successor to Integra. The plaintiff in this action seeks to recover judgement in the full amount of its claim against Integra.

The Company is a nominal defendant in a shareholders' derivative action in which three of the Company's executive officers, four of the Company's outside directors and Hallwood were named defendants. The plaintiffs in this lawsuit have alleged the individual defendants breached fiduciary duties to shareholders and unjustly enriched themselves as a result of alleged violations of federal securities laws. The plaintiffs in this action have sought unspecified damages.

The Company has been named a defendant in litigation brought by a partnership alleging that the Company tortiously interfered with a contract between the partnership and Integra and that the Company has successor liability on the contract. The plaintiff in this action has sought damages.

The Company has also been named a defendant in a suit alleging that the Company breached a restaurant lease, which the Company contends it has rightfully terminated.

The Company presently believes that the ultimate resolution of these lawsuits will not have a material adverse impact on the Company. Certain other suits are pending against the Company which involve claims for damages which are not material and which have arisen in the ordinary course of business.

12. Redeemable preferred stock:

As of December 30, 1994, the Company had 49,570 shares of its redeemable preferred stock authorized and outstanding. The stock pays dividends at \$4.80 per year, subject to a minimum cash flow test. As of December 30, 1994, one quarterly dividend, totaling \$59,484 or \$1.20 per share, was accrued but not yet paid. The redeemable preferred stock has been recorded at the net present

value and is being accreted on the straight-line basis. The Company's restated articles of incorporation provide for the redemption of such shares at \$60 per share in 2005. During the continuation of any event of default by the Company, the preferred shareholders shall be able to elect a majority of the directors of the Company.

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SHOWBIZ PIZZA TIME, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 YEARS ENDED DECEMBER 30, 1994,
 DECEMBER 31, 1993 AND JANUARY 1, 1993

13. Earnings per common share:

Earnings per common and common equivalent share were computed based on the weighted average number of common and common equivalent shares outstanding during the period. Net income available per common share has been adjusted for the items indicated.

Earnings per common and common equivalent share were computed as follows (thousands, except per share data):

	1994	1993	1992
	-----	-----	-----
Net income	\$ 676	\$ 11,891	\$ 15,503
Accretion of redeemable preferred stock.	(103)	(104)	(103)
Redeemable preferred stock dividends . .	(238)	(238)	(238)
	-----	-----	-----
Adjusted income applicable to common shares.	\$ 335	\$ 11,549	\$ 15,162
	=====	=====	=====
Primary:			
Weighted average common shares outstanding.	12,078	12,816	12,666
Common stock equivalents:			
Stock purchase warrants		426	839
Other	49	213	157
	-----	-----	-----
Weighted average shares outstanding . . .	12,127	13,455	13,662
	=====	=====	=====
Earnings per common and common equivalent share	\$.03	\$.86	\$ 1.11
	=====	=====	=====
Fully Diluted:			
Weighted average common shares outstanding	12,078	12,816	12,666
Common stock equivalents:			
Stock purchase warrants		426	852
Other	49	222	195
	-----	-----	-----
Weighted average shares outstanding . .	12,127	13,464	13,713
	=====	=====	=====
Earnings per common and common equivalent share	\$.03	\$.86	\$ 1.11
	=====	=====	=====

14. Franchise fees and royalties:

At December 30, 1994, 106 Chuck E. Cheese's restaurants were operated by a total of 58 different franchisees. The standard franchise agreements grant to the franchisee the right to develop and operate a restaurant and use the associated trade names, trademarks, and service marks within the standards and guidelines established by the Company.

Initial franchise fees included in revenues were \$315,000, \$82,500 and \$197,000 in 1994, 1993 and 1992, respectively.

15. Cost of sales:

	1994	1993	1992
	-----	-----	-----
	(thousands)		
Food, beverage and related supplies.	\$ 46,328	\$ 48,435	\$ 45,881
Games and merchandise.	12,369	11,375	10,202
Labor.	79,032	77,533	69,196
	-----	-----	-----
	\$137,729	\$137,343	\$125,279
	=====	=====	=====

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993

16. Income taxes:

The significant components of income tax expense are as follows:

	1994	1993	1992
	-----	-----	-----
	(thousands)		
Current expense.	\$ 869	\$ 1,751	\$ 1,161
Deferred expense:			
Utilization of operating loss carryforwards	2,204	6,078	4,441
Tax (benefits) expense from exercise of stock options and stock grants	(928)	(37)	4,436
Increase in valuation of deferred tax asset		(971)	
Allowance for tax credit carryforwards expiring in 1997.	1,104		
Tax credits.	(237)	(465)	(291)
Other.	(575)		
	-----	-----	-----
	\$ 2,437	\$ 6,356	\$ 9,747
	=====	=====	=====

The Company's deferred tax asset of approximately \$33.0 million at December 30, 1994 is primarily due to a \$26.4 million tax effect of \$74.0 million unused net operating loss carryforwards ("NOL's"), \$7.1 million in tax credit carryforwards and tax effected net taxable deductions of \$575,000. In 1994, the Company recorded a valuation allowance of \$1.1 million for deferred tax credit carryforwards which are estimated to expire in 1997.

In August 1993, new federal tax legislation was enacted that increased the Company's federal tax rate to 35% effective January 1, 1993. As a result, the Company's deferred tax asset and net income were increased by approximately \$971,000 and deferred tax expense decreased in the same amount.

As of December 30, 1994, the Company has NOL's of approximately \$74.0 million for federal income tax purposes. While the Company believes that it is likely that it will realize these carryforwards, there can be no assurance that they will be available to such extent and be fully realized. In addition, as of December 30, 1994, the Company has investment tax credit and jobs tax credit carryforwards totaling \$5,258,000 and \$495,000, respectively, and alternative minimum tax credits of \$1,369,000.

A schedule of expiring NOL's and tax credits by fiscal year are as follows:

Years	Amount	
	NOL's	Tax Credits
	(thousands)	
1997		\$ 1,104
1998		4,007
1999	\$39,000	395
2000	20,000	149
2001	14,000	19
2002 - 2008	1,000	79
	\$74,000	\$ 5,753

The Company's alternative minimum tax credits have no expiration date.

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993

16. Income taxes (continued):

Current tax laws and regulations relating to substantial changes in control may limit the utilization of net operating loss and tax credit carryforwards in any one year. As of December 30, 1994, no limitation of such carryforwards has occurred.

A reconciliation of the statutory rate to taxes provided is as follows:

	1994	1993	1992
	(thousands)		
Statutory rate	34.0%	35.0%	34.0%
State income taxes	14.8%	5.1%	4.6%
Increase in valuation of deferred tax asset		(5.3%)	
Allowance for tax credit carryforwards . .	35.5%		
Other	(6.0%)		
Income taxes provided	78.3%	34.8%	38.6%
	=====	=====	=====

17. Fair value of financial instruments:

The Company has certain financial instruments consisting primarily of cash, cash equivalents, notes receivable, notes payable and redeemable preferred stock. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. The carrying amount of the Company's notes receivable, notes payable and redeemable preferred stock approximates fair value based on the interest rates charged on instruments with similar terms and risks. The estimated fair value of the Company's redeemable preferred stock is \$3.0 million. The carrying values of all other financial instruments approximate the fair values.

18. Supplemental cash flow information:

1994	1993	1992
-----	-----	-----

(thousands)

Cash paid during the year for:

Interest	\$ 1,781	\$ 912	\$1,416
Income taxes	1,389	1,769	935

Supplemental schedule of noncash investing and financing activities:

Other assets cancelled in connection with the acquisition of property and equipment			24
Liabilities assumed or incurred in connection with the acquisition of property and equipment.			674
Notes received in connection with the disposition of property and equipment . .	4,650		
Investment received in connection with the disposition of property and equipment . .	438		

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993

19. Related party transactions:

Hallwood is the beneficial owner of approximately 14.5% of the outstanding common stock of the Company. The directors of Hallwood serve as a majority of the directors of the Company and Integra.

In December 1993, the Company fully repaid approximately \$1.7 million in a term loan payable to a third party assigned by Integra. In February 1992, the Company prepaid \$1,583,000 in a term loan payable to Hallwood which had been assigned to them by Integra. In November 1992, the Company redeemed \$4,768,300 in floating rate subordinated bonds held by Hallwood.

The Company made annual payments to Hallwood of \$125,000 for consulting services in 1994, 1993, and 1992. In addition, the Company made interest payments to Hallwood of \$261,000 in 1992. In consideration for rent reductions resulting from Hallwood's negotiation of the Company's home office lease agreement in December 1990, the Company assigned to Hallwood its sublease interest in the home office building subleased to Integra with a fair value of approximately \$120,000 per year.

The Company paid \$99,000 and \$115,000 in interest to Integra for 1993 and 1992, respectively.

In 1993 and 1992, Hallwood and its affiliate exercised warrants to purchase 835,873 and 73,263 shares of common stock, respectively. The exercise price of the warrants was \$1.78 per share.

During 1993 and 1992, the Company advanced \$30,000 and \$437,000, respectively, to joint ventures in which the Company has a 50% interest or less. Principal and interest are payable in monthly installments, with interest at various rates from prime to 12%. The Company also has miscellaneous accounts receivable from the joint ventures of approximately \$393,000 and \$279,000 at December 30, 1994 and December 31, 1993, respectively.

In September 1990, the Company entered into an agreement to grant the International Association of ShowBiz Pizza Time Restaurants, Inc. (the "Association") a \$2.0 million line of credit, at prime, which allowed the Association to accelerate the

conversion of all robotic characters into Chuck E. Cheese's characters and to begin improvements to existing Chuck E. Cheese's characters. In December 1993, the Company granted the Association a \$1.0 million line of credit, at prime, for advertising production. In November 1994, available borrowings under the lines of credit were reduced to a total of \$2.4 million at an annual interest rate of prime plus 1/2%. The Association was established to develop and improve entertainment attractions and produce system wide advertising. Two officers of the Association are also officers of the Company. At December 30, 1994, \$1,372,000 was outstanding under these lines of credit. The Company also had a miscellaneous account receivable from the Association of \$22,000 and \$30,000 at December 30, 1994 and December 31, 1993, respectively.

20. Employee benefit plans:

The Company has employee benefit plans that include: a) executive bonus compensation plans based on the performance of the Company; b) a non-statutory stock option plan and c) a stock grant plan.

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 30, 1994,
DECEMBER 31, 1993 AND JANUARY 1, 1993

20. Employee benefit plans (continued):

The number of shares of the Company's common stock which may be issued under the stock option plan is 1,348,025 shares. All shares must be granted before December 31, 1998. The exercise price for options granted under the plan may not be less than the fair market value of the Company's common stock at date of grant. Options may not be exercised until the employee has been continuously employed at least one year after the date of grant. Options which expire or terminate may be regranted under the plan.

	1994 -----	1993 -----	1992 -----
Options outstanding,			
beginning of year	372,662	276,297	445,388
Granted	341,500	158,800	162,030
Exercised	(51,714)	(47,885)	(321,369)
Terminated.	(155,813)	(14,550)	(9,752)
	-----	-----	-----
Options outstanding, end of year			
(\$2.45-\$33.50 per share)	506,635	372,662	276,297
	=====	=====	=====

Options:

Exercisable.	175,317	261,490	114,267
Available for grant.	171,871	357,558	251,808

The options granted in 1994 are at exercise prices ranging from \$8.13 to \$13.75 per share. In January and March 1995, the Stock Option Committee of the Board of Directors granted 191,540 additional options at an exercise price of \$8.50 per share, subject to the surrender of certain options granted in 1994.

The number of shares of the Company's common stock which may be awarded to senior executives of the Company under the Stock Grant

Plan is 1,145,758 shares. An aggregate of 414,508 shares were awarded pursuant to the plan in 1993. None were awarded in 1994 and 1992. Compensation expense recognized by the Company pursuant to this plan was \$2,734,000, \$2,756,000 and \$418,000, in 1994, 1993, and 1992, respectively. All shares are subject to forfeiture upon termination of the participant's employment by the Company over vesting periods ranging from 2 years to 6 years. The shares are nontransferable during the vesting periods.

As a result of shares awarded to the Company's Chairman of the Board and Chief Executive Officer, the Company recognized deferred compensation of \$12.0 million in 1993. The deferred compensation is amortized over the compensated periods of service through 1997.

In January 1992, the Board of Directors accelerated the vesting provisions of 350,955 shares of common stock granted in 1989 to the Company's Chairman of the Board and Chief Executive Officer. Concurrently, 112,053 shares were surrendered to the Company to satisfy federal income tax withholding obligations. Shares were held in an irrevocable trust to secure his continuing obligations to the Company under his employment and consulting agreements.

The Company has adopted the ShowBiz 401(k) Retirement and Savings Plan, to which it may at its discretion make an annual contribution out of its current or accumulated earnings of up to the lesser of 50% of employee contributions or \$750 per employee. Contributions by the Company may be made in the form of its common stock or in cash. In 1993, the Company made a contribution of approximately \$36,000 in common stock for the 1992 plan year. No contributions were made for the 1993 plan year and it is anticipated that approximately \$30,000 will be made for 1994.

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SHOWBIZ PIZZA TIME, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 YEARS ENDED DECEMBER 30, 1994,
 DECEMBER 31, 1993 AND JANUARY 1, 1993

21. Quarterly results of operations (unaudited):

The following summarizes the unaudited quarterly results of operations for the years ended December 30, 1994 and December 31, 1993 (thousands, except per share data).

	Fiscal year ended December 30, 1994			
	April 1	July 1	Sept. 30	Dec. 30
	-----	-----	-----	-----
Revenues	\$ 76,370	\$ 64,019	\$ 68,285	\$ 59,153
Gross operating profit . .	38,377	30,858	33,789	27,074
Operating income (loss) . .	5,744	2,529	1,982	(5,969)
Net income (loss)	3,425	1,248	1,024	(5,021)
Per Share:				
Primary and fully diluted:				
Net income (loss)	\$.27	\$.10	\$.08	\$ (.42)

	Fiscal year ended December 31, 1993			
	April 2	July 2	Oct. 1	Dec. 31
	-----	-----	-----	-----
Revenues	\$ 73,381	\$ 64,669	\$ 71,636	\$ 62,312

Gross operating profit . .	38,235	31,542	35,985	28,893
Operating income (loss) . .	10,854	2,962	5,366	(484)
Net income (loss)	6,583	1,799	3,895	(386)
Per Share:				
Primary and fully diluted:				
Net income (loss) . . \$	.48	\$.13	\$.28	\$ (.04)

In the second quarter of 1994, the Company recognized a gain of \$5.5 million from the sale of its Monterey's Tex-Mex Cafe restaurants. This was partially offset by a \$2.0 million loss associated with the impairment in fair value of certain Chuck E. Cheese's restaurants.

The fourth quarter of 1994 includes a \$1.1 million increase in income tax expense due to a reduction in deferred tax credit carryforwards which are estimated to expire in 1997, a write-off of approximately \$900,000 for preopening expenses due to a change in the estimated future benefit of such expenses and a reserve of approximately \$400,000 for the impairment in fair value of certain Chuck E. Cheese's restaurants.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
ShowBiz Pizza Time, Inc.
Irving, Texas

We have audited the consolidated financial statements of ShowBiz Pizza Time, Inc. and subsidiary as of December 30, 1994 and December 31, 1993, and for each of the three years (52 or 53 weeks) in the period ended December 30, 1994 and have issued our report thereon dated March 3, 1995; such report which discloses a change in the method of accounting for preopening expenses in 1994, is included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of ShowBiz Pizza Time, Inc. and subsidiary, listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Dallas, Texas
March 3, 1995

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SCHEDULE II

SHOWBIZ PIZZA TIME, INC. AND SUBSIDIARY
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Column A	Column B	Column C	Column D	Column E
Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions	Balance at end of period

(Thousands)

Allowance for doubtful accounts:

Years ended:

Dec. 30, 1994 . . .	\$ 266	\$ 209		\$ 475
Dec. 31, 1993 . . .	\$ 150	\$ 116		\$ 266
Jan. 1, 1993 . . .	\$ 234		\$ 84 (A)	\$ 150

Accumulated amortization -- deferred charges:

Years ended:

Dec. 30, 1994 . . .	\$ 6,307	\$ 2,854	\$ 5,252 (B)	\$ 3,909
Dec. 31, 1993 . . .	\$ 7,789	\$ 2,110	\$ 3,592 (B)	\$ 6,307
Jan. 1, 1993 . . .	\$ 6,424	\$ 1,784	\$ 419 (B)	\$ 7,789

Reserve for uncollectible notes receivable:

Years ended:

Dec. 30, 1994 . . .		\$ 139		\$ 139
Dec. 31, 1993 . . .	\$ 320		\$ 320 (C)	
Jan. 1, 1993 . . .	\$ 320			\$ 320

- (A) Settlement of previously reserved accounts.
- (B) Write-off of deferred charges.
- (C) Adjustment to notes receivable reserve.

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

None.

P A R T I I I

Item 10. Directors and Executive Officers of the Registrant.

The information required by this Item regarding the directors and executive officers of the Company shall be included in the Company's definitive Proxy Statement to be filed pursuant to

Regulation 14A in connection with the Company's 1995 annual meeting of stockholders and is incorporated herein by reference thereto.

Item 11. Executive Compensation.

The information required by this Item regarding the directors and executive officers of the Company shall be included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with the Company's 1995 annual meeting of stockholders and is incorporated herein by reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this Item shall be included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with Company's 1995 annual meeting of stockholders and is incorporated herein by reference thereto.

Item 13. Certain Relationships and Related Transactions.

The information required by this Item shall be included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with the Company's 1995 annual meeting of stockholders and is incorporated herein by reference thereto.

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P A R T I V

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) The following documents are filed as a part of this report:

(1) Financial Statements and Supplementary Data:

Independent auditors' report.

ShowBiz Pizza Time, Inc. and Subsidiary consolidated financial statements:

Consolidated balance sheets as of December 30, 1994 and December 31, 1993.

Consolidated statements of earnings for the years ended December 30, 1994, December 31, 1993, and December 27, 1991.

Consolidated statements of shareholders' equity for the years ended December 30, 1994, December 31, 1993, and January 1, 1993.

Consolidated statements of cash flows for the years ended December 30, 1994, December 31, 1993, and January 1, 1993.

Notes to consolidated financial statements.

(2) Financial Statement Schedules:

ShowBiz Pizza Time, Inc. and Subsidiary

II ---

Valuation and qualifying accounts and reserves.

(3) Exhibits:

Number -----	Description -----
3(a)---	Restated Articles of Incorporation of the Company, as amended to date (Filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended January 1, 1993 and incorporated herein by reference).
3(b)---	Bylaws of the Company, as amended to date (filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).
4(a)---	Specimen form of certificate representing \$.10 par value Common Stock (filed as Exhibit 4(a) to the Company's Annual Report on Form 10-K for the year ended December 28, 1990 and incorporated herein by reference).
4(b)---	Specimen form of certificate representing \$60 par value Class A Preferred Stock (filed as Exhibit 4(b) to the Company's Annual Report on Form 10-K for the year ended December 28, 1990 and incorporated herein by reference).
4(c)---	Fourth Amended and Restated Revolving Credit Note in the stated amount of \$50,000,000 dated December 15, 1993 from the Company to The First National Bank of Boston (filed as Exhibit 4(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).
10(a)(1)---	Amended and Restated Employment Agreement dated April 14, 1993 between the Company and Richard M. Frank (filed as Exhibit 10(a)(8) to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 1993 and incorporated herein by reference).
10(a)(2)---	Consulting Agreement dated January 5, 1989 between the Company and Richard M. Frank (filed as Exhibit 10(a)(5) to the Company's Annual Report on Form 10-K for the year ended December 27, 1991 and incorporated herein by reference).
10(a)(3)---	Amendment to Consulting Agreement dated January 29, 1992, amending the Consulting Agreement dated January 5, 1989 between the Company and Richard M. Frank (filed as Exhibit 10(a)(6) to the Company's Annual Report on Form 10-K for the year ended December 27, 1991 and incorporated herein by reference).
10(a)(4)---	Stock Grant Trust Agreement dated January 29, 1992 among the Company,

Richard M. Frank, Ronald F. Saupe and Kevin J. Shepherd (filed as Exhibit 10(a) (7) to the Company's Annual Report on Form 10-K for the year ended December 27, 1991 and incorporated herein by reference).

10 (b) ---

Employment Agreement dated January 4, 1994 between the Company and Michael H. Magusiak. (filed as Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).

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10 (c) (1) ---

Non-Statutory Stock Option Plan of the Company, as amended to date (filed as Exhibit 10(a) (1) to Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).

10 (c) (2) ---

Specimen form of Contract under the Non-Statutory Stock Option Plan of the Company, as amended to date (filed as Exhibit 10(a) (2) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).

10 (d) (1) ---

Stock Grant Plan of the Company, as amended to date (filed as Exhibit 10(d) (1) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).

10 (d) (2) ---

Specimen form of Certificate of Participation to certain participants under the Stock Grant Plan of the Company (filed as Exhibit 10(e) (3) to Company's Annual Report on Form 10-K for the year ended December 29, 1989 and incorporated herein by reference).

10 (e) (1) ---

Specimen current form of the Company's Franchise Agreement (filed as Exhibit 10(d) (1) to the Company's Annual Report on Form 10-K for the year ended December 27, 1991 and herein by reference).

10 (e) (2) ---

Specimen current form of the Company's Development Agreement (filed as Exhibit 10(d) (2) to the Company's Annual Report on Form 10-K for the year ended December 27, 1991 and herein by reference).

10 (f) (1) ---

Second Amended and Restated Revolving Credit Agreement dated as of November 19, 1992 between The First National Bank of Boston and the Company (filed as Exhibit 10(e) (1) to the Company's Annual Report on Form 10-K for the year ended January 1, 1993 and incorporated herein by reference).

10 (f) (2) ---

First Amendment to Second Amended and Restated Revolving Credit Agreement dated as of December 15, 1993 between

The First National Bank of Boston, the Company and BHC Acquisition Corporation ("BAC") (filed as Exhibit 10(f)(2) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein for all purposes).

10(f)(3)---

Second Amendment to Second Amended and Restated Revolving Credit Agreement dated as of July 1, 1994 between the Company, BAC and The First National Bank of Boston, (filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1994 and incorporated herein by reference).

10(f)(4)---

Third Amendment Agreement dated as of December 29, 1994 between the Company, BAC and The First National Bank of Boston.

10(f)(5)---

Letter agreement dated as of July 1, 1994 between the Company, BAC and the First National Bank of Boston (filed as Exhibit 10(b)(1) to the Company's quarterly report on Form 10-Q and incorporated herein by reference).

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10(f)(6)---

Second Amended and Restated ShowBiz Security Agreement dated as of November 19, 1992 between the Company and The First National Bank of Boston (filed as Exhibit 10(e)(2) to the Company's Annual Report on Form 10-K for the year ended January 1, 1993 and incorporated herein by reference).

10(f)(7)---

Second Amended and Restated Monterey Security Agreement dated as of November 19, 1992 between BAC and The First National Bank of Boston (filed as Exhibit 10(e)(3) to the Company's Annual Report on Form 10-K for the year ended January 1, 1993 and incorporated herein by reference).

10(f)(8)---

Second Amended and Restated Guaranty Agreement dated November 19, 1992 between BAC and The First National Bank of Boston (filed as Exhibit 10(e)(4) to the Company's Annual Report on Form 10-K for the year ended January 1, 1993 and incorporated herein by reference).

10(f)(9)---

Second Amended and Restated Stock Pledge Agreement dated as of November 19, 1992 between the Company and The First National Bank of Boston (filed as Exhibit 10(e)(5) to the Company's Annual Report on Form 10-K for the year ended January 1, 1993 and incorporated herein by reference).

10(g)---

Financial and Management Consulting Services Agreement between the Company and The Hallwood Group Incorporated

(filed as Exhibit 10(i) to the Company's Annual Report on Form 10-K for the year ended December 30, 1988 and incorporated herein by reference).

10(h)---

Stock Purchase and Registration Agreement dated as of May 5, 1992 among the Company, The Hallwood Group Incorporated and certain shareholders of the Company (filed as Exhibit 28 to the Company's Registration Statement on Form S-3 (No. 33-48307) and incorporated herein by reference).

10(i) (1)---

Entertainment Operating Fund Line of Credit dated as of November 17, 1994 between the Company and the International Association of ShowBiz Pizza Time Restaurants, Inc. (the "Association").

10(i) (2)---

Entertainment Operating Fund Promissory Note dated as of November 17, 1994 in the original principal amount of \$750,000 executed by the Association payable to the order of the Company.

10(i) (3)---

National Advertising Production Line of Credit dated as of November 17, 1994 between the Company and the Association.

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10(i) (4)---

National Advertising Production Promissory Note dated as of November 17, 1994 in the original principal amount of \$750,000 executed by the Association payable to the order of the Company.

10(i) (5)---

Concept Unification Fund Line of Credit dated as of November 17, 1994 between the Company and the Association.

10(i) (6)---

Concept Unification Fund Promissory Note dated as of November 17, 1994 in the original principal amount of \$500,000 executed by the Association payable to the order of the Company.

10(i) (7)---

National Media Fund Line of Credit as of November 17, 1994 between the Company and the Association.

10(i) (8)---

National Media Fund Promissory Note dated as of November 17, 1994 in the original principal amount of \$400,000 executed by the Association payable to the order of the Company.

18--- Letter of Deloitte & Touche LLP.
21--- List of subsidiaries.
23--- Independent Auditors' Consent.
27--- Financial Data Schedule.

(b) Reports on Form 8-K:
No reports on Form 8-K were filed in the fourth quarter of 1994.

(c) Exhibits pursuant to Item 601 of Regulation S-K:
Pursuant to Item 601(b)(4) of Regulation S-K, there have been excluded from the exhibits filed pursuant to this report instruments defining the rights of holders of long-term debt of the Company where the total amount of the securities authorized under each such instrument does not exceed 10% of the total assets of the Company. The Company hereby agrees to furnish a copy of any such instruments to the Commission upon request.

(d) Financial Statements excluded from the annual report to shareholders by Rule 14a-3(b):
No financial statements are excluded from the annual report to the Company's shareholders by Rule 14a-3(b).

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SIGNATURES

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

Dated: March 29, 1995

SHOWBIZ PIZZA TIME, INC.

By: Richard M. Frank
Chairman of the Board and
Chief Executive Officer

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

Signature

Title

Date

Richard M. Frank

Chairman of the Board,
Chief Executive Officer,
and Director (Principal
Executive Officer)

March 29, 1995

Michael H. Magusiak

President and Director

Larry G. Page

March 29, 1995

Executive Vice President,
Treasurer, (Principal Financial
Officer and Principal Accounting
Officer)

Charles A. Crocco, Jr.

Director

March 29, 1995

Anthony J. Gumbiner

Director

March 29, 1995

Robert L. Lynch

Director

March 29, 1995

J. Thomas Talbot

Director

March 29, 1995

Brian M. Troup

Director

March 29, 1995

Louis P. Neeb

Director

March 29, 1995

Cynthia I. Pharr

Director

March 29, 1995

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EXHIBIT INDEX

Exhibit No.

Description

Page No.

10(f)(4)---

Third Amendment Agreement between
the Company, BAC and The First
National Bank of Boston.

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10(i)(1)---

Entertainment Fund Line of Credit
dated November 17, 1994 between the
Company and the International
Association of ShowBiz Pizza Time
Restaurants, Inc. (the "Association").

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10(i)(2)---

Entertainment Operating Fund Promissory
Note dated November 17, 1994 between
the Company and the Association.

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10(i)(3)---

National Advertising Production Line
of Credit dated November 17, 1994
between the Company and the Association.

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18 ---	Letter of Deloitte & Touche LLP	90
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THIRD AMENDMENT AGREEMENT

The THIRD AMENDMENT AGREEMENT (this "Amendment"), dated as of December 29, 1994, among SHOWBIZ PIZZA TIME, INC., a Kansas corporation (the "Borrower"), BHC ACQUISITION CORPORATION, a Texas corporation ("Monterey"), and THE FIRST NATIONAL BANK OF BOSTON (the "Bank") amends the Second Amended and Restated Revolving Credit Agreement dated as of November 19, 1992 between the Borrower and the Bank (as heretofore amended by a First Amendment to Second Amended and Restated Revolving Credit Agreement dated as of December 15, 1993 and a Second Amendment to Second Amended and Restated Revolving Credit Agreement dated as of July 1, 1994, the "Credit Agreement"). Capitalized terms used but not defined herein shall have the meanings set forth in the Credit Agreement.

WHEREAS, the Borrower and the Bank have heretofore entered into the Credit Agreement; and

WHEREAS, Monterey and the Bank entered into a certain Second Amended and Restated Guaranty Agreement, dated as of November 19, 1992, pursuant to which Monterey guaranteed the Obligations of the Borrower under the Credit Agreement and the other Loan Documents; and

WHEREAS, the Borrower has requested that certain terms and provisions of the Credit Agreement be amended as specified herein; and

WHEREAS, the Bank, subject to the terms and provisions hereof, is willing to amend the Credit Agreement as specified herein;

NOW THEREFORE, the parties hereto hereby agree as follows:

Section 1. -

Amendment to Credit Agreement. Subject to the satisfaction of the conditions precedent and the other terms and conditions set forth in Section 4 hereof, the Credit Agreement is hereby amended as follows:

Section 1.1. -

Amendment to Section 1.1 of the Credit Agreement. Section 1.1 of the Credit Agreement is hereby amended by:

(a) deleting in their entirety the definitions of "Eurocurrency Reserve Rate", "Eurodollar Business Day", "Eurodollar Lending Office", "Eurodollar Rate", "Eurodollar Rate Loans" and "Type" contained in such Section 1.1;

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(b) deleting the definition of "Applicable Margin" in its entirety and substituting in lieu thereof the following new definition:

"Applicable Margin. During all or any part of any period within any Interest Period with respect to a Loan (regardless of when such Loan is made), the Applicable Margin in effect with respect to such Loan on any date shall be the percentage per annum set forth opposite the period containing such date in the table below:

Period

Applicable Margin

Until June 30, 1995	1.00%
July 1, 1995 - July 31, 1995	1.25%
August 1, 1995 - August 31, 1995	1.50%
September 1, 1995 - September 30, 1995	1.75%
October 1, 1995 - October 31, 1995	2.00%
November 1, 1995 - November 30, 1995	2.25%
December 1, 1995 - December 31, 1995	2.50%
January 1, 1996 - and thereafter	2.75%

(c) amending the definition of "Commitment" contained in such Section 1.1 by deleting the dollar amount "\$32,000,000" contained therein and substituting in lieu thereof the dollar amount "\$30,800,000";

(d) deleting the definition of "Interest Payment Date" in its entirety and substituting in lieu thereof the following new definition:

"Interest Payment Date. As to any Loan, the last day of the calendar quarter which includes the Drawdown Date thereof."; and

(e) deleting the definition of "Interest Period" in its entirety and substituting in lieu thereof the following new definition:

"Interest Period. -- With respect to each Loan, (a) initially, the period commencing on the Drawdown Date of such Loan and ending on the last day of the calendar quarter; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Loan and ending on the last day of the period set forth above; provided that if any Interest Period with respect to a Loan would end on a day that is not a Business Day, that Interest Period shall end on the next succeeding Business Day."

Section 1.2 Amendment to Section 2.3 of the Credit Agreement.

Paragraph (b) of Section 2.3 of the Credit Agreement is hereby deleted in its entirety and the following new paragraph (b) is substituted in lieu thereof:

"(b) To the extent not already reduced or terminated pursuant to Section 2.3(a), the Commitment shall automatically be reduced to the amount set forth below as of the date set forth opposite such amount below:

Date	Commitment
---	-----
07/01/95	\$29,800,000
08/01/95	\$28,300,000
09/01/95	\$26,300,000
10/01/95	\$24,300,000
11/01/95	\$22,300,000
12/01/95	\$20,300,000
01/01/96	\$18,300,000

Upon each such reduction, the Borrower shall pay to the Bank the full amount of any commitment fee then accrued on the amount of such reduction. No such reduction of the Commitment may be reinstated."

Section 1.3 - Amendment to Section 2.5 of the Credit Agreement.

Section 2.5 of the Credit Agreement is hereby deleted in its entirety, and the following new Section 2.5 is hereby substituted in lieu thereof:

"Section 2.5. - Interest on Loans.

Except as provided in Section 2.6, each Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending on the last day of the Interest Period with respect thereto at the rate per annum which is the lesser of (i) the Base Rate plus the Applicable Margin and (ii) the maximum rate permitted by applicable law (after taking into account, without limitation, all payments and benefits that, pursuant to applicable law, are deemed to be interest or are deemed to reduce the principal balance of the Note)."

Section 1.4. - Amendment to Section 2.6 of the Credit

Agreement.

Section 2.6 of the Credit Agreement is hereby amended by deleting the text "four percent (4%) above the Base Rate" and substituting in lieu thereof the text "four percent (4%) above the rate of interest otherwise applicable to such Loans pursuant to Section 2.5".

Section 1.5. - Amendment to Section 2.7 of the Credit

Agreement.

Section 2.6 of the Credit Agreement is hereby amended by deleting the first two sentences thereof in their entirety and substituting in lieu thereof the following text:

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"The Borrower shall give to the Bank written notice in the form of Exhibit B hereto (or telephonic notice confirmed in writing in the form of Exhibit B hereto, if requested by the Bank) of each request for a Loan hereunder (a "Loan Request") no later than 1:00 p.m., Boston time, on the proposed Drawdown Date of any Loan. Each such note shall specify (i) the principal amount of the Loan requested, (ii) the proposed Drawdown Date of such Loan and (iii) the Interest Period for such Loan."

Section 1.6. - Amendment to Section 2.8 of the Credit Agreement.

Section 2.8 of the Credit Agreement is hereby deleted in its entirety, and the following text is hereby substituted in lieu thereof:

"Section 2.8. - Restructuring Fee.

The Borrower shall pay to the Bank, in immediately available funds, a restructuring fee in the amount of \$308,000 with one-half of such restructuring fee (\$154,000) payable upon the closing of the Third Amendment Agreement dated as of December 29, 1994 among the Borrower, Monterey and the Bank and the remaining one-half of such restructuring fee (\$154,000) (The "Remaining Restructuring Fee") payable on July 1, 1995; provided however, that in the event that, on or before June 30, 1995, the Borrower shall have paid the Obligations in full in cash and the Commitment shall have been reduced to zero, the Borrower shall not be obligated to pay to the Bank the Remaining Restructuring Fee. The Borrower hereby authorizes the Bank to debit, without notice, any of the Borrower's accounts with the Bank in payment of all or any part of such restructuring fee upon the same becoming due and payable."

Section 1.7. - Amendment to Section 2.9 of the Credit Agreement.

Section 2.9 of the Credit Agreement is hereby deleted in its entirety, and the following new Section 2.9 is hereby substituted

in lieu thereof:

"Section 2.9. - Intentionally Deleted."

Section 1.8.Amendment to Section 3.3 of the Credit Agreement.

Section 3.3 of the Credit Agreement is hereby deleted, and the following new Section 3.3 is hereby substituted in lieu thereof:

"Section 3.3.Optional Repayments of Loans.

The Borrower shall have the right, at its election, to repay the outstanding amounts of the Loans, as a whole or in part, at any time without penalty or premium. The Borrower shall give the Bank, no later than 1:00 p.m., Boston time, on the date of any proposed prepayment pursuant to this Section 3.3 of Loans, written notice specifying the proposed date of prepayment of the Loans and the principal amount to be prepaid. Each partial prepayment of the Loans shall be in an integral multiple of \$100,000 and shall be accompanied by the payment of accrued interest on the principal prepaid to the date of prepayment."

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Section 1.9. - Amendment to Section 5.2 of the Credit Agreement.

Section 5.2 of the Credit Agreement is hereby amended by deleting the text "Except as otherwise provided in the definition of the term "Interest Period" with respect to Eurodollar Rate Loans, whenever" in the second sentence thereof and substituting in lieu thereof the word "Whenever".

Section 1.10. - Amendment to Section 5.3 of the Credit Agreement.

Section 5.3 of the Credit Agreement is hereby deleted in its entirety, and the following text is hereby substituted in lieu thereof:

"Section 5.3. Intentionally Omitted."

Section 1.11. - Amendment to Section 5.4 of the Credit Agreement.

Section 5.4 of the Credit Agreement is hereby deleted in its entirety, and the following text is hereby substituted in lieu thereof:

"Section 5.4. - Intentionally Omitted."

Section 1.12. - Amendment to Section 5.7 of the Credit Agreement.

Section 5.7 of the Credit Agreement is hereby deleted in its entirety, and the following text is hereby substituted in lieu thereof:

"Section 5.7. - Intentionally Omitted."

Section 1.13. - Amendment to Section 6 of the Credit Agreement.

Section 6 of the Credit Agreement is hereby amended by deleting paragraph (c) thereof in its entirety and substituting in lieu thereof the following new paragraph (c):

"(c) If a Default of Event of Default shall have occurred and be continuing, and at any time following June 30, 1995, the Borrower and Monterey shall, upon the request of the Bank, take all such

actions and execute all such documents, agreements, instruments and financing statements, each in form and substance satisfactory to the Bank, to grant, or confirm the grant to the Bank of, a first priority, perfected security interest in and lien upon (i) all Collateral described in Section 6(a) and (b) hereof, and (ii) any or all fee and leasehold properties of the borrower and Monterey not described in Section (6 (a) or (b) hereof including without limitation, such filings with the United States Patent and Trademark Office, such mortgages or deeds of trust, amendments of mortgages or of deeds of trust, title policies, surveys, site assessments, legal opinions and title searches or updates as the Bank may request."

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Section 1.14. - Amendment to Section 9.4 of the Credit Agreement.

Paragraph (c) of Section 9.4 of the Credit Agreement is hereby deleted in its entirety, and the following new paragraph (c) is hereby substituted in lieu thereof:

"(c) from and after July 1, 1994, the Borrower shall be permitted to repurchase, in an aggregate amount not to exceed 500,000 shares, solely those shares of its own issued and outstanding common stock which employees or directors of the Borrower transfer to the Borrower as payment for withholding or payment obligations of such employees or directors arising from the exercise of stock options under the Borrower's stock option or stock grant plans."

Section 1.15. - Amendment to Section 9.7 of the Credit Agreement.

Section 9.7 of the credit Agreement is hereby deleted in its entirety, and the following new Section 9.7 is substituted in lieu thereof:

"Section 9.7. - Liabilities to Tangible Net Worth Ratio.

The Borrower will not cause or permit the ratio of Consolidated Total Liabilities to Consolidated Tangible Net Worth to exceed 0.70 to 1 at any time."

Section 1.16. - Amendment to Section 9.8 of the Credit Agreement.

Section 9.8 of the Credit Agreement is hereby amended by deleting the text "1.0 to 1" at the end thereof and substituting in lieu thereof the text "1.3 to 1".

Section 1.17.- Amendment to Section 9.10 of the Credit Agreement.

Section 9.10 of the Credit Agreement is hereby amended by deleting the dollar figure "\$130,000,000" set forth therein and substituting in lieu thereof the dollar figure "\$123,000,000".

Section 1.18.- Amendment to Section 9.15 of the Credit Agreement.

Section 9.15 of the Credit Agreement is hereby deleted in its entirety, and the following new Section 9.15 is substituted in lieu thereof:

"Section 9.15.- Earnings Before Interest, Taxes,

Depreciation and Amortization.

The Borrower will not cause or permit Earnings Before Interest, Taxes, Depreciation and Amortization for the fiscal quarter of the Borrower ending December 30, 1994 to be less than \$2,000,000 and for any other fiscal quarter of the Borrower ending after December 30, 1994 to be less than

\$5,100,000."

Section 1.19. - Addition of New Section 9.16 of the Credit

Agreement.

The Credit Agreement is hereby further amended by adding, immediately Section 9.15 and immediately before Section 10, a new Section 9.16 with the following text:

"Section 9.16. - Earnings Before Interest, Taxes, Depreciation

and Amortization to Consolidated Interest Expense.

The Borrower will not cause or permit the ratio of Earnings Before Interest, Taxes, Depreciation and Amortization to Consolidated Interest Expense for any fiscal quarter of the Borrower ending after December 30, 1994 to be less than 6.0 to 1."

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Section 2. - Confirmation of Security Documents.

The Security Documents are hereby ratified and confirmed as follows:

Section 2.1. - ShowBiz Security Agreement.

The Borrower hereby ratifies and confirms the ShowBiz Security Agreement and the security interests created thereby and acknowledges and agrees that the Obligations under the Credit Agreement, as amended hereby, continue to be secured by such agreement.

Section 2.2. - ShowBiz Stock Pledge Agreement.

The Borrower hereby ratifies and confirms the ShowBiz Stock Pledge Agreement and the pledges and security interests created thereby and acknowledges and agrees that the Obligations under the Credit Agreement, as amended hereby, continue to be secured by such agreement.

Section 2.3. - ShowBiz Mortgages.

The Borrower hereby ratifies and confirms the ShowBiz Mortgages and the mortgages and security interests created thereby and acknowledges and agrees that the Obligations under the Credit Agreement, as amended hereby, continue to be secured by the ShowBiz Mortgages.

Section 2.4. - Monterey Security Agreement.

Monterey hereby ratifies and confirms the Monterey Security Agreement, as modified by the consent letter dated as of May 4, 1994 from the Bank to the Borrower and Monterey, and the security interests created thereby and acknowledges and agrees that the Guaranty Obligations (as defined in the Monterey Security Agreement), including without limitation the obligation of Monterey to guaranty the Obligations under the Credit Agreement as amended hereby, continue to be secured by such agreement.

Section 2.5. - Guaranty.

Monterey hereby ratifies and confirms the Guaranty and acknowledges and agrees that the Obligations under the Credit

Agreement, as amended hereby, continue to be guaranteed by such agreement.

Section 3. - Representations and Warranties.

Each of the Borrower and Monterey hereby represents and warrants to the Bank as follows:

- (a) Representations and Warranties in Credit Agreement and Other Loan Documents; No Default. The representations and warranties of the Borrower and Monterey contained in the Credit Agreement and the other Loan Documents were true and correct in all material respects when made and continue to be true and correct in all material respects on the Effective Date (as hereinafter defined), except, in each case to the extent of changes resulting from transactions contemplated or permitted by the Loan Documents and the Amendment and changes occurring in the ordinary course of business which singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date. No Default or Event of Default has occurred and is continuing as of the Effective Date.

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- (b) Authority, No Conflicts, Enforceability of Obligations, Etc. Each of the Borrower and Monterey hereby confirms that the representations and warranties of the Borrower and Monterey contained in Sections 7.1 and 7.2 of the Credit Agreement are true and correct on and as of the date hereof as if made on the date hereof, treating this Amendment, the Credit Agreement as amended hereby, and the other Loan Documents, as amended hereby, as "Loan Documents" for the purposes of making said representations and warranties.

Section 4. - Conditions to Effectiveness.

Except as provided in the last sentence of this Section 4, this Amendment shall be effective as of the date first written above (the "Effective Date"), upon the delivery to the Bank of (a) facsimile counterparts of this Amendment (to be followed immediately by original counterparts) signed by each of the Borrower, Monterey, and the Bank, in form and substance satisfactory to the Bank, (b) the amount of \$154,000, in immediately available funds, representing one-half of the restructuring fee referenced in Section 1.6 of this Amendment and in Section 2.8 of the Credit Agreement, as amended hereby, with the Bank hereby being authorized to debit, without notice, any of the Borrower's accounts with the Bank in payment of all or any portion of such fee, and (c) a certificate, duly certified by the President or Treasurer of the Borrower and Monterey and in form and substance satisfactory to the Bank, as to the lack of the existence or continuance of any Default or Event of Default as of the date thereof. Notwithstanding the foregoing, the amendments set forth in Section 1.1(a), (b), (d), and (e), Section 1.3, Section 1.5, the deletion of existing Section 2.8 of the Credit Agreement set forth in Section 1.6, Section 1.8, Section 1.9, Section 1.10, Section 1.11 and Section 1.12 shall be effective as of March 22, 1995.

Section 5.- No Other Amendments; Etc.

Except as otherwise expressly provided by this Amendment, all of the terms, conditions and provisions of the Credit Agreement and the other Loan Documents are hereby ratified and confirmed in all

respects and shall remain in full force and effect. Each of the Borrower and Monterey confirms and agrees that the Obligations of the Borrower to the Bank under the Loan Documents, as amended and supplemented hereby, are secured by, guaranteed under, and entitled to the benefits, of the Security Documents. The Borrower, Monterey and the Bank hereby acknowledge and agree that all references to the Credit Agreement and the Obligations thereunder contained in any of the Loan Documents shall be references to the Credit Agreement and the Obligations, as affected hereby and as the same may be amended, modified, supplemented, or restated from time to time. The Security Documents and the perfected first priority security interests of the Bank thereunder shall continue in full force and effect, and the collateral security and guaranties provided for in the Security Documents shall not be impaired by this Amendment. This Amendment may be executed in any number of counterparts, but all such counterparts shall together constitute but one instrument. In making proof of this Amendment it shall not be necessary to produce or account for more than one counterpart signed by each party hereto by and against which enforcement hereof is sought.

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Section 6. - No Implied Amendment, Etc.

Except as expressly provided herein, nothing contained herein shall constitute an amendment or waiver of, impair or otherwise affect any Obligations, any other obligations of the Borrower or Monterey or any right of the Bank consequent thereon. The amendments provided herein are limited strictly to their terms. The Bank shall have no obligation to issue any further amendment with respect to the subject matter hereof or any other matter.

Section 7. - Governing Law.

This Amendment shall be construed according to and governed by the internal laws of The Commonwealth of Massachusetts without reference to principles of conflicts of law.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized.

SHOWBIZ PIZZA TIME, INC.

By: _____
Title: _____

THE FIRST NATIONAL BANK OF BOSTON

By: _____
Title: _____

BHC ACQUISITION CORPORATION

d/b/a Monterey

By: _____

ENTERTAINMENT OPERATING FUND LINE OF CREDIT

By this Agreement, dated as of November 17, 1994, SHOWBIZ PIZZA TIME, INC. ("Lender") and INTERNATIONAL ASSOCIATION OF SHOWBIZ PIZZA TIME RESTAURANTS, INC., ("Borrower") hereby agree as follows:

1. Revolving Commitment. Subject to the terms and conditions in this Agreement, Lender agrees to loan to Borrower from time to time amounts not to exceed Seven Hundred and Fifty Thousand Dollars (\$750,000.00) in the aggregate outstanding at any one time. No new advance shall be made under this Agreement after December 31, 1996. Subject to the foregoing limitations, Borrower may borrow, repay, prepay and reborrow amounts under this Agreement.

2. Note. Borrower's obligation to repay amounts borrowed under this Agreement is further evidenced by an Entertainment Operating Fund Promissory Note (the "Note") dated the same date as this Agreement. Payment of principal and interest, and accrual of interest, on amounts borrowed under this Agreement shall be as provided in the Note.

3. Use of Proceeds. Borrower shall use amounts borrowed under this Agreement only to purchase goods and services for the production of showtapes and other entertainment-related items (collectively, the "Project"). Upon Lender's reasonable request, Borrower shall provide copies of invoices and other documents which evidence Borrower's compliance with this Section 3.

4. Records and Reports. Upon Lender's reasonable request, Borrower shall provide reports and copies of invoices, canceled checks and other business records pertaining to the Project, this Agreement or the Note.

5. Condition to Loans. The obligation of Lender to make loans under this Agreement is subject to the satisfaction of each of the following conditions:

(a) No default under this Agreement, and no event which would constitute a default but for the giving of notice or the passage of time thereafter, shall have occurred and be continuing on the date of such loan;

(b) The representations and warranties of Borrower set forth in this Agreement shall be true as of the date of such loan;

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(c) Lender shall have received any documents or information previously requested from Borrower pursuant to this Agreement; and

(d) No material adverse change, in Lender's sole determination, has occurred in the businesses of the ShowBiz Pizza Time restaurants or in the financial condition of Borrower.

6. Representation and Warranties: Borrower represents and warrants that: (a) Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas; (b) the execution, delivery and performance of this Agreement and the Note have been duly authorized by all necessary corporation action; and (c) this Agreement and the Note constitute the valid and binding obligations of Borrower enforceable in accordance with their terms.

7. Default. Borrower shall be in default under this Agreement if one or more of the following events shall have occurred and be continuing:

(a) The failure by Borrower to make any payment of principal or interest on the Note within ten (10) days after the same becomes due and payable;

(b) The failure by Borrower to perform any of its obligations, except the payment of principal and interest, arising under the Note, this Agreement or any other agreement between Borrower and Lender within five (5) days after written notice of such failure; or

(c) The filing by or against the Borrower of a voluntary or involuntary proceeding seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Borrower or any substantial part of its property and, in the case of any involuntary proceeding not consented to by Borrower, such proceeding is not dismissed within sixty (60) days.

8. Remedies. If Borrower is in default under this Agreement:

(a) the outstanding principal and accrued interest under the Note shall mature and become automatically due and payable, without notice or demand; (b) Lender may terminate its commitment to make loans under this Agreement; and (c) Lender may exercise any other remedies permitted by law or equity.

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9. Notices. Any notice under this Agreement shall be effective upon actual receipt or upon delivery to the United States Postal Service, with first class postage, addressed as follows (or to such other address subsequently provided by the party hereto):

To Lender:

ShowBiz Pizza Time, Inc.
4441 West Airport Freeway
Irving, Texas 75015
Attention: General Counsel

To Borrower:

International Association of ShowBiz
Pizza Time Restaurants, Inc.
4441 West Airport Freeway
Irving, Texas 75015
Attention: Mike Hilton

10. Miscellaneous.

(a) No failure or delay by Lender in exercising any right, power or privilege under this Agreement or the Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege.

(b) The captions used in this Agreement are for convenience only and shall not be deemed to amplify, modify or limit the provisions hereof.

(c) Words of any gender used in the Agreement shall be construed to include any other gender, and words in the singular shall include the plural and vice versa, unless the context otherwise requires.

(d) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

(e) This Agreement, together with the Note, contains the entire agreement of the parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by written instrument executed by both parties.

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(f) This Agreement may be executed in multiple copies, each of which shall be deemed an original, and all of such copies shall together constitute one and the same instrument.

(g) Time is of the essence in the performance of each obligation, covenant and condition under this Agreement.

(h) This Agreement shall be governed by the laws of the State of Texas.

IN WITNESS HEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first appearing above.

SHOWBIZ PIZZA TIME, INC.

By: Richard M. Frank
Chairman and Chief Executive Officer

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC.

By: Michael A. Hilton
President

ENTERTAINMENT OPERATING FUND
PROMISSORY NOTE

\$750,000.00

Irving, Texas

Dated as of
November 17, 1994

FOR VALUE RECEIVED, the undersigned INTERNATIONAL ASSOCIATION OF SHOWBIZ PIZZA TIME RESTAURANTS, INC. ("Borrower"), a Texas corporation, promises to pay to SHOWBIZ PIZZA TIME, INC. ("Lender"), a Kansas corporation, (hereinafter collectively referred to as "Parties"), the principal sum of SEVEN HUNDRED AND FIFTY THOUSAND AND NO/100 DOLLARS (\$750,000.00), or so much thereof as may from time to time be advanced, together with interest accrued on the unpaid principal balance hereof as set forth below.

1. Interest Rate. The unpaid principal amount hereof from time to time outstanding from the date hereof until maturity shall bear interest at a fluctuating rate per annum equal to the Prime Rate plus 0.5% (as herein defined), changing automatically, without notice to the Borrower, effective as of the effective date of any change in the Prime Rate. Interest shall be calculated at the end of each of Lender's monthly accounting periods (which will not correspond with calendar months due to Lender's 52 week fiscal year) based on the average between the principal amounts outstanding and unpaid at the beginning of the monthly accounting period and at the end of such period, but shall be charged and collected based on the actual number of days elapsed. The term "Prime Rate" as used herein means the higher of (a) the annual rate of interest announced from time to time by the First National Bank of Boston at its head office in Boston, Massachusetts as its "base rate" and (b) the overnight federal funds effective rate as published by the Board of Governors of the Federal Reserve System as in effect from time to time plus one half of one percent (1/2%).

2. Payment of Principal and Interest. Each payment by Borrower to Lender on this Note shall be applied first to fees and/or costs, if any, pursuant to Section 8 hereof and then applied to any accrued interest, and then any remaining portion of the payment after such applications shall be applied to reduction of outstanding principal balance of this Note.

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3. Revolving Note. This Note is a "revolving line of credit" note. Principal advances may be made, from time to time, up to the principal amount of this Note, and principal payments may, from time to time, be made by Borrower to reduce the principal balance owing pursuant to this Note. This Note may be prepaid in whole or in part at any time without penalty or premium. In no event shall any principal advance be made after December 31, 1996, and all amounts outstanding will be due and payable at that time.

4. Line of Credit Agreement. This Note is issued pursuant to, is entitled to the benefit of, and is subject to the provisions of the Entertainment Operating Fund Line of Credit Agreement (the "Agreement") between Borrower and Lender dated the same date as this Note.

5. Events of Default. The outstanding principal and accrued interest hereon shall mature and become automatically due and payable, without notice or demand, upon the occurrence and during the continuance without cure of any of the following events of default:

- (a) The failure by Borrower to make a payment of any principal or interest on the Note within ten (10) days after the same becomes due and payable;
- (b) The failure by Borrower to perform any of its

obligations, except the payment of principal and interest, arising under this Note, the Agreement or any other agreement between Borrower and Lender within five (5) days after receipt of written notice of such failure; or

(c) The filing by or against the Borrower of a voluntary or involuntary proceeding seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Borrower or any substantial part of its property and, in the case of any involuntary proceeding not consented to by Borrower, such proceeding is not dismissed within sixty (60) days of its filing.

6. Remedies. If Borrower is in default under this Note: (a) the outstanding principal and accrued interest under the Note shall mature and become automatically due and payable, without notice or demand; (b) Lender may terminate its commitment to advance monies under this Note; and (c) Lender may exercise any other remedies available to it at law or in equity.

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7. Waiver. Borrower, sureties, endorsers, guarantors and any other party now or hereafter liable for the payment of this Note in whole or in part, hereby severally (a) waive presentment for payment, notice of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices, filing of suit and diligence in collecting this Note or enforcing any other security with respect to same, (b) agree to any substitution, subordination, exchange or release of any such security or the release of any parties primarily or secondarily liable hereon, (c) agree that the Lender shall not be required first to institute suit or exhaust its remedies hereon against the Borrower, or other any party liable or to become liable hereon or to enforce its rights against any or all of them or any security with respect to same, and (d) consent to any extension or postponement of time of payment of this Note and to any other indulgence with respect hereto without notice hereof to any of them.

8. Attorneys' Fees. If this Note is not paid at maturity and is placed in the hands of an attorney for collection, or if it is collected through a bankruptcy or any other court after maturity, then the Lender shall be entitled to reasonable attorneys' fees and court costs for collection.

9. Limitation of Agreements. All agreements between the Borrower and the Lender, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event, whether by reason of demand or otherwise, shall the amount paid, or agreed to be paid to the Lender for the use, forbearance, or detention of the money to be loaned under this Note or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other document evidencing security or pertaining to the loan evidenced hereby, exceed the maximum amount permissible under applicable law, as now existing or as hereafter amended. If from any circumstances whatsoever fulfillment of any provision hereof or in any of such other documents at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances the Lender shall ever receive interest (or anything which might be deemed interest under applicable law) which would exceed the highest rate of interest allowed by applicable law, such amount which would be excessive interest shall be applied to the reduction of the principal due hereunder and not

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to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of this Note, such excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Lender for the use, forbearance or detention of the indebtedness of the Borrower to the Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest on account of such indebtedness is uniform, or does not exceed the maximum rate permitted by applicable law as now existing or hereafter amended, throughout the term thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between the Lender and the Borrower.

10. Records. Borrower hereby appoints Lender as the authorized agent of Borrower with full authority to record on the Grid attached hereto as Exhibit A, and incorporated herein by reference for all purposes, the dates of each transaction, amounts of all principal advances, as well as principal and interest payments, made under this Note, and balance due on the Note. This Grid (and all notations made thereto) shall be conclusive evidence of the actual amounts of principal and accrued interest advanced and/or outstanding under this Note.

11. Miscellaneous.

- (a) No failure or delay by Lender in exercising any right, power or privilege under this Note or the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege.
- (b) The captions used in this Note are for convenience only and shall not be deemed to amplify, modify or limit any provision hereof.
- (c) Words of any gender used in this Note shall be construed to include any other gender, and words in the singular shall include the plural and vice versa, unless the context otherwise requires.
- (d) This Note shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, legal representatives, successors and assigns.

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(e) This Note, together with the Agreement, contains the entire agreement between the Parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by a written instrument executed by both Parties.

(f) This Note may be executed in multiple copies, each of which shall be deemed an original, and all of such copies shall together constitute one and the same instrument.

(g) Time is of the essence in the performance of each obligation, covenant and condition under this Note.

(h) This Note shall be governed by the laws of the State of Texas.

(i) This Note is performable in Dallas County, Texas.

SHOWBIZ PIZZA TIME, INC. (Lender)
By: Michael H. Magusiak
President

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC. (Borrower)
By: Michael A. Hilton
President

NATIONAL ADVERTISING PRODUCTION LINE OF CREDIT

By this Agreement, dated as of November 17, 1994, SHOWBIZ PIZZA TIME, INC. ("Lender") and INTERNATIONAL ASSOCIATION OF SHOWBIZ PIZZA TIME RESTAURANTS, INC., ("Borrower") hereby agree as follows:

1. Revolving Commitment. Subject to the terms and conditions in this Agreement, Lender agrees to loan to Borrower from time to time amounts not to exceed Seven Hundred and Fifty Thousand Dollars (\$750,000.00) in the aggregate outstanding at any one time. No new advance shall be made under this Agreement after December 31, 1995. Subject to the foregoing limitations, Borrower may borrow, repay, prepay and reborrow amounts under this Agreement.

2. Note. Borrower's obligation to repay amounts borrowed under this Agreement is further evidenced by an National Advertising Production Promissory Note (the "Note") dated the same date as this Agreement. Payment of principal and interest, and accrual of interest, on amounts borrowed under this Agreement shall be as provided in the Note.

3. Use of Proceeds. Borrower shall use amounts borrowed under this Agreement only to pay the costs associated with the production of advertisements for the benefit of Lender ("Production Costs"). Upon Lender's reasonable request, Borrower shall provide copies of invoices and other documents which evidence Borrower's compliance with this Section 3.

4. Records and Reports. Upon Lender's reasonable request, Borrower shall provide reports and copies of invoices, canceled checks and other business records pertaining to the Project, this Agreement or the Note.

5. Condition to Loans. The obligation of Lender to make loans under this Agreement is subject to the satisfaction of each of the following conditions:

- (a) No default under this Agreement, and no event which would constitute a default but for the giving of notice or the passage of time thereafter, shall have occurred and be continuing on the date of such loan;
- (b) The representations and warranties of Borrower set forth in this Agreement shall be true as of the date of such loan;

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(c) Lender shall have received any documents or information previously requested from Borrower pursuant to this Agreement; and

(d) No material adverse change, in Lender's sole determination, has occurred in the businesses of the ShowBiz Pizza Time restaurants or in the financial condition of Borrower.

6. Representation and Warranties: Borrower represents and warrants that: (a) Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas; (b) the execution, delivery and performance of this Agreement and the Note have been duly authorized by all necessary corporation action; and (c) this Agreement and the Note constitute the valid and binding obligations of Borrower enforceable in accordance with their terms.

7. Default. Borrower shall be in default under this Agreement if one or more of the following events shall have occurred and be continuing:

- (a) The failure by Borrower to make any payment of principal or interest on the Note within ten (10) days after the same becomes due and payable;
- (b) The failure by Borrower to perform any of its obligations, except the payment of principal and interest, arising under the Note, this Agreement or any other agreement between Borrower and

Lender within five (5) days after written notice of such failure;
or

(c) The filing by or against the Borrower of a voluntary or involuntary proceeding seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Borrower or any substantial part of its property and, in the case of any involuntary proceeding not consented to by Borrower, such proceeding is not dismissed within sixty (60) days.

8. Remedies. If Borrower is in default under this Agreement:

(a) the outstanding principal and accrued interest under the Note shall mature and become automatically due and payable, without notice or demand; (b) Lender may terminate its commitment to make loans under this Agreement; and (c) Lender may exercise any other remedies permitted by law or equity.

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9. Notices. Any notice under this Agreement shall be effective upon actual receipt or upon delivery to the United States Postal Service, with first class postage, addressed as follows (or to such other address subsequently provided by the party hereto):

To Lender:
ShowBiz Pizza Time, Inc.
4441 West Airport Freeway
Irving, Texas 75015
Attention: General Counsel

To Borrower:

International Association of ShowBiz
Pizza Time Restaurants, Inc.
4441 West Airport Freeway
Irving, Texas 75015
Attention: Mike Hilton

10. Miscellaneous.

(a) No failure or delay by Lender in exercising any right, power or privilege under this Agreement or the Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege.

(b) The captions used in this Agreement are for convenience only and shall not be deemed to amplify, modify or limit the provisions hereof.

(c) Words of any gender used in the Agreement shall be construed to include any other gender, and words in the singular shall include the plural and vice versa, unless the context otherwise requires.

(d) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

(e) This Agreement, together with the Note, contains the entire agreement of the parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by written instrument executed by both parties.

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(f) This Agreement may be executed in multiple copies, each of which shall be deemed an original, and all of such copies shall together constitute one and the same instrument.

(g) Time is of the essence in the performance of each obligation, covenant and condition under this Agreement.
(h) This Agreement shall be governed by the laws of the State of Texas.

11. Prior Agreements. This Agreement amends, supersedes, and replaces all previous agreements related to National Advertising Production.

IN WITNESS HEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first appearing above.

SHOWBIZ PIZZA TIME, INC.
By: Michael H. Magusiak
President

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC.
By: Michael A. Hilton
President

NATIONAL ADVERTISING PRODUCTION
PROMISSORY NOTE

\$750,000.00

Irving, Texas

Dated as of
November 17, 1994

FOR VALUE RECEIVED, the undersigned INTERNATIONAL ASSOCIATION OF SHOWBIZ PIZZA TIME RESTAURANTS, INC. ("Borrower"), a Texas corporation, promises to pay to SHOWBIZ PIZZA TIME, INC. ("Lender"), a Kansas corporation, (hereinafter collectively referred to as "Parties"), the principal sum of SEVEN HUNDRED AND FIFTY THOUSAND AND NO/100 DOLLARS (\$750,000.00), or so much thereof as may from time to time be advanced, together with interest accrued on the unpaid principal balance hereof as set forth below.

1. Interest Rate. The unpaid principal amount hereof from time to time outstanding from the date hereof until maturity shall bear interest at a fluctuating rate per annum equal to the Prime Rate plus 0.5% (as herein defined), changing automatically, without notice to the Borrower, effective as of the effective date of any change in the Prime Rate. Interest shall be calculated at the end of each of Lender's monthly accounting periods (which will not correspond with calendar months due to Lender's 52 week fiscal year) based on the average between the principal amounts outstanding and unpaid at the beginning of the monthly accounting period and at the end of such period, but shall be charged and collected based on the actual number of days elapsed. The term "Prime Rate" as used herein means the higher of (a) the annual rate of interest announced from time to time by the First National Bank of Boston at its head office in Boston, Massachusetts as its "base rate" and (b) the overnight federal funds effective rate as published by the Board of Governors of the Federal Reserve System as in effect from time to time plus one half of one percent (1/2%).

2. Payment of Principal and Interest. Each payment by Borrower to Lender on this Note shall be applied first to fees and/or costs, if any, pursuant to Section 8 hereof and then applied to any accrued interest, and then any remaining portion of the payment after such applications shall be applied to reduction of outstanding principal balance of this Note.

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3. Revolving Note. This Note is a "revolving line of credit" note. Principal advances may be made, from time to time, up to the principal amount of this Note, and principal payments may, from time to time, be made by Borrower to reduce the principal balance owing pursuant to this Note. This Note may be prepaid in whole or in part at any time without penalty or premium. In no event shall any principal advance be made after December 31, 1995, and all amounts outstanding will be due and payable at that time.

4. Line of Credit Agreement. This Note is issued pursuant to, is entitled to the benefit of, and is subject to the provisions of the National Advertising Production Line of Credit Agreement (the "Agreement") between Borrower and Lender dated the same date as this Note.

5. Events of Default. The outstanding principal and accrued interest hereon shall mature and become automatically due and payable, without notice or demand, upon the occurrence and during the continuance without cure of any of the following events of default:

- (a) The failure by Borrower to make a payment of any principal or interest on the Note within ten (10) days after the same becomes due and payable;
- (b) The failure by Borrower to perform any of its obligations,

except the payment of principal and interest, arising under this Note, the Agreement or any other agreement between Borrower and Lender within five (5) days after receipt of written notice of such failure; or

(c) The filing by or against the Borrower of a voluntary or involuntary proceeding seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Borrower or any substantial part of its property and, in the case of any involuntary proceeding not consented to by Borrower, such proceeding is not dismissed within sixty (60) days of its filing.

6. Remedies. If Borrower is in default under this Note: (a) the outstanding principal and accrued interest under the Note shall mature and become automatically due and payable, without notice or demand; (b) Lender may terminate its commitment to advance monies under this Note; and (c) Lender may exercise any other remedies available to it at law or in equity.

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7. Waiver. Borrower, sureties, endorsers, guarantors and any other party now or hereafter liable for the payment of this Note in whole or in part, hereby severally (a) waive presentment for payment, notice of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices, filing of suit and diligence in collecting this Note or enforcing any other security with respect to same, (b) agree to any substitution, subordination, exchange or release of any such security or the release of any parties primarily or secondarily liable hereon, (c) agree that the Lender shall not be required first to institute suit or exhaust its remedies hereon against the Borrower, or other any party liable or to become liable hereon or to enforce its rights against any or all of them or any security with respect to same, and (d) consent to any extension or postponement of time of payment of this Note and to any other indulgence with respect hereto without notice hereof to any of them.

8. Attorneys' Fees. If this Note is not paid at maturity and is placed in the hands of an attorney for collection, or if it is collected through a bankruptcy or any other court after maturity, then the Lender shall be entitled to reasonable attorneys' fees and court costs for collection.

9. Limitation of Agreements. All agreements between the Borrower and the Lender, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event, whether by reason of demand or otherwise, shall the amount paid, or agreed to be paid to the Lender for the use, forbearance, or detention of the money to be loaned under this Note or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other document evidencing security or pertaining to the loan evidenced hereby, exceed the maximum amount permissible under applicable law, as now existing or as hereafter amended. If from

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any circumstances whatsoever fulfillment of any provision hereof or in any of such other documents at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances the Lender shall ever receive interest (or anything which might be deemed interest under applicable law) which would exceed the highest rate of interest allowed by

applicable law, such amount which would be excessive interest shall be applied to the reduction of the principal due hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of this Note, such excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Lender for the use, forbearance or detention of the indebtedness of the Borrower to the Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest on account of such indebtedness is uniform, or does not exceed the maximum rate permitted by applicable law as now existing or hereafter amended, throughout the term thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between the Lender and the Borrower.

10. Records. Borrower hereby appoints Lender as the authorized agent of Borrower with full authority to record on the Grid attached hereto as Exhibit A, and incorporated herein by reference for all purposes, the dates of each transaction, amounts of all principal advances, as well as principal and interest payments, made under this Note, and balance due on the Note. This Grid (and all notations made thereto) shall be conclusive evidence of the actual amounts of principal and accrued interest advanced and/or outstanding under this Note.

11. Miscellaneous.

(a) No failure or delay by Lender in exercising any right, power or privilege under this Note or the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege.

(b) The captions used in this Note are for convenience only and shall not be deemed to amplify, modify or limit any provision hereof.

(c) Words of any gender used in this Note shall be construed to include any other gender, and words in the singular shall include the plural and vice versa, unless the context otherwise requires.

(d) This Note shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, legal representatives, successors and assigns.

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(e) This Note, together with the Agreement, contains the entire agreement between the Parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by a written instrument executed by both Parties.

(f) This Note may be executed in multiple copies, each of which shall be deemed an original, and all of such copies shall together constitute one and the same instrument.

(g) Time is of the essence in the performance of each obligation, covenant and condition under this Note.

(h) This Note shall be governed by the laws of the State of Texas.

(i) This Note is performable in Dallas County, Texas.

SHOWBIZ PIZZA TIME, INC. (Lender)
By: Michael H. Magusiak
President

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC. (Borrower)
By: Michael A. Hilton
President

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CONCEPT UNIFICATION FUND LINE OF CREDIT

By this Agreement, dated as of November 17, 1994, SHOWBIZ PIZZA TIME, INC. ("Lender") and INTERNATIONAL ASSOCIATION OF SHOWBIZ PIZZA TIME RESTAURANTS, INC., ("Borrower") hereby agree as follows:

1. Revolving Commitment. Subject to the terms and conditions in this Agreement, Lender agrees to loan to Borrower from time to time amounts not to exceed Five Hundred Thousand Dollars (\$500,000.00) in the aggregate outstanding at any one time. No new advance shall be made under this Agreement after December 31, 1995. Subject to the foregoing limitations, Borrower may borrow, repay, prepay and reborrow amounts under this Agreement.

2. Note. Borrower's obligation to repay amounts borrowed under this Agreement is further evidenced by an Concept Unification Fund Promissory Note (the "Note") dated the same date as this Agreement. Payment of principal and interest, and accrual of interest, on amounts borrowed under this Agreement shall be as provided in the Note.

3. Use of Proceeds. Borrower shall use amounts borrowed under this Agreement only to purchase goods and services for the following special projects of the borrower: conversion of the "Rock-Afire Explosion" animated stage shows to "Munch's Make Believe Band" and installation of "Cyberstar" and "Phase II" in Chuck E. Cheese shows (collectively, the "Project"). Upon Lender's reasonable request, Borrower shall provide copies of invoices and other documents which evidence Borrower's compliance with this Section 3.

4. Records and Reports. Upon Lender's reasonable request, Borrower shall provide reports and copies of invoices, canceled checks and other business records pertaining to the Project, this Agreement or the Note.

5. Condition to Loans. The obligation of Lender to make loans under this Agreement is subject to the satisfaction of each of the following conditions:

(a) No default under this Agreement, and no event which would constitute a default but for the giving of notice or the passage of time thereafter, shall have occurred and be continuing on the date of such loan;

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(b) The representations and warranties of Borrower set forth in this Agreement shall be true as of the date of such loan;

(c) Lender shall have received any documents or information previously requested from Borrower pursuant to this Agreement; and

(d) No material adverse change, in Lender's sole determination, has occurred in the businesses of the ShowBiz Pizza Time restaurants or in the financial condition of Borrower.

6. Representation and Warranties: Borrower represents and warrants that: (a) Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas; (b) the execution, delivery and performance of this Agreement and the Note have been duly authorized by all necessary corporation action; and (c) this Agreement and the Note constitute the valid and binding obligations of Borrower enforceable in accordance with their terms.

7. Default. Borrower shall be in default under this Agreement if one or more of the following events shall have occurred and be continuing:

(a) The failure by Borrower to make any payment of principal or interest on the Note within ten (10) days after the same becomes due and payable;

(b) The failure by Borrower to perform any of its obligations, except the payment of principal and interest, arising under the Note, this Agreement or any other agreement between Borrower and

Lender within five (5) days after written notice of such failure;
or

(c) The filing by or against the Borrower of a voluntary or involuntary proceeding seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Borrower or any substantial part of its property and, in the case of any involuntary proceeding not consented to by Borrower, such proceeding is not dismissed within sixty (60) days.

8. Remedies. If Borrower is in default under this Agreement:

(a) the outstanding principal and accrued interest under the Note shall mature and become automatically due and payable, without notice or demand; (b) Lender may terminate its commitment to make loans under this Agreement; and (c) Lender may exercise any other remedies permitted by law or equity.

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9. Notices. Any notice under this Agreement shall be effective upon actual receipt or upon delivery to the United States Postal Service, with first class postage, addressed as follows (or to such other address subsequently provided by the party hereto):

To Lender:

ShowBiz Pizza Time, Inc.
4441 West Airport Freeway
Irving, Texas 75015
Attention: General Counsel

To Borrower:

International Association of ShowBiz
Pizza Time Restaurants, Inc.
4441 West Airport Freeway
Irving, Texas 75015
Attention: Mike Hilton

10. Miscellaneous.

(a) No failure or delay by Lender in exercising any right, power or privilege under this Agreement or the Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege.

(b) The captions used in this Agreement are for convenience only and shall not be deemed to amplify, modify or limit the provisions hereof.

(c) Words of any gender used in the Agreement shall be construed to include any other gender, and words in the singular shall include the plural and vice versa, unless the context otherwise requires.

(d) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

(e) This Agreement, together with the Note, contains the entire agreement of the parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by written instrument executed by both parties.

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(f) This Agreement may be executed in multiple copies, each of which shall be deemed an original, and all of such copies shall together constitute one and the same instrument.

(g) Time is of the essence in the performance of each obligation, covenant and condition under this Agreement.

(h) This Agreement shall be governed by the laws of the State of Texas.

11. Prior Agreements. This Agreement amends, supersedes, and replaces all previous agreements related to Concept Unification.

IN WITNESS HEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first appearing above.

SHOWBIZ PIZZA TIME, INC.
By: Michael H. Magusiak
President

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC.

By: Michael A. Hilton
President

CONCEPT UNIFICATION FUND
PROMISSORY NOTE

\$500,000.00

Irving, Texas

Dated as of
November 17, 1994

FOR VALUE RECEIVED, the undersigned INTERNATIONAL ASSOCIATION OF SHOWBIZ PIZZA TIME RESTAURANTS, INC. ("Borrower"), a Texas corporation, promises to pay to SHOWBIZ PIZZA TIME, INC. ("Lender"), a Kansas corporation, (hereinafter collectively referred to as "Parties"), the principal sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00), or so much thereof as may from time to time be advanced, together with interest accrued on the unpaid principal balance hereof as set forth below.

1. Interest Rate. The unpaid principal amount hereof from time to time outstanding from the date hereof until maturity shall bear interest at a fluctuating rate per annum equal to the Prime Rate plus 0.5% (as herein defined), changing automatically, without notice to the Borrower, effective as of the effective date of any change in the Prime Rate. Interest shall be calculated at the end of each of Lender's monthly accounting periods (which will not correspond with calendar months due to Lender's 52 week fiscal year) based on the average between the principal amounts outstanding and unpaid at the beginning of the monthly accounting period and at the end of such period, but shall be charged and collected based on the actual number of days elapsed. The term "Prime Rate" as used herein means the higher of (a) the annual rate of interest announced from time to time by the First National Bank of Boston at its head office in Boston, Massachusetts as its "base rate" and (b) the overnight federal funds effective rate as published by the Board of Governors of the Federal Reserve System as in effect from time to time plus one half of one percent (1/2%).

2. Payment of Principal and Interest. Each payment by Borrower to Lender on this Note shall be applied first to fees and/or costs, if any, pursuant to Section 8 hereof and then applied to any accrued interest, and then any remaining portion of the payment after such applications shall be applied to reduction of outstanding principal balance of this Note.

3. Revolving Note. This Note is a "revolving line of credit" note. Principal advances may be made, from time to time, up to the principal amount of this Note, and principal payments may, from time to time, be made by Borrower to reduce the principal balance owing pursuant to this Note. This Note may be prepaid in whole or in part at any time without penalty or premium. In no event shall any principal advance be made after December 31, 1995, and all amounts outstanding will be due and payable at that time.

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4. Line of Credit Agreement. This Note is issued pursuant to, is entitled to the benefit of, and is subject to the provisions of the Concept Unification Fund Line of Credit Agreement (the "Agreement") between Borrower and Lender dated the same date as this Note.

5. Events of Default. The outstanding principal and accrued interest hereon shall mature and become automatically due and payable, without notice or demand, upon the occurrence and during the continuance without cure of any of the following events of default:

- (a) The failure by Borrower to make a payment of any principal or interest on the Note within ten (10) days after the same becomes due and payable;
- (b) The failure by Borrower to perform any of its

obligations, except the payment of principal and interest, arising under this Note, the Agreement or any other agreement between Borrower and Lender within five (5) days after receipt of written notice of such failure; or

(c) The filing by or against the Borrower of a voluntary or involuntary proceeding seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Borrower or any substantial part of its property and, in the case of any involuntary proceeding not consented to by Borrower, such proceeding is not dismissed within sixty (60) days of its filing.

6. Remedies. If Borrower is in default under this Note: (a) the outstanding principal and accrued interest under the Note shall mature and become automatically due and payable, without notice or demand; (b) Lender may terminate its commitment to advance monies under this Note; and (c) Lender may exercise any other remedies available to it at law or in equity.

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7. Waiver. Borrower, sureties, endorsers, guarantors and any other party now or hereafter liable for the payment of this Note in whole or in part, hereby severally (a) waive presentment for payment, notice of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices, filing of suit and diligence in collecting this Note or enforcing any other security with respect to same, (b) agree to any substitution, subordination, exchange or release of any such security or the release of any parties primarily or secondarily liable hereon, (c) agree that the Lender shall not be required first to institute suit or exhaust its remedies hereon against the Borrower, or other any party liable or to become liable hereon or to enforce its rights against any or all of them or any security with respect to same, and (d) consent to any extension or postponement of time of payment of this Note and to any other indulgence with respect hereto without notice hereof to any of them.

8. Attorneys' Fees. If this Note is not paid at maturity and is placed in the hands of an attorney for collection, or if it is collected through a bankruptcy or any other court after maturity, then the Lender shall be entitled to reasonable attorneys' fees and court costs for collection.

9. Limitation of Agreements. All agreements between the Borrower and the Lender, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event, whether by reason of demand or otherwise, shall the amount paid, or agreed to be paid to the Lender for the use, forbearance, or detention of the money to be loaned under this Note or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other document evidencing security or pertaining to the loan evidenced hereby, exceed the maximum amount permissible under applicable law, as now existing or as hereafter amended. If from any circumstances whatsoever fulfillment of any provision hereof or in any of such other documents at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances the Lender shall ever receive interest (or anything which might be deemed interest under applicable law) which would exceed the highest rate of interest allowed by applicable law, such amount which would be excessive interest shall be applied to the reduction of the principal due hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of this Note, such excess shall be

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refunded to the Borrower. All sums paid or agreed to be paid to the Lender for the use, forbearance or detention of the indebtedness of the Borrower to the Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest on account of such indebtedness is uniform, or does not exceed the maximum rate permitted by applicable law as now existing or hereafter amended, throughout the term thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between the Lender and the Borrower.

10. Records. Borrower hereby appoints Lender as the authorized agent of Borrower with full authority to record on the Grid attached hereto as Exhibit A, and incorporated herein by reference for all purposes, the dates of each transaction, amounts of all principal advances, as well as principal and interest payments, made under this Note, and balance due on the Note. This Grid (and all notations made thereto) shall be conclusive evidence of the actual amounts of principal and accrued interest advanced and/or outstanding under this Note.

11. Miscellaneous.

(a) No failure or delay by Lender in exercising any right, power or privilege under this Note or the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege.

(b) The captions used in this Note are for convenience only and shall not be deemed to amplify, modify or limit any provision hereof.

(c) Words of any gender used in this Note shall be construed to include any other gender, and words in the singular shall include the plural and vice versa, unless the context otherwise requires.

(d) This Note shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, legal representatives, successors and assigns.

(e) This Note, together with the Agreement, contains the entire agreement between the Parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by a written instrument executed by both Parties.

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(f) This Note may be executed in multiple copies, each of which shall be deemed an original, and all of such copies shall together constitute one and the same instrument.

(g) Time is of the essence in the performance of each obligation, covenant and condition under this Note.

(h) This Note shall be governed by the laws of the State of Texas.

(i) This Note is performable in Dallas County, Texas.

SHOWBIZ PIZZA TIME, INC. (Lender)

By: Michael H. Magusiak
President

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC. (Borrower)

By: Michael A. Hilton
President

NATIONAL MEDIA FUND LINE OF CREDIT

By this Agreement, dated as of November 17, 1994, SHOWBIZ PIZZA TIME, INC. ("Lender") and INTERNATIONAL ASSOCIATION OF SHOWBIZ PIZZA TIME RESTAURANTS, INC., ("Borrower") hereby agree as follows:

1. Revolving Commitment. Subject to the terms and conditions in this Agreement, Lender agrees to loan to Borrower from time to time amounts not to exceed Four Hundred Thousand Dollars (\$400,000.00) in the aggregate outstanding at any one time. No new advance shall be made under this Agreement after December 31, 1995. Subject to the foregoing limitations, Borrower may borrow, repay, prepay and reborrow amounts under this Agreement.

2. Note. Borrower's obligation to repay amounts borrowed under this Agreement is further evidenced by an National Media Fund Promissory Note (the "Note") dated the same date as this Agreement. Payment of principal and interest, and accrual of interest, on amounts borrowed under this Agreement shall be as provided in the Note.

3. Use of Proceeds. Borrower shall use amounts borrowed under this Agreement only to purchase goods and services related to network media buys (collectively, the "Project"). Upon Lender's reasonable request, Borrower shall provide copies of invoices and other documents which evidence Borrower's compliance with this Section 3.

4. Records and Reports. Upon Lender's reasonable request, Borrower shall provide reports and copies of invoices, canceled checks and other business records pertaining to the Project, this Agreement or the Note.

5. Condition to Loans. The obligation of Lender to make loans under this Agreement is subject to the satisfaction of each of the following conditions:

(a) No default under this Agreement, and no event which would constitute a default but for the giving of notice or the passage of time thereafter, shall have occurred and be continuing on the date of such loan;

(b) The representations and warranties of Borrower set forth in this Agreement shall be true as of the date of such loan;

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(c) Lender shall have received any documents or information previously requested from Borrower pursuant to this Agreement; and

(d) No material adverse change, in Lender's sole determination, has occurred in the businesses of the ShowBiz Pizza Time restaurants or in the financial condition of Borrower.

6. Representation and Warranties: Borrower represents and warrants that: (a) Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas; (b) the execution, delivery and performance of this Agreement and the Note have been duly authorized by all necessary corporation action; and (c) this Agreement and the Note constitute the valid and binding obligations of Borrower enforceable in accordance with their terms.

7. Default. Borrower shall be in default under this Agreement if one or more of the following events shall have occurred and be continuing:

(a) The failure by Borrower to make any payment of principal or interest on the Note within ten (10) days after the same becomes due and payable;

(b) The failure by Borrower to perform any of its obligations, except the payment of principal and interest, arising under the Note, this Agreement or any other agreement between Borrower and Lender within five (5) days after written notice of such failure;

or

(c) The filing by or against the Borrower of a voluntary or involuntary proceeding seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Borrower or any substantial part of its property and, in the case of any involuntary proceeding not consented to by Borrower, such proceeding is not dismissed within sixty (60) days.

8. Remedies. If Borrower is in default under this Agreement:

(a) the outstanding principal and accrued interest under the Note shall mature and become automatically due and payable, without notice or demand; (b) Lender may terminate its commitment to make loans under this Agreement; and (c) Lender may exercise any other remedies permitted by law or equity.

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9. Notices. Any notice under this Agreement shall be effective upon actual receipt or upon delivery to the United States Postal Service, with first class postage, addressed as follows (or to such other address subsequently provided by the party hereto):

To Lender:

ShowBiz Pizza Time, Inc.
4441 West Airport Freeway
Irving, Texas 75015
Attention: General Counsel

To Borrower:

International Association of ShowBiz
Pizza Time Restaurants, Inc.
4441 West Airport Freeway
Irving, Texas 75015
Attention: Mike Hilton

10. Miscellaneous.

(a) No failure or delay by Lender in exercising any right, power or privilege under this Agreement or the Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege.

(b) The captions used in this Agreement are for convenience only and shall not be deemed to amplify, modify or limit the provisions hereof.

(c) Words of any gender used in the Agreement shall be construed to include any other gender, and words in the singular shall include the plural and vice versa, unless the context otherwise requires.

(d) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

(e) This Agreement, together with the Note, contains the entire agreement of the parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by written instrument executed by both parties.

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(f) This Agreement may be executed in multiple copies, each of which shall be deemed an original, and all of such copies shall together constitute one and the same instrument.

(g) Time is of the essence in the performance of each obligation, covenant and condition under this Agreement.

(h) This Agreement shall be governed by the laws of the State of Texas.

11. Prior Agreements. This Agreement amends, supersedes, and

replaces all previous agreements related to national media production.

IN WITNESS HEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first appearing above.

SHOWBIZ PIZZA TIME, INC.
By: Michael H. Magusiak
President

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC.

By: Michael A. Hilton
President

NATIONAL MEDIA FUND
PROMISSORY NOTE

\$400,000.00

Irving, Texas

Dated as of
November 17, 1994

FOR VALUE RECEIVED, the undersigned INTERNATIONAL ASSOCIATION OF SHOWBIZ PIZZA TIME RESTAURANTS, INC. ("Borrower"), a Texas corporation, promises to pay to SHOWBIZ PIZZA TIME, INC. ("Lender"), a Kansas corporation, (hereinafter collectively referred to as "Parties"), the principal sum of FOUR HUNDRED THOUSAND AND NO/100 DOLLARS (\$400,000.00), or so much thereof as may from time to time be advanced, together with interest accrued on the unpaid principal balance hereof as set forth below.

1. Interest Rate. The unpaid principal amount hereof from time to time outstanding from the date hereof until maturity shall bear interest at a fluctuating rate per annum equal to the Prime Rate plus 0.5% (as herein defined), changing automatically, without notice to the Borrower, effective as of the effective date of any change in the Prime Rate. Interest shall be calculated at the end of each of Lender's monthly accounting periods (which will not correspond with calendar months due to Lender's 52 week fiscal year) based on the average between the principal amounts outstanding and unpaid at the beginning of the monthly accounting period and at the end of such period, but shall be charged and collected based on the actual number of days elapsed. The term "Prime Rate" as used herein means the higher of (a) the annual rate of interest announced from time to time by the First National Bank of Boston at its head office in Boston, Massachusetts as its "base rate" and (b) the overnight federal funds effective rate as published by the Board of Governors of the Federal Reserve System as in effect from time to time plus one half of one percent (1/2%).

2. Payment of Principal and Interest. Each payment by Borrower to Lender on this Note shall be applied first to fees and/or costs, if any, pursuant to Section 8 hereof and then applied to any accrued interest, and then any remaining portion of the payment after such applications shall be applied to reduction of outstanding principal balance of this Note.

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3. Revolving Note. This Note is a "revolving line of credit" note. Principal advances may be made, from time to time, up to the principal amount of this Note, and principal payments may, from time to time, be made by Borrower to reduce the principal balance owing pursuant to this Note. This Note may be prepaid in whole or in part at any time without penalty or premium. In no event shall any principal advance be made after December 31, 1995, and all amounts outstanding will be due and payable at that time.

4. Line of Credit Agreement. This Note is issued pursuant to, is entitled to the benefit of, and is subject to the provisions of the National Media Fund Line of Credit Agreement (the "Agreement") between Borrower and Lender dated the same date as this Note.

5. Events of Default. The outstanding principal and accrued interest hereon shall mature and become automatically due and payable, without notice or demand, upon the occurrence and during the continuance without cure of any of the following events of default:

- (a) The failure by Borrower to make a payment of any principal or interest on the Note within ten (10) days after the same becomes due and payable;
- (b) The failure by Borrower to perform any of its obligations, except the payment of principal and interest, arising under this Note, the Agreement or any other agreement between Borrower and Lender within five (5) days after receipt

of written notice of such failure; or

(c) The filing by or against the Borrower of a voluntary or involuntary proceeding seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Borrower or any substantial part of its property and, in the case of any involuntary proceeding not consented to by Borrower, such proceeding is not dismissed within sixty (60) days of its filing.

6. Remedies. If Borrower is in default under this Note: (a) the outstanding principal and accrued interest under the Note shall mature and become automatically due and payable, without notice or demand; (b) Lender may terminate its commitment to advance monies under this Note; and (c) Lender may exercise any other remedies available to it at law or in equity.

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7. Waiver. Borrower, sureties, endorsers, guarantors and any other party now or hereafter liable for the payment of this Note in whole or in part, hereby severally (a) waive presentment for payment, notice of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices, filing of suit and diligence in collecting this Note or enforcing any other security with respect to same, (b) agree to any substitution, subordination, exchange or release of any such security or the release of any parties primarily or secondarily liable hereon, (c) agree that the Lender shall not be required first to institute suit or exhaust its remedies hereon against the Borrower, or other any party liable or to become liable hereon or to enforce its rights against any or all of them or any security with respect to same, and (d) consent to any extension or postponement of time of payment of this Note and to any other indulgence with respect hereto without notice hereof to any of them.

8. Attorneys' Fees. If this Note is not paid at maturity and is placed in the hands of an attorney for collection, or if it is collected through a bankruptcy or any other court after maturity, then the Lender shall be entitled to reasonable attorneys' fees and court costs for collection.

9. Limitation of Agreements. All agreements between the Borrower and the Lender, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event, whether by reason of demand or otherwise, shall the amount paid, or agreed to be paid to the Lender for the use, forbearance, or detention of the money to be loaned under this Note or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other document evidencing security or pertaining to the loan evidenced hereby, exceed the maximum amount permissible under applicable law, as now existing or as hereafter amended. If from any circumstances whatsoever fulfillment of any provision hereof or in any of such other documents at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances the Lender shall ever receive interest (or anything which might be deemed interest under applicable law) which would exceed the highest rate of interest allowed by applicable law, such amount which would be excessive interest shall

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be applied to the reduction of the principal due hereunder and not to the payment of interest, or if such excessive interest exceeds

the unpaid balance of principal of this Note, such excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Lender for the use, forbearance or detention of the indebtedness of the Borrower to the Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest on account of such indebtedness is uniform, or does not exceed the maximum rate permitted by applicable law as now existing or hereafter amended, throughout the term thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between the Lender and the Borrower.

10. Records. Borrower hereby appoints Lender as the authorized agent of Borrower with full authority to record on the Grid attached hereto as Exhibit A, and incorporated herein by reference for all purposes, the dates of each transaction, amounts of all principal advances, as well as principal and interest payments, made under this Note, and balance due on the Note. This Grid (and all notations made thereto) shall be conclusive evidence of the actual amounts of principal and accrued interest advanced and/or outstanding under this Note.

11. Miscellaneous.

(a) No failure or delay by Lender in exercising any right, power or privilege under this Note or the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege.

(b) The captions used in this Note are for convenience only and shall not be deemed to amplify, modify or limit any provision hereof.

(c) Words of any gender used in this Note shall be construed to include any other gender, and words in the singular shall include the plural and vice versa, unless the context otherwise requires.

(d) This Note shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, legal representatives, successors and assigns.

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(e) This Note, together with the Agreement, contains the entire agreement between the Parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by a written instrument executed by both Parties.

(f) This Note may be executed in multiple copies, each of which shall be deemed an original, and all of such copies shall together constitute one and the same instrument.

(g) Time is of the essence in the performance of each obligation, covenant and condition under this Note.

(h) This Note shall be governed by the laws of the State of Texas.

(i) This Note is performable in Dallas County, Texas.

SHOWBIZ PIZZA TIME, INC. (Lender)
By: Michael H. Magusiak
President

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC. (Borrower)
By: Michael A. Hilton
President

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EXHIBIT 18

March 17, 1995

Board of Directors and Shareholders
ShowBiz Pizza Time, Inc.
Irving, Texas

We have audited the consolidated financial statements of ShowBiz Pizza Time, Inc. and subsidiary as of December 30, 1994 and December 30, 1993, and for each of the three years (52 or 53 weeks) in the period ended December 30, 1994, included in your Annual Report on Form 10-K to the Securities and Exchange Commission and have issued our report thereon dated March 3, 1995. Note 1 to such financial statements contains a description of your decision during the year ended December 30, 1994 to expense restaurant preopening costs as incurred. In our judgment, such change is to an alternative accounting principle that is to an alternative accounting principle that is preferable under the circumstances.

Yours truly,

Deloitte & Touche LLP

EXHIBIT 21

SUBSIDIARIES
SHOWBIZ PIZZA TIME, INC.

NAME OF SUBSIDIARY
(AND NAMES IN WHICH
SUBSIDIARY DOES BUSINESS)

STATE OF
ORGANIZATION

BHC Acquisition Corporation

Texas

EXHIBIT 23

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Showbiz Pizza Time, Inc.
Irving, Texas

We consent to the incorporation by reference in Registration Statement No. 33-24490 on Form S-1, as amended, and Registration Statement Nos. 33-24490 and 33-48307 on Form S-3 and Registration Statements Nos. 33-29495, 33-36075, 33-39650, 33-67838 and 33-67840 on Form S-8 of ShowBiz Pizza Time, Inc. of our reports dated March 3, 1995, appearing in this Annual Report on Form 10-K of ShowBiz Pizza Time, Inc. for the year ended December 30, 1994.

DELOITTE & TOUCHE LLP
Dallas, Texas
March 3, 1995

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