

(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 29, 1995.
- 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	48-0905805
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4441 West Airport Freeway	
P.O. Box 152077	
Irving, Texas	75015
(Address of principal executive offices)	(Zip Code)

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 15, 1996, an aggregate of 12,233,240 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 15, 1996) held by non-affiliates of the registrant was \$160,899,925.

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.

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 15, 1996, 226 Chuck E. Cheese's Pizza - ("Chuck E. Cheese's") restaurants (including four restaurants managed by the Company for others). In addition, as of March 15, 1996, franchisees of the Company operated 93 Chuck E. Cheese's 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 27-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):

	1995 -----	1994 ----	1993 -----
Average annual revenues per restaurant (1)	\$1,178,000	\$1,206,000	\$1,259,000
Number of restaurants open at end of period	222	220	209
Percent of total restaurant revenues:			
Food and beverage sales	70.2%	71.0%	71.6%
Game sales	26.6%	25.8%	25.3%
Merchandise sales	3.2%	3.2%	3.1%

(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 (190, 159 and 139 restaurants in 1995, 1994 and 1993, respectively).

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 21 restaurants under this program in 1994 and 76 restaurants in 1995 which is approximately 43% of all Company-operated restaurants. The Company currently intends to reposition substantially all Company-operated restaurants by the end of 1996.

The Company opened 1 and 12 new Chuck E. Cheese's restaurants in 1995 and 1994, respectively. The Company is currently evaluating the development of new Chuck E. Cheese's restaurants while balancing the 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 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 Company is currently developing a new stage setting that will be evaluated in 1996. 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 an expanded free ball-crawl with tubes and tunnels suspended from or reaching to the ceiling 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.

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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 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 15, 1996, 93 Chuck E. Cheese's restaurants were operated by a total of 58 different franchisees, as compared to 101 of such restaurants at March 17, 1995. The Company sold two franchises in 1995.

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.

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Monterey's Tex-Mex Cafe Restaurants

The Company, through its wholly owned subsidiary BHC Acquisition Corporation ("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.

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 15, 1996, the Company had approximately 11,290 employees, including 11,100 in the operation of Chuck E. Cheese's restaurants and 190 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.

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Item 2. Properties

The following table sets forth certain information regarding the Chuck E. Cheese's restaurants operated by the Company (excluding four restaurants managed by the Company for others) as of March 15, 1996.

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
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	26
Virginia	3
Wisconsin	3

	222
	=====

Of the 226 Chuck E. Cheese's restaurants operated by the Company as of March 15, 1996, 212 were leased by the Company and 14 were owned by the Company. The leases of these restaurants will expire at various times from 1996 to 2009, as described in the table below.

Year of Expiration -----	Number of Restaurants -----	Range of Renewal Options (Years) -----
1996	14	None to 10
1997	23	None to 10
1998	23	None to 15
1999	20	None to 15
2000 and thereafter	132	None to 20

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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 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 The Hallwood

Group Incorporated ("Hallwood") were named defendants. The plaintiffs in this lawsuit had 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. Although the Company believes that the claims made were without merit, the Company has settled the lawsuit. On November 27, 1995, the Court issued an order for final judgement that approved the settlement of the suit and dismissed it with prejudice.

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 alleged that the Company had breached the lease and was seeking total damages in excess of \$4.0 million against the Company. Although the Company believes the claims made against it were without merit, the Company has settled the lawsuit. On December 29, 1995, the parties filed a stipulation of dismissal that accepted the settlement of the suit and dismissed it with prejudice.

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 1995.

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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 15, 1996, there were an aggregate of 12,233,240 shares of the Company's Common Stock outstanding and approximately 4,364 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 -----
1995 - 1st quarter	\$ 10 3/4	\$ 7 5/8
- 2nd quarter	12 1/4	8 3/4
- 3rd quarter	13 5/8	11
- 4th quarter	13 3/8	10 7/8
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

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 31, 1995 in the amount of \$1.20 per share will be paid on March 31, 1996.

The Company has not paid any dividends on its Common Stock and has no present intention of paying cash dividends thereon in the future. 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.

	1995 -----	1994 -----	1993 -----	1992 -----	1991 -----
	(Thousands, except per share data)				
Operating results (1) (2):					
Revenues	\$ 263,783	\$268,515	\$272,344	\$253,444	\$208,389
Costs and expenses.	263,408	265,402	254,097	228,194	189,456
	-----	-----	-----	-----	-----
Income before income taxes	375	3,113	18,247	25,250	18,933
Income taxes:					
Current expense.	701	869	1,751	1,161	1,050
Deferred expense (benefit)	(389)	1,568	4,605	8,586	6,285
	-----	-----	-----	-----	-----
	312	2,437	6,356	9,747	7,335
	-----	-----	-----	-----	-----
Net income	\$ 63	\$ 676	\$ 11,891	\$ 15,503	\$ 11,598
	=====	=====	=====	=====	=====
Per Share (3):					
Primary:					
Net income (loss)	\$ (.02)	\$.03	\$.86	\$ 1.11	\$.82
Weighted average shares outstanding. 12,065		12,127	13,455	13,662	13,700
Fully diluted:					
Net income (loss)	\$ (.02)	\$.03	\$.86	\$ 1.11	\$.82
Weighted average shares outstanding. 12,065		12,127	13,464	13,713	13,728
Cash flow data:					
Cash provided by operations	\$ 27,810	\$ 30,819	\$ 44,905	\$ 44,246	\$ 36,097
Cash used in investing activities	(30,548)	(22,576)	(45,909)	(35,872)	(29,104)
Cash provided by (used in) financing					

activities	5,946	(10,373)	2,053	(7,631)	(6,303)
Balance sheet data:					
Total assets	\$ 199,010	\$ 188,308	\$193,649	\$173,217	\$158,563
Long-term obligations (including current portion and redeemable preferred stock) . .	39,244	33,223	29,816	17,743	21,360
Shareholders' equity	126,487	125,515	136,647	132,167	115,500
Number of restaurants at year end:					
Chuck E. Cheese's:					
Company operated. . .	226	226	215	182	159
Franchise	93	106	110	113	113
	-----	-----	-----	-----	-----
	319	332	325	295	272
Monterey's Tex-Mex Cafe's					
	-----	-----	-----	-----	-----
	319	332	352	323	299
	=====	=====	=====	=====	=====

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(1) Fiscal year 1992 was 53 weeks in length while fiscal years 1995, 1994, 1993, and 1991 were 52 weeks in length.

(2) Certain reclassifications of 1994, 1993, 1992 and 1991 amounts have been made to conform to the 1995 presentation.

(3) 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

1995 Compared to 1994

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Revenues declined 1.8% to \$263.8 million in 1995 from \$268.5 million in 1994 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 to \$263.3 million in 1995 from \$262.0 million in 1994 due to the net additions of 11 Company restaurants in 1994 and two Company restaurants in 1995. Sales from the Company's Chuck E. Cheese's restaurants which were open during all of 1995 and 1994 ("comparable store sales") declined 1.4% between the years. Revenues from the Company's Monterey's Tex-Mex Cafe restaurants were \$6.5 million in 1994.

Income before income taxes decreased to \$375,000 in 1995 from \$3.1 million in 1994. Included in income before taxes in 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. Income before income taxes 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. A material portion of operating costs are fixed resulting in an erosion of operating margins at lower sales levels. Net income declined to \$63,000 in 1995 from \$676,000 in 1994.

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

	1995	1994	1993
	-----	-----	-----
Revenues	100.0%	100.0%	100.0%
	-----	-----	-----
Costs and expenses:			
Cost of sales	51.8%	51.3%	50.4%
Selling, general and administrative	17.0%	17.6%	15.5%
Depreciation and amortization	8.8%	9.7%	8.5%
Interest expense	1.2%	.7%	.3%
(Gain) loss on property transactions	.1%	(1.0%)	.2%
Other operating expenses	21.0%	20.5%	18.4%
	-----	-----	-----
	99.9%	98.8%	93.3%
	-----	-----	-----
Income before income taxes1%	1.2%	6.7%
	=====	=====	=====

Revenues

Revenues decreased to \$263.8 million in 1995 from \$268.5 million in 1994 due to the sale of the Company's Monterey's Tex-Mex Cafe restaurants effective May 4, 1994. Comparable store sales of Chuck E. Cheese's restaurants which were open during all of both 1995 and 1994 declined by 1.4% between the years. Average annual sales per restaurant decreased to approximately \$1,178,000 in 1995. Menu prices were comparable between the two years. The increasing number of completed repositioned restaurants resulted in a 2.3% increase in comparable store sales in the fourth quarter of 1995 compared to the same period of the prior year. This is the first quarter since 1992 that comparable store sales has increased from the prior year.

Revenues from franchise fees and royalties decreased by 15.1% in 1995 compared to 1994 primarily due to a 6.2% decline in comparable franchise store sales for restaurants open all of 1995 and 1994, and a decline in the number of restaurants operated each year. During 1995, one new franchise restaurant opened and 14 franchise restaurants closed.

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Costs and Expenses

Costs and expenses as a percentage of revenues increased to 99.9% in 1995 from 98.8% in 1994.

Cost of sales increased as a percentage of revenues to 51.8% in 1995 from 51.3% in 1994. Cost of food, beverage, prize and merchandise items for Chuck E. Cheese's restaurants as a percentage of restaurant sales decreased to 17.9% in 1995 from 18.2% in 1994 primarily due to an increase in game sales as a percentage of total restaurant sales. Labor expenses for Chuck E. Cheese's restaurants as a percentage of restaurant sales increased to 30.9% in 1995 from 30.0% in 1994 primarily due to increased labor rates, reduced management turnover and the decline in comparable store sales.

Selling, general and administrative expenses as a percentage of revenues decreased to 17.0% in 1995 from 17.6% in 1994 due primarily to a reduction in corporate overhead expenses.

Depreciation and amortization expense as a percentage of revenues decreased to 8.8% in 1995 from 9.7% in 1994. Preopening expense

declined due to the write-off of all unamortized preopening expense in the fourth quarter of 1994 resulting from a change in the estimated useful future benefit of such expenses. Depreciation expense declined due to the sale of Monterey's Tex-Mex Cafe restaurants in May 1994 and a change effected in the first quarter of 1995 in the estimated useful lives of certain fixed assets based on a review of historical asset utilization. As a result of this change, depreciation expense decreased approximately \$2.3 million in 1995.

Interest expense increased to \$3.1 million in 1995 from \$1.9 million in 1994 primarily due to an increase in interest rates and the Company's average outstanding debt between the periods.

The Company had a net loss on property transactions of \$136,000 in 1995 compared to a net gain on property transactions of \$2.6 million in 1994. In 1994, the Company recognized a gain of \$5.5 million from the sale of substantially all of the assets of its Monterey's Tex-Mex Cafe restaurants on 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. The Company will consider possible relocation of some of the restaurants.

Other operating expenses increased as a percentage of revenues to 21.0% in 1995 from 20.5% in 1994 primarily due to increased rent expense and the decline in comparable store sales.

Net Income

In 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. The Company's net income decreased to \$63,000 in 1995 from \$676,000 in 1994 due to the changes in revenues and expenses as discussed above. The Company's primary and fully diluted earnings per share decreased to a loss per share of \$.02 in 1995 from earnings per share of \$.03 in 1994.

1994 Compared to 1993

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Revenues declined 1.4% to \$268.5 million in 1994 from \$272.3 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 to \$262.0 million in 1994 from \$253.3 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 \$6.5 million in 1994 from \$19.0 million in 1993 due to the sale of the Monterey's restaurants mentioned above.

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Income before income taxes decreased to \$3.1 million in 1994 from \$18.2 million in 1993. Included in income before income taxes 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. Income before income taxes 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 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.

Revenues

Revenues from the Company's Chuck E. Cheese's restaurants increased by 3.4% to \$262.0 million in 1994 from \$253.3 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.

Revenues from franchise fees and royalties decreased by 5.6% in 1994 compared to 1993 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 declined to \$6.5 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 98.8% in 1994 from 93.3% in 1993.

Cost of sales increased as a percentage of revenues to 51.3% in 1994 from 50.4% 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 17.6% 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.

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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.

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 20.5% 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.

Net Income -----

In 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 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.

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 \$27.8 million in 1995 from \$30.8 million in 1994. Cash outflow from investing activities for 1995 was \$30.5 million. Cash inflow from financing activities in 1995 was \$5.9 million. The Company's primary requirements for cash relate to planned capital expenditures and debt service. The Company expects that it will satisfy such requirements from cash provided by operations and funds available under its line of credit or additional borrowings.

In 1995, the Company refinanced its previous credit facility of \$30.8 million expiring in January 1996 with an increased facility of \$38 million. The new credit facility consists of certain term notes totalling \$18 million with annual interest of 10.02% maturing in 2001, term notes totalling \$10 million with annual interest equal to the London Interbank Offered Rate ("LIBOR") plus 3.5% maturing in 2000, term loans of \$5.0 million with annual interest equal to LIBOR plus 3.5% maturing in 1997 and a \$5 million line of credit due June 1997 with interest provided at prime plus 1/2%, or at the Company's option, LIBOR plus 3%. The Company is required to comply with certain financial ratio tests during the terms of the loan agreements.

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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 completed 21 restaurants under this program in 1994 and 76 restaurants in 1995 which is approximately 43% of all Company operated restaurants. The Company currently plans to reposition substantially all Company-operated 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 the most recent remodel and the existing assets at the restaurant. In the event certain site characteristics considered essential to 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 is refining its marketing plan; the Company has accelerated its commitment of capital to existing stores; and the Company is limiting its 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. As a result of these strategies, comparable store sales increased 2.3% in the fourth quarter of 1995. The Company continues to experience increases in comparable store sales in 1996.

The Company believes it will realize substantial benefit from utilization of approximately \$67 million in net operating loss carryforwards to reduce its future federal income tax liability. Such net operating loss carryforwards expire from years 1999 through 2001. 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 2010. Tax credit carryforwards can be utilized by the Company only after all net operating loss carryforwards have been realized. If the Company's results of operations do not improve, a portion of the net operating loss and tax credit carryforwards could expire prior to utilization, resulting in a charge against income. Taxable income for the five years ending December 30, 1994 was \$53 million. Based on current results of the repositioned restaurants and the

Company's current plans to reposition substantially all of its Company-owned restaurants by the end of 1996, the Company currently projects future taxable income levels sufficient to realize its net operating loss and tax credit carryforwards prior to their expiration after considering an allowance of \$1.1 million for the estimated expiration of tax credit carryforwards in 1997.

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Item 8. Financial Statements and Supplementary Data

SHOWBIZ PIZZA TIME, INC.
YEARS ENDED DECEMBER 29, 1995, DECEMBER 30, 1994
AND DECEMBER 31, 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 29, 1995 and December 30, 1994 and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 29, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ShowBiz Pizza Time, Inc. and subsidiary as of December 29, 1995 and December 30, 1994 and the results of their operations and their cash flows for each of the three years in the period ended December 29, 1995, 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
February 23, 1996

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SHOWBIZ PIZZA TIME, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 29, 1995 AND DECEMBER 30, 1994
(Thousands, except share data)

ASSETS

	December 29, 1995	December 30, 1994
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 5,589	\$ 2,381
Accounts receivable, including receivables from related parties of \$415 and \$416, respectively.	3,327	3,361
Current portion of notes receivable, including receivables from related parties of \$327 and \$300, respectively	608	529
Inventories	3,589	3,107
Prepaid expenses.	2,781	2,900
Current portion of deferred tax asset	4,147	3,583
	-----	-----
Total current assets	20,041	15,861
	-----	-----
Investments in related parties.	761	699
	-----	-----
Property and equipment.	137,181	130,190
	-----	-----
Deferred tax asset.	28,582	29,414
	-----	-----
Other assets:		
Notes receivable, less current portion, including receivables from related parties of \$1,983 and \$1,708, respectively	7,072	6,705
Deferred charges, less amortization	2,599	2,083
Other	2,774	3,356
	-----	-----
	12,445	12,144
	-----	-----
	\$ 199,010	\$ 188,308
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ 95	\$ 10,060
Accounts payable and accrued liabilities	29,836	26,545
	-----	-----
Total current liabilities.	29,931	36,605
	-----	-----
Long-term debt, less current portion.	35,753	19,947
	-----	-----
Deferred credits.	3,443	3,025
	-----	-----
Other liabilities	1,391	1,314
	-----	-----
Commitments and contingencies		
Redeemable preferred stock, \$60 par value, redeemable for \$2,974 in 2005.	2,005	1,902
	-----	-----
Shareholders' equity:		
Common stock, \$.10 par value; authorized 30,000,000 shares; 14,290,061 and 14,337,235 shares issued, respectively	1,429	1,434
Capital in excess of par value.	154,230	156,532
Retained earnings	4,733	5,012
Deferred compensation	(3,642)	(7,200)
Less treasury shares of 2,072,784 at both dates, at cost	(30,263)	(30,263)
	-----	-----
	126,487	125,515
	-----	-----
	\$ 199,010	\$ 188,308
	=====	=====

See notes to consolidated financial statements.

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SHOWBIZ PIZZA TIME, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 1993
(Thousands, except per share data)

	1995	1994	1993
	----	-----	-----
Food and beverage revenues.	\$182,376	\$189,257	\$197,090
Games and merchandise revenues.	76,969	74,331	70,242
Franchise fees and royalties.	3,464	4,078	4,321
Interest income, including related party income of \$222, \$209, and \$177, respectively.	872	688	346
Joint venture income.	102	161	345
	-----	-----	-----
	263,783	268,515	272,344
	-----	-----	-----
Costs and expenses:			
Cost of sales	136,700	137,729	137,343
Selling, general and administrative expenses, including related party expenses of \$125 in each year	44,794	47,263	42,129
Depreciation and amortization	23,184	26,032	23,058
Interest expense, including related party expense of \$99 in 1993	3,118	1,861	797
(Gain) loss on property			

transactions	136	(2,597)	675
Other operating expenses	55,476	55,114	50,095
	-----	-----	-----
	263,408	265,402	254,097
	-----	-----	-----
Income before income taxes	375	3,113	18,247
Income taxes:			
Current expense	701	869	1,751
Deferred (benefit) expense	(389)	1,568	4,605
	-----	-----	-----
	312	2,437	6,356
	-----	-----	-----
Net income	\$ 63	\$ 676	\$ 11,891
	=====	=====	=====
Earnings per common and common equivalent share:			
Primary:			
Net income (loss)	\$ (.02)	\$.03	\$.86
	=====	=====	=====
Weighted average shares outstanding	12,065	12,127	13,455
	=====	=====	=====
Fully diluted:			
Net income (loss)	\$ (.02)	\$.03	\$.86
	=====	=====	=====
Weighted average shares outstanding	12,065	12,127	13,464
	=====	=====	=====

See notes to consolidated financial statements.

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SHOWBIZ PIZZA TIME, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 1993
(Thousands, except per share data)

Common Stock Shares	Par Value	Capital in Excess of Par Value	Retained Earnings (Deficit)	Deferred Compen- sation	Treasury Stock Shares	Cost
-----	-----	-----	-----	-----	-----	-----
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						

	1995	1994	1993
	-----	-----	-----
Operating activities:			
Net income	\$ 63	\$ 676	\$11,891
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	23,184	26,032	23,058
Deferred income tax expense (benefit)	(389)	1,568	4,605
(Gain) loss on property transactions	136	(2,597)	675
Compensation expense under stock grant plan	1,821	2,734	2,756
Other	418	619	399
Net change in receivables, inventories, prepaids, payables and accrued liabilities	2,577	1,787	1,521
	-----	-----	-----
Cash provided by operations	27,810	30,819	44,905
	-----	-----	-----
Investing activities:			
Purchases of property and equipment	(28,277)	(29,421)	(44,600)
Proceeds from disposition of property and equipment	20	6,725	250
Payments received on notes receivable	2,503	2,992	978
Additions to notes receivable	(3,047)	(2,169)	(724)
Change in deferred charges, investments and other assets	(1,747)	(703)	(1,813)
	-----	-----	-----
Cash used in investing activities	(30,548)	(22,576)	(45,909)
	-----	-----	-----
Financing activities:			
Proceeds from line of credit	38,895	8,535	24,050
Payments on line of credit	(32,995)	(5,235)	(10,550)
Reduction of debt and capital lease obligations, including payments to related parties of \$1,658 in 1993	(59)	(47)	(1,692)
Redeemable preferred stock dividends	(238)	(238)	(238)
Acquisition of treasury stock		(13,513)	(11,939)
Exercise of stock options and warrants, including exercise by a related party of \$1,488 in 1993	90	240	2,098
Other	253	(115)	324
	-----	-----	-----
Cash provided by (used in) financing activities	5,946	(10,373)	2,053
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	3,208	(2,130)	1,049
Cash and cash equivalents, beginning of year	2,381	4,511	3,462
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 5,589	\$ 2,381	\$ 4,511
	=====	=====	=====

See notes to consolidated financial statements.

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 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 1995, 1994 and 1993 are for the fiscal years ended December 29, 1995, December 30, 1994 and December 31, 1993, respectively. Fiscal years 1995, 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 three months or less 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. During the first quarter of 1995, the Company changed its estimate of the useful lives of certain fixed assets (Note 5). As a result of this change, income before income taxes increased approximately \$2.3 million, net income increased approximately \$1.4 million and earnings per share increased approximately \$.12 in 1995.

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 now expenses 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.

SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 1993

1. Summary of significant accounting policies (continued):

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.

Impairment of intangibles and long-lived assets:

Impairment losses are recognized if the future cash flows expected to be generated by intangibles and long-lived assets are less than the carrying value of the assets. The impairment loss is equal to the amount by which the carrying value of the assets exceeds the fair value of the assets.

Reclassifications:

In 1995, the Company adopted the single step format for presenting its Consolidated Statements of Earnings. Certain reclassifications of 1994 and 1993 amounts have been made to conform to the 1995 presentation.

Use of estimates and assumptions:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the realization of the deferred tax asset, the liability for self-insured reserves and the collectibility of receivables. Actual results could differ from those estimates.

Accounting for stock-based compensation:

The Company has elected to not apply the accounting provisions of the Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" issued by the Financial Accounting Standards Board.

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 \$6.5 million in 1994. Income before income taxes was \$6.3 million in 1994 including 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:

	1995 -----	1994 -----
	(thousands)	
Trade.	\$ 516	\$ 382
Other.	2,886	3,454
	-----	-----
	3,402	3,836
Less allowance for doubtful collection.	(75)	(475)
	-----	-----
	\$ 3,327	\$ 3,361
	=====	=====

SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 1993

4. Notes receivable:

The Company's notes receivable at December 29, 1995 and December 30, 1994 arose principally as a result of the sale of restaurants, lines of credit established with the International Association of ShowBiz Pizza Time Restaurants, Inc., a related party (Note 19), and advances to franchisees, joint ventures and managed properties. All obligors under the notes receivable are principally engaged in the restaurant industry. The notes have various terms, but most are payable in monthly installments of principal and interest through 2000, with interest rates ranging from 7.5% to 12.0%. The notes are generally collateralized by the related property and equipment. Balances of notes receivable are net of an allowance for doubtful collection of \$354,000 and \$139,000 at December 29, 1995 and December 30, 1994, respectively.

5. Property and equipment:

In 1995, the Company changed its estimate of the useful lives of certain fixed assets.

	Previous Lives -----	New Lives -----	1995 -----	1994 -----
	(in years)		(thousands)	
Land and improvements.	0 - 10	0 - 20	\$ 4,630	\$ 4,650
Leasehold improvements	4 - 15	4 - 20	118,041	107,928
Buildings and improvements . .	4 - 25	4 - 25	8,789	8,789
Furniture, fixtures and equipment.	2 - 10	2 - 15	97,703	87,756
Property leased under capital leases (Note 8).	10 - 15	10 - 15	1,328	1,328
			-----	-----
			230,491	210,451
Less accumulated depreciation and amortization			(94,781)	(81,805)
			-----	-----

	135,710	128,646
Construction in progress	1,471	1,544
	-----	-----
	\$ 137,181	\$ 130,190
	=====	=====

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6. Deferred charges:

	1995	1994
	-----	-----
	(thousands)	
Franchise rights	\$ 5,000	\$ 5,000
Loan costs	1,223	434
Other	579	557
	-----	-----
	6,802	5,991
Less accumulated amortization	(4,203)	(3,908)
	-----	-----
	\$ 2,599	\$ 2,083
	=====	=====

7. Accounts payable and accrued liabilities:

	1995	1994
	-----	-----
	(thousands)	
Accounts payable	\$ 12,851	\$ 10,819
Salaries and wages	4,215	3,990
Insurance	8,805	7,670
Taxes, other than income	2,561	2,528
Other	1,404	1,538
	-----	-----
	\$ 29,836	\$ 26,545
	=====	=====

SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 1993

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:

	----- (thousands) -----	----- (thousands) -----
Buildings and improvements	\$ 1,328	\$ 1,328
Less accumulated depreciation	(877)	(771)
	-----	-----
	\$ 451	\$ 557
	=====	=====

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Scheduled annual maturities of the obligations for capital and operating leases as of December 29, 1995, are:

Years -----	Capital ----- (thousands)	Operating ----- (thousands)
1996	\$ 292	\$ 26,755
1997	292	24,182
1998	256	21,271
1999	184	19,087
2000	184	17,223
2001-2009 (aggregate payments)	1,055	39,317
	-----	-----
Minimum future lease payments	2,263	\$147,835
		=====
Less amounts representing interest	(1,115)	

Present value of future minimum lease payments	1,148	
Less current portion	(95)	

	\$ 1,053	
	=====	

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:

	1995 -----	1994 -----	1993 -----
	(thousands)		
Minimum	\$28,730	\$28,003	\$25,305
Contingent	146	216	185
	-----	-----	-----
	\$28,876	\$28,219	\$25,490
	=====	=====	=====

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9. Long-term debt:

	1995 -----	1994 -----
	(thousands)	
Term loan, 10.02%, due June 2001	\$ 18,000	
Term loan, LIBOR plus 3.5%, due June 2000	10,000	
Term loans, LIBOR plus 3.5%, due October 1997.	5,000	
Revolving bank loan, prime plus 1/2% or LIBOR plus 3%, due June 1997	1,700	
Revolving bank loan, prime plus 1% to 2.75%, due January 1996.		\$ 28,800
Obligations under capital leases (Note 8)	1,148	1,207
	-----	-----
	35,848	30,007
Less current portion.	(95)	(10,060)
	-----	-----
	\$ 35,753	\$19,947
	=====	=====

In 1995, the Company refinanced its previous credit facility of \$30.8 million expiring in January 1996 with an increased facility of \$38 million. The new credit facility consists of certain term notes totalling \$33 million and a \$5 million revolving loan agreement. A 3/8% annual commitment fee is payable on any unused credit line. The Company is required to comply with certain financial ratio tests during the terms of the loan agreements.

As of December 29, 1995, scheduled annual maturities of all long-term debt (exclusive of obligations under capital leases) are \$6.7 million in 1997, \$10 million in 2000 and \$18 million in 2001.

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 29, 1995, such guarantees aggregated approximately \$586,000.

11. Litigation:

The Company is involved in litigation arising in the normal course of its business. Based on information presently available, the Company believes there will be no material effects on the Company's financial position, results of operations or cash flows as a result of such litigation.

12. Redeemable preferred stock:

As of December 29, 1995, 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 29, 1995, 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 29, 1995,
 DECEMBER 30, 1994 AND DECEMBER 31, 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):

	1995 -----	1994 -----	1993 -----
Net income	\$ 63	\$ 676	\$11,891
Accretion of redeemable preferred stock	(104)	(103)	(104)
Redeemable preferred stock dividends	(238)	(238)	(238)
	-----	-----	-----
Adjusted income (loss) applicable to common shares . . .	\$ (279)	\$ 335	\$11,549
	=====	=====	=====
Primary:			
Weighted average common shares outstanding	12,065	12,078	12,816
Common stock equivalents:			
Stock purchase warrants			426
Other		49	213
	-----	-----	-----
Weighted average shares outstanding	12,065	12,127	13,455
	=====	=====	=====
Earnings (loss) per common and common equivalent share.\$	(.02)	.03	.86
	=====	=====	=====
Fully Diluted:			
Weighted average common shares outstanding	12,065	12,078	12,816
Common stock equivalents:			
Stock purchase warrants			426
Other		49	222
	-----	-----	-----
Weighted average shares outstanding	12,065	12,127	13,464
	=====	=====	=====

Earnings (loss) per common and common equivalent share.	\$ (0.02)	\$.03	\$.86
	=====	=====	=====

14. Franchise fees and royalties:

At December 29, 1995, 93 Chuck E. Cheese's restaurants were operated by a total of 57 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 \$98,000, \$315,000 and \$82,500 in 1995, 1994 and 1993, respectively.

15. Cost of sales:

	1995	1994	1993
	-----	-----	-----
	(thousands)		
Food, beverage and related supplies	\$ 43,412	\$ 46,328	\$ 48,435
Games and merchandise.	13,285	12,369	11,375
Labor	80,003	79,032	77,533
	-----	-----	-----
	\$136,700	\$137,729	\$137,343
	=====	=====	=====

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SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 1993

16. Income taxes:

The significant components of income tax expense are as follows:

	1995	1994	1993
	-----	-----	-----
	(thousands)		
Current expense.	\$ 701	\$ 869	\$ 1,751
Deferred expense:			
Utilization of operating loss carryforwards	1,138	2,204	6,078
Net tax benefits from exercise of stock options and stock grants	(654)	(928)	(37)
Increase in valuation of deferred tax asset			(971)
Allowance for tax credit carryforwards expiring in 1997		1,104	
Tax credits.	(127)	(237)	(465)
Other (primarily temporary differences related to			

depreciation)	(746)	(575)	
	-----	-----	-----
	\$ 312	\$ 2,437	\$ 6,356
	=====	=====	=====

At December 29, 1995, the Company has recorded a deferred tax asset of approximately \$33.0 million reflecting the \$24.7 million tax effect of \$67.0 million in net operating loss carryforwards, \$7.3 million in tax credit carryforwards and tax effected net taxable deductions of \$796,000. Realization of the deferred tax asset is dependent on generating sufficient taxable income prior to expiration of these carryforwards. Tax credit carryforwards can be utilized only after all net operating loss carryforwards have been realized. In 1994, the Company recorded a valuation allowance of \$1.1 million for tax credit carryforwards which are estimated to expire in 1997. Although realization is not assured, the Company believes it is more likely than not that the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable could be reduced in the near term if estimates of future taxable income are reduced.

As of December 29, 1995, the Company has investment tax credit and jobs tax credit carryforwards totaling \$5,258,000 and \$548,000, respectively, and alternative minimum tax credits of \$1,513,000.

In August 1993, new federal tax legislation was enacted that increased the Company's federal tax rate to 35% effective December 31, 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.

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	\$34,000	395
2000	19,000	149
2001	14,000	19
2002 - 2010		132
	-----	-----
	\$67,000	\$ 5,806
	=====	=====

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

SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 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 29, 1995, no limitation of such carryforwards has occurred.

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

	1995 -----	1994 -----	1993 -----
		(thousands)	
Statutory rate	34.0%	34.0%	35.0%
State income taxes	106.1%	14.8%	5.1%
Increase in valuation of deferred tax asset			(5.3%)
Allowance for tax credit carryforwards		35.5%	
Tax credits earned	(33.9%)	(6.9%)	(2.6%)
Other	(23.0%)	.9%	2.6%
	-----	-----	-----
Income taxes provided	83.2%	78.3%	34.8%
	=====	=====	=====

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.

18. Supplemental cash flow information:

	1995 -----	1994 -----	1993 -----
		(thousands)	
Cash paid during the year for:			
Interest	\$ 3,055	\$ 1,781	\$ 912
Income taxes	801	1,389	1,769
Supplemental schedule of noncash investing and financing activities:			
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	
Notes and accounts receivable canceled in connection with the acquisition of property and equipment	483		

19. Related party transactions:

The Hallwood Group, Incorporated ("Hallwood") is the beneficial owner of approximately 14.6% of the outstanding common stock of the Company. The directors of Hallwood serve as a majority of the directors of the Company and Integra - A Hotel and Restaurant Company ("Integra").

SHOWBIZ PIZZA TIME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 29, 1995,
DECEMBER 30, 1994 AND DECEMBER 31, 1993

19. Related party transactions (continued):

In December 1993, the Company fully repaid approximately \$1.7 million in a term loan payable to a third party assigned by Integra. The Company made annual payments to Hallwood of \$125,000 for consulting services in 1995, 1994, and 1993. 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. Integra vacated this space in 1995.

The Company paid \$99,000 in interest to Integra for 1993.

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

During 1993, the Company advanced \$30,000 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 joint ventures of approximately \$410,000 and \$393,000 at December 29, 1995 and December 30, 1994, 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. 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%. In December 1995, the lines were renegotiated to provide the Association with available borrowings of \$3,750,000 at 10.5% which expire December 31, 1996. 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 29, 1995, approximately \$1,869,000 was outstanding under these lines of credit. The Company also had a miscellaneous account receivable from the Association of \$5,000 and \$22,000 at December 29, 1995 and December 30, 1994, 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) non-statutory stock option plans for its employees and non-employee directors and c) a stock grant plan.

In 1995, the Company increased the number of shares of the Company's common stock which may be issued under its employee stock option plan by 500,000 shares to an aggregate of 1,848,025 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 re-granted under the plan.

In 1995, the Company adopted a stock option plan for its non-employee directors. The number of shares of the Company's common stock that may be issued under this plan cannot exceed 100,000 shares. Options are granted at the fair market value of the Company's common stock at the date of grant.

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SHOWBIZ PIZZA TIME, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 YEARS ENDED DECEMBER 29, 1995,
 DECEMBER 30, 1994 AND DECEMBER 31, 1993

20. Employee benefit plans (continued):

	1995 -----	1994 -----	1993 -----
Options outstanding, beginning of year.	506,635	372,662	276,297
Granted	261,240	341,500	158,800
Exercised	(12,826)	(51,714)	(47,885)
Terminated.	(189,088)	(155,813)	(14,550)
	-----	-----	-----
Options outstanding, end of year (\$2.45-\$33.50 per share).	565,961 =====	506,635 =====	372,662 =====
Options:			
Exercisable	135,349	175,317	261,490
Available for grant	699,719	171,871	357,558

The options granted in 1995 are at exercise prices ranging from \$8.50 to \$11.88 per share. In January 1996, the Company granted 180,661 additional options at an exercise price of \$12.43 per share.

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 1995 and 1994. Compensation expense recognized by the Company pursuant to this plan was \$1,821,000, \$2,734,000 and \$2,756,000 in 1995, 1994 and 1993, 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. In 1995, the Company's Chairman of the Board and Chief Executive Officer forfeited 60,000 shares of unvested common stock of the Company previously awarded to him under the Company's stock grant plan. As a result of this forfeiture, deferred compensation and capital in excess of par value were reduced by approximately \$1.7 million. The deferred compensation is amortized over the compensated periods of service through 1997.

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. 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 1994 and 1993 plan year. The Company plans to contribute \$23,000 in common stock for the 1995 plan year 1995.

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SHOWBIZ PIZZA TIME, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 YEARS ENDED DECEMBER 29, 1995,
 DECEMBER 30, 1994 AND DECEMBER 31, 1993

21. Quarterly results of operations (unaudited):

The following summarizes the unaudited quarterly results of operations for the years ended December 29, 1995 and December 30, 1994 (thousands, except per share data).

	Fiscal year ended December 29, 1995			
	March 31	June 30	Sept. 29	Dec. 29
Revenues	\$ 72,751	\$ 62,643	\$ 66,976	\$ 61,413
Income (loss) before income taxes	4,266	(1,963)	287	(2,215)
Net income (loss).	2,565	(1,180)	61	(1,383)
Per Share:				
Primary and fully diluted:				
Net income (loss).	\$.21	\$ (.10)	\$.00	\$ (.12)

	Fiscal year ended December 30, 1994			
	April 1	July 1	Sept. 30	Dec. 30
Revenues	\$ 76,469	\$ 64,175	\$ 68,502	\$ 59,369
Income (loss) before income taxes	5,481	2,255	1,696	(6,319)
Net income (loss).	3,425	1,248	1,024	(5,021)
Per Share:				
Primary and fully diluted:				
Net income (loss).	\$.27	\$.10	\$.08	\$ (.42)

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 29, 1995 and December 30, 1994, and for each of the three years in the period ended December 29, 1995 and have issued our report thereon dated February 23, 1996; 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
 February 23, 1996

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SCHEDULE II

SHOWBIZ PIZZA TIME, INC.
 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. 29, 1995. . . . \$	475		\$ 400 (A)	\$ 75
	=====		=====	=====
Dec. 30, 1994. . . . \$	266	\$ 209		\$ 475
	=====	=====		=====
Dec. 31, 1993. . . . \$	150	\$ 116		\$ 266
	=====	=====		=====

Accumulated amortization -- deferred charges:
 Years ended:

Dec. 29, 1995. . .	\$ 3,909	\$ 1,781	\$ 1,487 (B)	\$ 4,203
	=====	=====	=====	=====
Dec. 30, 1994. . .	\$ 6,307	\$ 2,854	\$ 5,252 (B)	\$ 3,909
	=====	=====	=====	=====
Dec. 31, 1993. . .	\$ 7,789	\$ 2,110	\$ 3,592 (B)	\$ 6,307
	=====	=====	=====	=====

Reserve for uncollectible notes receivable:
Years ended:

Dec. 29, 1995. . .	\$ 139	\$ 215		\$ 354
	=====	=====		=====
Dec. 30, 1994 . .		\$ 139		\$ 139
		=====		=====
Dec. 31, 1993 . .	\$ 320		320 (C)	
	=====		=====	

-
- (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 1996 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 1996 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 the Company's 1996 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 1996 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. consolidated financial statements:

Consolidated balance sheets as of December 29, 1995 and December 30, 1994.

Consolidated statements of earnings for the years ended December 29, 1995, December 30, 1994, and December 31, 1993.

Consolidated statements of shareholders' equity for the years ended December 29, 1995, December 30, 1994, and December 31, 1993.

Consolidated statements of cash flows for the years ended December 29, 1995, December 30, 1994, and December 31, 1993.

Notes to consolidated financial statements.

(2) Financial Statement Schedules:

ShowBiz Pizza Time, Inc.

II --- Valuation and qualifying accounts and reserves.

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(3) Exhibits:

- -----
EXHIBITS
- -----

Exhibit

Number

Description

3(a) Restated Articles of Incorporation of the Company, dated May 29, 1992 (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) Restated Bylaws of the Company, dated August 16, 1994 (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).

3(c) Amendment to the Bylaws, dated May 5, 1995 (filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, 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).

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).

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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).

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 the Company's Annual Report on Form 10-K for the year ended December 29, 1989, and incorporated herein by reference).

10(e)
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(f)

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).

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10(g)

Note Purchase Agreement dated June 15, 1995, between Allstate Life Insurance Company, Connecticut Mutual Life Insurance Company, C M Life Insurance Company, MassMutual Corporate Value Partners Limited, Massachusetts Mutual Life Insurance Company, Modern Woodmen of America, and the Company (filed as Exhibit 10 (a)(1) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(h)

10.02% Series A Senior Note Due 2001, in the stated amount of \$10,000,000.00, dated June 15, 1995, between Allstate Life Insurance Company and the Company (filed as Exhibit 10 (b)(1) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(i)(1)

10.02% Series A Senior Note Due 2001, in the stated amount of \$1,000,000.00, dated June 15, 1995, between Connecticut Mutual Life Insurance Company and the Company (filed as Exhibit 10 (c)(1) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(i)(2)

10.02% Series A Senior Note Due 2001, in the stated amount of \$1,000,000.00, dated June 15, 1995, between Connecticut Mutual Life Insurance Company and the Company (filed as Exhibit 10 (c)(2) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(i)(3)

10.02% Series A Senior Note Due 2001, in the stated amount of \$1,000,000.00, dated June 15, 1995, between Connecticut Mutual Life Insurance Company and the Company (filed as Exhibit 10 (c)(3) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(j)(1)

10.02% Series A Senior Note Due 2001, in the stated amount of \$1,000,000.00, dated June 15, 1995, between C M Life Insurance Company and the Company (filed as Exhibit 10 (d)(1) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(j)(2)

10.02% Series A Senior Note Due 2001, in the stated amount of \$1,000,000.00, dated June 15, 1995, between C M Life Insurance Company and the Company (filed as Exhibit 10 (d)(2) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

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10(k)(1)

Floating Rate Series B Senior Note Due 2000, in the stated amount of \$2,000,000.00, dated June 15, 1995, between

Massachusetts Mutual Life Insurance Company and the Company (filed as Exhibit 10 (e) (1) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(k) (2)

Floating Rate Series B Senior Note Due 2000, in the stated amount of \$2,000,000.00, dated June 15, 1995, between Massachusetts Mutual Life Insurance Company and the Company (filed as Exhibit 10 (e) (2) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(k) (3)

Floating Rate Series B Senior Note Due 2000, in the stated amount of \$2,000,000.00, dated June 15, 1995, between Massachusetts Mutual Life Insurance Company and the Company (filed as Exhibit 10 (e) (3) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(l)

Floating Rate Series B Senior Note Due 2000, in the stated amount of \$4,000,000.00, dated June 15, 1995, between MassMutual Corporate Value Partners Limited (I/N/O Webell & Co.) and the Company (filed as Exhibit 10 (f) (1) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(m)

Floating Rate Series A Senior Note Due 2001, in the stated amount of \$3,000,000.00, dated June 15, 1995, between Woodmen of America and the Company (filed as Exhibit 10 (g) (1) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(n) (1)

Loan Agreement in the stated amount of \$5,000,000.00, dated June 27, 1995, between Bank One, Texas, N.A. and the Company (filed as Exhibit 10 (h) (1) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(n) (2)

Revolving Credit Note in the stated amount of \$5,000,000.00, dated June 27, 1995, between Bank One, Texas, N.A. and the Company (filed as Exhibit 10 (h) (2) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).

10(o)

Non-Statutory Stock Option Plan (filed as Exhibit A to the Company's Proxy Statement for Annual Meeting of Stockholders to be held on June 8, 1995, and incorporated herein by reference).

10(p)

Non-Employee Directors Stock Option Plan (filed as Exhibit B to the Company's Proxy Statement for Annual Meeting of Stockholders to be held on June 8, 1995, and incorporated herein by reference).

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10(q) (1)

Specimen form of the Company's current 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 incorporated herein by reference).

10(q) (2)

Specimen form of the Company's current Development Agreement (filed as Exhibit 10(d)(2) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference).

10(r) (1)

Note Purchase Agreement dated October 10, 1995, between BFC Bank (Cayman) Ltd. and the Company.

10(r) (2)

Modification and Waiver to Note Purchase Agreement, in the stated amount of \$2,500,000.00, dated October 12, 1995, between BFC Bank (Cayman) Ltd. and the Company.

10(r) (3)

Floating Rate Series C Senior Note Due 1997, in the stated amount of \$2,500,000.00, dated October 12, 1995, between BFC Bank (Cayman) Ltd. and the Company.

10(s) (1)

Note Purchase Agreement dated October 10, 1995, between Neue Bank, AG and the Company.

10(s) (2)

Modification and Waiver to Note Purchase Agreement, in the stated amount of \$2,500,000.00, dated October 24, 1995, between Neue Bank, AG and the Company.

10(s) (3)

Floating Rate Series C Senior Note Due 1997, in the stated amount of \$2,500,000.00, dated November 2, 1995, between Neue Bank, AG and the Company.

10(t) (1)

Entertainment Operating Fund Line of Credit, in the stated amount of \$1,000,000.00, dated November 15, 1995, between International Association of ShowBiz Pizza Time Restaurants, Inc. and the Company.

10(t) (2)

Entertainment Operating Fund Promissory Note, in the stated amount of \$1,000,000.00, dated November 15, 1995, between International Association of ShowBiz Pizza Time Restaurants, Inc. and the Company.

10(u) (1)

National Advertising Production Line of Credit, in the stated amount of \$750,000.00, dated November 15, 1995, between International Association of ShowBiz Pizza Time Restaurants, Inc. and the Company.

10(u) (2)

National Advertising Production Promissory Note, in the stated amount of \$750,000.00, dated November 15, 1995, between International Association of ShowBiz Pizza Time Restaurants, Inc. and the Company.

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10(v) (1)

National Media Fund Line of Credit, in the stated amount of \$2,000,000.00, dated November 15, 1995, between International Association of ShowBiz Pizza Time Restaurants, Inc. and the Company.

10(v) (2)

National Media Fund Promissory Note, in the stated amount of \$2,000,000.00, dated November 15, 1995, between International Association of ShowBiz Pizza Time Restaurants, Inc. and the Company.

- -----

(b) Reports on Form 8-k:

No reports on Form 8-k were filed in the fourth quarter of 1995.

(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 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).

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 27, 1996 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 27, 1996
Michael H. Magusiak	President and Director	March 27, 1996
Larry G. Page	Executive Vice President, Treasurer, (Principal Financial Officer and Principal Accounting Officer)	March 27, 1996
Charles A. Crocco, Jr.	Director	March 27, 1996
	Director	March 27, 1996

Anthony J. Gumbiner

Robert L. Lynch Director March 27, 1996

J. Thomas Talbot Director March 27, 1996

Louis P. Neeb Director March 27, 1996

Cynthia I. Pharr Director March 27, 1996

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EXHIBIT INDEX

Exhibit Number -----	Description -----	Page No. -----
10(r)(1)	Note Purchase Agreement dated October 10, 1995, between BFC Bank (Cayman) Ltd. and the Company	
10(r)(2)	Modification and Waiver to Note Purchase Agreement, in the stated amount of \$2,500,000.00, dated October 12, 1995, between BFC Bank (Cayman) Ltd. and the Company	
10(r)(3)	Floating Rate Series C Senior Note Due 1997, in the stated amount of \$2,500,000.00, dated October 12, 1995, between BFC Bank (Cayman) Ltd. and the Company	
10(s)(1)	Note Purchase Agreement dated October 10, 1995, between Neue Bank, AG and the Company	
10(s)(2)	Modification and Waiver to Note Purchase Agreement, in the stated amount of \$2,500,000.00, dated October 24, 1995, between Neue Bank AG and the Company	
10(s)(3)	Floating Rate Series C Senior Note Due 1997, in the stated amount of \$2,500,000.00, dated November 2, 1995, between Neue Bank, AG and the Company.	
10(t)(1)	Entertainment Operating Fund Line of Credit, in the stated amount of \$1,000,000.00, dated November 15, 1995, between International Association of ShowBiz Pizza Time, Restaurants, Inc. and the Company.	
10(t)(2)	Entertainment Operating Fund Promissory Note, in the stated amount of \$1,000,000, dated November 15, 1995, between International Association of ShowBiz Pizza Time Restaurants, Inc. and the Company.	
10(u)(1)	National Advertising Production Line of Credit, in the stated amount of \$750,000.00, dated November 15, 1995, between Inernational Association of ShowBiz Pizza Time Restaurants, Inc. and the Company.	

10 (u) (2) National Advertising
Production Promissory Note,
in the stated amount of
\$750,000.00, dated November
15, 1995, between
International Association of
ShowBiz Pizza Time
Restaurants, Inc. and the
Company.

10 (v) (1) National Media Fund Line of
Credit, in the stated amount
of \$2,000,000.00, dated
November 15, 1995, between
International Association of
ShowBiz Pizza Time
Restaurants, Inc. and the
Company.

10 (v) (2) National Media Fund
Promissory Note, in the
stated amount of
\$2,000,000.00, dated November
15, 1995, between
International Association of
ShowBiz Pizza Time
Restaurants, Inc. and the
Company.

21 -- List of Subsidiaries
23 -- Independent Auditor's Consent

EXHIBIT (r) (1)

SHOWBIZ PIZZA TIME, INC.

Floating Rate Series C Senior Notes due 1997

NOTE PURCHASE AGREEMENT

Dated as of October 10, 1995

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Exhibit 1.6	- -	Form of Certificate in Lieu of Form W-8
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Schedule 5.3	- -	Disclosure Documents
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SHOWBIZ PIZZA TIME, INC.
4441 West Airport Freeway
Irving, TX 75015

Floating Rate Series C Senior Notes due 1997

As of October 10, 1995

TO BFC Bank (Cayman) Ltd.

Ladies and Gentlemen:

SHOWBIZ PIZZA TIME, INC., a Kansas corporation (the "Company"), agrees with you as follows:

(1) THE NOTES.

(a) Authorization of Notes.

The Company has duly authorized the issue and sale of up to \$5,000,000 aggregate principal amount of its Floating Rate Series C Senior Notes due 1997 (the "Series C Notes"), substantially in the respective forms set out in Exhibit 1.1(a). As used herein, the term "Notes" shall mean all notes originally delivered pursuant to this Agreement and the Other Agreements referred to below and all notes delivered in substitution or exchange for any such note and, where applicable, shall include the singular number as well as the plural. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. The terms "Note", and "Series C Note" shall mean one of the Notes, and Series C Notes, respectively.

Interest Rates on the Notes; Reset Procedures for Series C Notes.

(b) Series C Notes. Each Series C Note shall bear interest, payable quarterly on each Interest Payment Date in each year, at a rate per annum (computed on the basis of actual days elapsed and a year of 360 days) equal to 3.5% plus the LIBOR Rate for the Interest Period commencing on the date of the Closing (which shall be a period of six months), and from time to time thereafter at a rate per annum (so computed) equal to 3.5% plus the LIBOR Rate as in effect from time to time for the applicable Interest Period until the principal thereof shall become due and payable and shall bear interest on demand on any overdue principal or premium, if any, and on any overdue installment of interest at the default rate specified therein. If you are purchasing Series C Notes under this Agreement, at least one Business Day before the date of the Closing, the Company will give notice to you, specifying the initial LIBOR Rate, which shall be determined with respect to the date of the Closing as if that date were a Reset Date, and the resulting applicable interest rate on the Series C Notes for the Interest Period commencing on the date of the Closing.

The Company will give written notice to each Holder of a Series C Note at least three Business Days prior to each Reset Date (a "Reset Notice") specifying the duration of the Interest Period commencing on that Reset Date. If for any reason the Company fails to give a Reset Notice with respect to any Reset Date, the Interest Period commencing on such Reset Date shall be deemed a six-month period (or a three-month period in the case of the final Interest Period if the Reset Date is three months prior to the final maturity of the Series C Notes). On each Reset Date the Company shall determine the LIBOR Rate for the Interest Period then commencing and will give notice (by telephone or facsimile) to the Calculation Holder (by telephone or facsimile to such person as the Calculation Holder may from time to time specify for such purpose) specifying the LIBOR Rate as so determined. If for any reason the Calculation Holder, by notice to the Company (which notice shall be given within two Business Days after the Reset Date), objects to

such determination, the LIBOR Rate as determined by the Calculation Holder shall be final and binding upon the Company absent manifest error. Forthwith and in any event within two Business Days after each Reset Date the Company will give written notice to the Holders of the Series C Notes specifying the LIBOR Rate and the resulting applicable interest rate on the Series C Notes for the Interest Period commencing on that Reset Date and stating whether the Calculation Holder determined (or confirmed the Company's determination of) the LIBOR Rate for that Interest Period. If for any reason neither the Company nor the Calculation Holder determines the LIBOR Rate for any Interest Period, the determination of the LIBOR Rate by any other Institutional Investor Holder of a Series C Note (acting in place of the Calculation Holder if necessary) and specified in a written notice to the Company shall be final and binding upon the Company and the Holders of the Series C Notes absent manifest error, provided that in case more than one such Institutional Investor Holder gives such a written notice and the LIBOR Rate in such notices is not the same rate, the LIBOR Rate shall be the rate agreed upon by such other Institutional Investor Holders as specified in a subsequent notice to the Company, which rate shall be final and binding as aforesaid.

(b) Certain Defined Terms and Procedures. For purposes of determining the applicable interest rate on the Series C Notes, the following terms have the following meanings (and certain matters will be determined in accordance with procedures as specified below):

"Calculation Holder" means the Institutional Investor holding the highest unpaid principal amount of Series C Notes at the time outstanding and willing to serve in such capacity.

"Designated Maturity" means for any Reset Date a period of three or six months, as the case may be, corresponding to the Interest Period commencing on such Reset Date.

"Interest Period" means a period commencing on and including the date of the Closing or a Reset Date, as the case may be, and ending on the Interest Payment Date that is three or six months thereafter, as set forth in respect of the Interest Period commencing on the date of the Closing in Section 1.2(a) and as set forth in respect of each Reset Date in the Reset Notice for such period. Notwithstanding the foregoing if the Interest Payment Date in the appropriate month is not a Business Day such Interest Period shall be extended to the next day that is a Business Day and if there is no numerically corresponding date in the appropriate month, such Interest Period shall end on the last Business Day of such month.

"LIBOR Rate" means for the Interest Period commencing on the date of the Closing, the rate specified in notice from the Company given pursuant to Section 1.2(a); and means for any Reset Date the rate for deposits in U.S. Dollars for a period of the Designated Maturity which appears on the display designated as "Page 3750" on Telerate Access Service (or such other display as may replace Page 3750 on Telerate Access Service) as of 11:00 a.m., London time, on the date that is two London Banking Days preceding that Reset Date; and if such rate does not appear on Telerate Page 3750 (or such other display), the rate for that Reset Date will be determined on the basis of rates on which deposits in U.S. dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on the day that is two London Banking Days preceding that Reset Date to prime banks in the London interbank market for a period of the Designated Maturity commencing on that Reset Date and in a Representative Amount. The Company will cause the Calculation Holder to request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that Reset Date will be the arithmetic means of the quotations. If fewer than two quotations are provided as requested, the rate for that Reset Date will be the

arithmetic mean of the rates quoted by major banks in New York City, selected by the Calculation Holder, at approximately 11:00 a.m., New York City time, on that Reset Date for loans in U.S. dollars to leading European banks for a period of the Designated Maturity commencing on that Reset Date and in a Representative Amount.

"London Banking Day" means any day other than Saturday or Sunday or a day on which commercial banks are required or authorized by law to be closed in London, England.

"Reference Banks" means four major banks in the London interbank market.

"Representative Amount" means an amount that is comparable to the unpaid principal amount of the Series C Notes at the relevant time.

"Reset Date" means any Interest Payment Date corresponding to the first day of an Interest Period.

"Reset Notice" is defined in Section 1.2(a).

(c) Extension.

Upon notice to the Company by the Holder of any Note, given not less than ninety (90) nor more than one hundred twenty (120) days prior to each annual anniversary date of the Notes, the Holder may, at its sole and absolute discretion, elect to extend the maturity date on a Note for an additional year. If a Holder extends the maturity date of a Note, the Company shall, upon surrender of any such Note at the principal executive office of the Company, execute and deliver a new Note reflecting the extended maturity date in exchange therefor. Notwithstanding anything herein, no extension of the maturity of the Notes under this Section 1.3 shall extend the maturity of any of the Notes beyond October 10, 2000.

(d) Optional Redemption.

(A) The Company shall have the right, at its option, to redeem the Notes in whole or in part at any time and from time to time, as provided herein and in the Notes. At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first class mail to the Holder at such Holder's registered address. Each notice for redemption shall identify the principal amount of the Note to be redeemed and shall state:

1. the Redemption Date;
2. the Redemption Price;
3. the name and address of the Paying Agent;
4. that the Note called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;
5. that, unless the Company defaults in making the redemption payment, interest on the principal amount of the Notes called for redemption ceases to accrue on and after the Redemption Date, and the only remaining right of the Holders of such Notes is to receive payment of the Redemption Price upon surrender to the Paying Agent of the Notes redeemed;
6. if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date, and upon surrender of such Note, a new Note or Notes in aggregate principal amount equal to the unredeemed portion thereof will be issued; and
7. if fewer than all the Notes are to be redeemed, the identification of the particular Notes (or portion thereof) to be redeemed, as well as the aggregate principal amount of

Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption.

(b) Once notice of redemption is mailed in accordance with Section 1.4(a), Notes (or any part thereof) called for redemption become due and payable on the Redemption Date and at the Redemption Price. Upon surrender to the Paying Agent, such Notes (or any part thereof) called for redemption shall be paid at the Redemption Price.

(c) On or before the Redemption Date, the Company shall deposit with the Paying Agent United States dollars sufficient to pay the Redemption Price of all Notes (or part thereof) to be redeemed on that date (other than Notes or any part thereof called for redemption on that date which have been delivered to the Paying Agent for cancellation). The Paying Agent shall promptly return to the Company any United States dollars so deposited which are not required for that purpose upon the written request of the Company.

(d) If the Company complies with the preceding paragraph, then, unless the Company defaults in the payment of such Redemption Price, interest on the Notes (or any part thereof) to be redeemed will cease to accrue on and after the applicable Redemption Date, whether or not such Notes are presented for payment.

(e) Upon surrender of a Note that is to be redeemed in part, the Company shall issue to the Holder, at the expense of the Company, a new Note or Notes equal in principal amount to the unredeemed portion of the Note surrendered.

(e) Withholding Taxes.

All payments by the Company of principal of and interest on the Notes are payable without deduction for or on account of any present or future taxes, duties or other charges levied or imposed by the United States of America or by the government of any jurisdiction outside the United States of America or by any political subdivision or taxing authority of or in any of the foregoing through withholding or deduction with respect to any such payments. If any such taxes, duties or other charges are so levied or imposed, the Company will pay additional interest or will make additional payments in such amounts so that every net payment of principal of and interest on the Notes, after withholding or deduction for or on account of any such present or future taxes, duties or other charges, will not be less than the amount provided for herein or therein, provided that the Company shall have no obligation to pay such additional amounts to any Holder to the extent that such taxes, duties, or other charges are levied or imposed by reason of the failure of such Holder to comply with the provisions of Section 1.6. The Company shall furnish promptly to each Holder official receipts evidencing any such withholding or reduction.

(f) Withholding Tax Exemption for Obligations Targeted to Foreign Markets.

Each Holder agrees that it will deliver to the Company a certificate not more than 90 days prior to the first Interest Payment Date, and annually thereafter on January 15 of each year signed under oath (subject to penalty for perjury) by such Holder and certifying that (A) the beneficial owners of the Notes are foreign (non-U.S.) persons and have not been U.S. persons on any Interest Payment Date, (B) during all periods while the Holder holds the Notes, the beneficial owners of the Notes on each Interest Payment Date will not be a U.S. person, and (C) the Holder will provide a statement to the Company if the Notes are transferred to a U.S. Person, notifying the Company of such event. Such certificate shall be substantially in the form attached hereto as Exhibit 1.6, which form complies with the requirements of Treasury Regulation S 35a.999-5(b) (question and answer 14).

(2) SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the

Company will issue and sell to you, as record holder on behalf of the Beneficial Owner, and you, as record holder on behalf of the Beneficial Owner, will purchase from the Company, at the Closing provided for in Section 3, Series C Notes in the principal amount or amounts specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof, and in the aggregate principal amount of not more than Five Million Dollars (\$5,000,000). Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "Other Agreements") identical with this Agreement (except for the principal amounts of Notes to be purchased) with each of the other purchasers named in Schedule A (the "Other Purchasers"), providing for the sale at such Closing to each of the Other Purchasers of Notes in the principal amount or amounts specified opposite its name in Schedule A. Your obligation hereunder and the obligations of the Other Purchasers under the Other Agreements are several and not joint obligations and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or non-performance by any Other Purchaser thereunder. The aggregate principal amount of Notes issued and sold by the Company under this Agreement and the Other Agreements shall not exceed U.S. \$5,000,000.

(3) CLOSING.

The sale and purchase of the Notes to be purchased by you and the Other Purchasers shall occur at the offices of Banque Financiere de la Cite, at 9:00 a.m., Dallas, Texas time, at a closing (the "Closing") on October 10, 1995 or on such other Business Day thereafter on or prior to October 24, 1995 as may be agreed upon by the Company and you and the Other Purchasers. At the Closing the Company will deliver to you the Notes to be purchased by you, as record holder on behalf of the Beneficial Owner, in the form of a single Note so to be purchased (or such greater number of Notes in denominations of at least U.S. \$100,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds (in U.S. Legal Tender) for the account of the Company to account number 501-33529 at Bank of Boston, Boston, Massachusetts, ABA# 011000390 (Attention: Frank D'Ulisse at 617-434-7996).

If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

(4) CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

(a) Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

(b) Performance; No Default.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof) no Default or Event of Default shall have occurred and be continuing.

(c) Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to you a certificate of the Secretary or an Assistant Secretary of the Company certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement and the Other Agreements.

(d) Opinions of Counsel.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing and addressed to you and the Beneficial Owner from Marshall Fisco, Esq., Counsel of the Company, and Winstead Sechrest & Minick P.C., special counsel for the Company, substantially in the respective forms set forth in Exhibits 4.4(a) and 4.4(b) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request.

(e) Purchase Permitted By Applicable Law, etc.

On the date of the Closing your purchase of Notes as record holder on behalf of the Beneficial Owner shall (a) be permitted by the laws and regulations of each jurisdiction to which you and the Beneficial Owner are subject, (b) not violate any applicable law or regulation (including without limitation Regulation G, T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

(f) Sale of Notes to Other Purchasers.

The Company shall sell to the Other Purchasers and the Other Purchasers shall purchase the Notes to be purchased by them at the Closing as specified in Schedule A.

(g) Changes in Corporate Structure.

The Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity at any time following the date of the most recent financial statements referred to in Schedule 5.5. There has been no event, condition, or occurrence since December 31, 1994 which, individually or in the aggregate, has had a Material Adverse Effect and no condition exists or event has occurred, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect.

(h) Proceedings and Documents.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

(5) REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that the following are true and correct as of the date hereof and will be true and correct through the date of the Closing as if made on such date.

(a) Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Other Agreements and the Notes and to perform the provisions hereof and thereof.

(b) Authorization, etc.

This Agreement and the Other Agreements and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Disclosure.

This Agreement, the documents, certificates or other writings delivered to you by or on behalf of the Company in connection with the transactions contemplated hereby and described in Schedule 5.3 (the "Disclosure Documents"), and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since December 31, 1994, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except as disclosed in the Disclosure Documents or in the financial statements listed in Schedule 5.5 and other changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents. Any projections provided by the Company in the Disclosure Documents are based on assumptions which management of the Company believes to be reasonable.

(d) Organization and Ownership of Shares of Subsidiaries; Affiliates.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists of the Company's (i) Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) Affiliates, other than Subsidiaries, and (iii) directors and senior officers.

(B) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is

required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal restriction or any agreement (other than this Agreement, the agreements listed in Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

(e) Financial Statements.

The Company has delivered to you copies of the financial statements of the Company and its Subsidiaries listed in Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments made in accordance with GAAP).

(f) Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

(g) Governmental Authorizations, etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required for the validity of the execution, delivery or performance by the Company of this Agreement or the Notes. Specifically, and without limitation of the foregoing, no registration of the Notes is required under the Securities Act, the Securities Exchange Act, or the Texas Securities Act, and no indenture with respect to the Notes is required to be qualified under the Trust Indenture Act of 1939.

(h) Litigation; Observance of Agreements, Statutes and Orders.

(a) Except as disclosed in Schedule 5.8, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or

ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(i) Taxes

The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) currently payable without penalty or interest, (b) the amount of which is not individually or in the aggregate Material or (c) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that individually or in the aggregate might be Material. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1993.

(j) Title to Property; Leases.

The Company and its Subsidiaries have good and marketable title to their respective real properties and good and sufficient title to their respective other properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet listed on Schedule 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens other than the Liens disclosed on Schedule 5.15. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

(k) Licenses, Permits, etc.

Except as disclosed in Schedule 5.11,

(a) the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company infringes in any material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

(l) Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any

ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(m) Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than you and the Other Purchasers, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or the Texas Securities Act, or require registration under the Exchange Act, or the qualification of an indenture with respect to the Notes under the Trust Indenture Act of 1939.

(n) Use of Proceeds; Margin Regulations.

The Company will apply the proceeds of the sale of the Notes for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation G or Regulation U of the Board of Governors of the Federal Reserve System, or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board or to involve any broker or dealer in a violation of Regulation T of said Board. Margin stock does not constitute more than 5% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

(o) Existing Indebtedness; Future Liens

(a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of March 31, 1995, since which date there has been no Material change in the amounts, interest rates, sinking funds, instalment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.1.

(p) Foreign Assets Control Regulations, etc.

Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(q) Status under Certain Statutes.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

(r) Environmental Matters.

Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to you in writing prior to your execution and delivery of this Agreement,

(a) neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

(s) Status under the Internal Revenue Code of 1986.

Assuming the accuracy of the representations and warranties, and compliance with the covenants made by or on behalf of the Purchaser and the Beneficial Owner under this Agreement and the Notes, (i) each of the Notes meets the requirements of Section 871(h)(2)(B) or 881(c)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) in the case of Notes beneficially owned by a nonresident alien individual, interest paid on the Notes will constitute "portfolio interest" as such term is defined in Section 871(h)(2) of the Code, and (iii) in the case of Notes beneficially owned by a foreign corporation, interest paid on the Notes will constitute "portfolio interest" as such term is defined in Section 881(c)(2) of the Code.

(6) REPRESENTATIONS OF THE PURCHASER.

You represent and warrant to the Company that the following are true and correct as of the date hereof and will be true and correct through the date of the Closing as if made on such date.

(a) Purchase of Notes.

You represent that you are purchasing the Notes for the account of one or more investors who to your knowledge are "accredited investors" as such term is defined in Rule 501 promulgated under the Securities Act or to whom the sale of the Notes would otherwise be permitted without registration under the Securities Act pursuant to Regulation S, and not with a view to the distribution thereof, provided that the disposition of their property shall at all times be within their control. You understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

(b) Source of Funds.

You represent that to your knowledge the funds to be used by the Beneficial Owner to pay the purchase price of the Notes to be purchased hereunder are funds from sources legally available for such purchase in accordance with applicable law.

(c) Independent Analysis.

You represent that to your knowledge, the Beneficial Owner or its agent has performed its own independent analysis of the Company and its business, financial condition, and prospects. Brokers and Finders.

(d) You represent that there are no agent's, broker's or finder's fees or commissions payable to you by the Company in connection with the Notes purchased hereunder.

(e) Representations Relating to U.S. Tax Withholding Obligations.

(a) You represent that you are a bank not incorporated under the laws of the United States of America or any State thereof.

(b) You represent that you are a securities clearing organization, a bank, or another financial institution that holds customers' securities in the ordinary course of your trade or business.

(c) So long as you are the record holder of the Notes purchased hereunder, you will promptly notify the Company of any change, of which you have knowledge, in beneficial ownership of the Notes purchased hereunder, and will state whether to your knowledge any such change results in a U.S. person, firm, or corporation becoming a beneficial owner of the Notes purchased hereunder or any portion thereof.

(d) You represent that you have informed the Beneficial Owner that the Notes may not be sold or transferred, except as follows: (i) record ownership may be transferred only to another non-U.S. bank or other entity which complies with 6.5(b) above; and (ii) beneficial ownership may be transferred only to foreign (non-U.S.) persons.

(e) You understand that the Notes must bear a legend restricting ownership and transfer to only foreign (non-U.S.) persons.

(7) INFORMATION AS TO COMPANY.

(a) Financial and Business Information.

The Company shall deliver to each Holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within two (2) Business Days after the day that is 45 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(1) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements -- within two (2) Business Days after the day that is 90 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders, equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied

(A) by an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such

audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed Sections 10.2, 10.3, and 10.5 of this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default under said Sections, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit),

provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in clause (B) above, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary generally to its shareholders or to its creditors (other than the Company or another Subsidiary), and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such Holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of each press release and other statement made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code

relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Accountants Reports -- promptly, and in any event within 30 days of receipt thereof by a Responsible Officer of the Company, copies of any report as to material inadequacies in accounting controls submitted by independent accountants in connection with any audit of the Company or any Subsidiary;

(g) Material Litigation -- promptly, and in any event within 30 days after a Responsible Officer of the Company becomes aware of any litigation, arbitration or administrative proceedings, whether instituted or, to the knowledge of the Company, threatened, affecting the Company or any of its Subsidiaries and which, if adversely determined, could be reasonably expected to have a Material Adverse Effect, a written statement of a Responsible Officer describing the nature and status of such matters and what action the Company or a Subsidiary has taken, is taking or proposes to take with respect thereto;

(h) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(i) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such Holder of Notes.

(b) Officer's Certificate.

Each set of financial statements delivered to a Holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 10.2 and 10.3 during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Default -- a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

(c) Inspection

The Company shall permit the representatives of each Holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such Holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

(8) PREPAYMENT OF THE NOTES

In addition to the payment of the entire unpaid principal amount of the Notes at the final maturity thereof, the Company will make required prepayments in respect of the Notes, and under certain circumstances may be required to offer to prepay all Notes, as hereinafter provided.

(a) Prepayment in Connection with a Change of Control.

Promptly and in any event within five Business Days after the occurrence of a Change of Control, the Company will give written notice thereof to the Holders of all outstanding Notes, which notice shall (a) refer specifically to this Section 8.1, (b) describe the Change of Control in reasonable detail and specify the Change of Control Prepayment Date and the Response Date (as respectively defined below) in respect thereof, and (c) offer to prepay all Notes at the Redemption Price on the date therein specified (the "Change of Control Prepayment Date"), which shall be not less than 10 nor more than 30 days after the date of such notice is given. In the event that the Company shall fail to give any notice required above within five Business Days after being requested to do so by the Holder of any Note, such Holder may give such notice (with a copy thereof to the Company), which notice shall have the same effect as if given by the Company. Each Holder of a Note will notify the Company of such Holder's acceptance or rejection of such offer by giving written notice of such acceptance or rejection to the Company at least five days prior to the Change of Control Prepayment Date (the "Response Date"), except that the failure by any such Holder to respond in writing to such offer on or before the Response Date shall be deemed to be an acceptance of such offer by such Holder in respect of such Change of Control. The Company shall prepay on the Change of Control Prepayment Date all of the Notes held by the Holders as to which such offer has been so accepted, at the Redemption Price. If any Holder shall reject such offer, such Holder shall be deemed to have waived its rights under this Section 8.1 to require prepayment of all Notes held by such Holder in respect of such Change of Control but not in respect of any subsequent Change of Control.

If the Change of Control Prepayment Date does not occur on the last day of an Interest Period, the Company shall also pay each

Holder of a Series C Note then being prepaid an amount equal to the LIBOR Funding Loss Amount with respect to such Series C Note, as specified by written notice given by the Holder of such Series C Note at least two Business Days prior to the Change of Control Prepayment Date (or, if such notice is subsequently given by such Holder, within two Business Days after receipt of such notice by the Company). The obligation of the Company to pay such LIBOR Funding Loss Amount with respect to the prepayment of any Series C Note pursuant to this Section 8.1 shall survive the prepayment of such Series C Note and the termination of this Agreement.

(b) Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof.

(c) Maturity; Surrender, etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

(d) Purchase or Optional Redemption of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to a notice of optional redemption pursuant to Section 1.4 hereof made by the Company or any such Affiliate to the Holders of all Notes at the time outstanding to redeem Notes on the same terms and conditions, pro rata among all Notes tendered.

Any Notes so repurchased or redeemed shall immediately upon acquisition thereof be cancelled and no Notes shall be issued in substitution or exchange therefor, except as provided in Section 1.4.

Promptly and in any event within five Business Days after each such purchase or redemption of Notes, the Company will furnish each Holder of the Notes with a certificate of a Senior Financial Officer describing such purchase (including the aggregate principal amount of Notes so purchased and the purchase price therefor) and certifying that such purchase was made in compliance with the requirements of this Section.

(9) AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

(a) Compliance with Law.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including without limitation Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that

non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Insurance

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers rated "A" or better by A.M. Best Company, Inc., insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles and co-insurance) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

(c) Maintenance of Properties.

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) Payment of Taxes and Claims.

The Company will and will cause each of its Subsidiaries to file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claim if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(e) Corporate Existence, etc.

The Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.5 and 10.6, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Subsidiary) and all rights and franchises (as franchises) of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

(f) Lines of Business.

The Company and its Subsidiaries will remain engaged solely in the business of owning and operating family restaurant/entertainment centers, and other businesses directly related thereto.

(10) NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

(a) Liens. The Company will not, and will not permit any Subsidiary to create, assume, incur or suffer to exist any Lien upon or with respect to any property or assets, whether now owned or hereafter acquired, securing any Indebtedness, provided that nothing in this Section 10.1 shall prohibit

(i) Liens in respect of property of the Company or a Subsidiary existing on the date of the Closing and described in Schedule 5.15, and Liens relating to any extension, renewal or replacement of Indebtedness secured by any such Lien as described in Schedule 5.15, provided that the principal amount of Indebtedness secured by any such Lien is not increased and such Lien does not extend to or cover any property of the Company or such Subsidiary, as the case may be, other than the property covered by such Lien on the date of Closing;

(ii) Liens in respect of property acquired by the Company or a Subsidiary after the date of Closing, (A) existing on such property at the time of acquisition thereof (and not incurred in anticipation thereof), whether or not Indebtedness secured thereby is assumed by the Company or a Subsidiary, or (B) created within 180 days after acquisition or completion of construction of improvements on such property, to secure Indebtedness assumed or incurred to finance all or any part of the purchase price or cost of construction of improvements on such property, or (C) in the case of any Person that hereafter becomes a Subsidiary or is consolidated with or merged with or into the Company or a Subsidiary or sells, leases or otherwise disposes of all or substantially all of its property to the Company or a Subsidiary, existing at the time such Person becomes a Subsidiary or is so consolidated or merged or effects such sale, lease or other disposition of property (and not incurred in anticipation thereof), provided that in any such case

(x) no such Lien shall extend to or cover any other property of the Company or such Subsidiary, as the case may be,

(y) the aggregate principal amount of Indebtedness secured by all such Liens in respect of any such property shall not exceed the cost of such property at the time of such acquisition or, in the case of a Lien in respect of property existing at the time of such Person becoming a Subsidiary or being so consolidated or merged or effecting such sale, lease or other disposition, the fair market value of such property at such time, and

(z) no Lien may be created pursuant to subclause (B) above prior to December 31, 1996;

(iii) Liens securing Indebtedness owed by a Subsidiary to the Company or to a Wholly-Owned Subsidiary; and

(iv) Liens securing reimbursement obligations in connection with letters of credit obtained by the Company or a Subsidiary, provided that the aggregate unpaid principal amount of Indebtedness in respect of such letters of credit secured by such Liens permitted by this Section 10.1(a)(iv) does not at any time exceed \$5,000,000.

For purposes of this Section 10.1(a) any Lien existing in respect of property at the time such property is acquired or in respect of property of a Person at the time such Person is acquired, consolidated or merged with or into the Company or a Subsidiary shall be deemed to have been created at that time.

(b) In case any property is subjected to a Lien in violation of Section 10.1(a), the Company will make or cause to be made effective provision whereby the Notes will be secured equally and ratably with all Indebtedness and other obligations secured by such Lien, and in any case the Notes shall have the benefit, to the full extent that, and with such priority as, the Holders may be entitled thereto under applicable law, of an equitable lien on such property securing the Notes. Such violation of Section 10.1(a) shall constitute an Event of Default hereunder, whether or not any such provision is made pursuant to this Section 10.1(b).

(b) Maintenance of Financial Conditions.

(a) The Company will not at any time prior to the last day of the fiscal year ending on or about December 31, 1995 permit Consolidated Net Worth to be less than \$115,000,000 and thereafter the Company will not at any time permit Consolidated Net Worth to be less than the sum of (i) \$115,000,000 plus (ii) 75% of Consolidated Net Income for each fiscal year ending after the date of the Closing (but without any deduction for any consolidated net loss in any fiscal year) plus (iii) 100% of the net cash proceeds of all sales of equity securities by the Company after the date of the Closing.

(b) The Company will not permit the sum of EBITDA plus Consolidated Operating Lease Rentals for the periods of two and three consecutive quarterly accounting periods respectively ending on or about June 30 and September 30, 1995 to be less than 150% of Consolidated Interest Expense plus Consolidated Operating Lease Rentals for such periods, and thereafter the Company will not permit the sum of EBITDA plus Consolidated Operating Lease Rentals for any period of four consecutive quarterly accounting periods to be less than the applicable percentage of the sum of Consolidated Interest Expense plus Consolidated Operating Lease Rentals for such period specified below:

Four Quarterly Accounting Periods Ending on or About -----	Applicable Percentage -----
June 30, 1995 to September 30, 1996	150%
thereafter to September 30, 1997	175%
thereafter	200%

(c) The Company will not permit Consolidated Indebtedness as of the last of any quarterly accounting period (commencing with such accounting period ending on or about June 30, 1995) to exceed 175% of EBITDA for the four consecutive quarterly accounting periods then ended.

(c) Asset Sales.

The Company will not and will not permit any Subsidiary to, directly or indirectly, make any sale, transfer, lease (as lessor), loan or other disposition of any property or assets (an "Asset Sale") other than

(a) Asset Sales in the ordinary course of business,

(b) Asset Sales of property or assets by a Subsidiary to the Company or a Wholly-Owned Subsidiary or a Person then becoming a Wholly-Owned Subsidiary,

(c) Asset Sales consisting of the Company's investment as of the date of this Agreement in shares or Indebtedness issued by the owner of Monterey Tex-Mex Restaurants, and

(d) other Asset Sales, provided that

(i) immediately before and after giving effect to

each such Asset Sale, no Default or Event of Default shall have occurred and be continuing, and

(ii) the aggregate net book value of property or assets disposed of in each such Asset Sale and all other Asset Sales by the Company and its Subsidiaries (A) during the immediately preceding twelve months does not exceed 5% of Consolidated Capitalization and (B) during the period from the date of the Closing to and including the effective date of such proposed Asset Sale does not exceed 10% of Consolidated Capitalization (in each case determined as of the last day of the quarterly accounting period ending on or most recently prior to the effective date of such proposed Asset Sale), and

(iii) such Asset Sales in the aggregate shall not involve a substantial number of Chuck E. Cheese's restaurants (except in connection with closings in the ordinary course of business) or any intangible assets related to Chuck E. Cheese's restaurants generally,

and provided further that for purposes of clause (ii) above there shall be excluded the net book value of property or assets disposed of in an Asset Sale if and to the extent such Asset Sale is made for cash, payable in full upon the completion of such Asset Sale, and an amount equal to the net proceeds realized upon such Asset Sale is applied by the Company or such Subsidiary, as the case may be, within one year after the effective date of such Asset Sale (x) to reinvest in similar categories of property or assets for use in the business of the Company and its Subsidiaries (but not in a transaction Permitted by Section 10.1(a)(ii)) or (y) to repay Indebtedness (which may, at the sole option of the Company, include the purchase of Notes pursuant to an offer to purchase Notes pursuant to Section 8.4).

For purposes of this Section 10.3 any shares of Voting Stock of a Subsidiary that are the subject of an Asset Sale shall be valued at the greater of (1) the fair market value of such shares as determined in good faith by the Board of Directors of the Company and (2) the aggregate net book value of the assets of such Subsidiary multiplied by a fraction of which the numerator is the aggregate number of shares of Voting Stock of such Subsidiary disposed of in such Asset Sale and the denominator is the aggregate number of shares of Voting Stock of such Subsidiary outstanding immediately prior to such Asset Sale.

(d) Merger, Consolidation, etc.

The Company will not and will not permit any Subsidiary to consolidate with or merge with any other corporation or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person except:

(a) a Subsidiary may consolidate with or merge with, convey or transfer all or substantially all of its assets to

(i) the Company (provided that the Company shall be the continuing or surviving corporation) or a then existing Wholly-Owned Subsidiary, or

(ii) any Person in an Asset Sale involving all of the outstanding stock or all or substantially all of the assets of such Subsidiary, in either case subject to the limitations of Section 10.3 and to the further requirement that such Subsidiary does not at the time of such Asset Sale own, directly or indirectly, any shares of capital stock or any Indebtedness of any other Subsidiary not simultaneously being sold as part of such Asset Sale; and

(b) the Company may consolidate with or merge with any other corporation or convey or transfer all or substantially all of its assets to a solvent corporation organized and existing under the laws of the United States or any state

thereof, provided that

(i) if the Company is not the continuing, surviving or acquiring corporation (the "surviving corporation"), the surviving corporation shall have (A) executed and delivered to each Holder of a Note its assumption (pursuant to documentation in form and substance reasonably satisfactory to the Required Holders) of the due and punctual performance and observance of all obligations of the Company under this Agreement, the Other Agreements and the Notes and (B) caused to be delivered to each Holder of a Note an opinion of counsel reasonably satisfactory to the Required Holders to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof, and

(2) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing and, if applicable, the Company shall have given any notice required in connection with such transaction under Section 8.1.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.4 from its liability under this Agreement or the Notes.

(e) Subsidiary Indebtedness.

The Company will not permit any Subsidiary to create, assume incur, guarantee or otherwise become liable in respect of any Indebtedness except

(a) Indebtedness securing Liens permitted by clause (i), (ii) or (iii) of Section 10.1(a), and

(b) Indebtedness of a Wholly-Owned Subsidiary owing to the Company or another Wholly-Owned Subsidiary.

For purposes of this Section 10.5, a Subsidiary shall be deemed to have incurred Indebtedness in respect of any obligation previously owed to the Company or to a Wholly-Owned Subsidiary on the date the obligee ceases for any reason to be the Company or a Wholly-Owned Subsidiary and a Person that hereafter becomes a Subsidiary shall be deemed at that time to have incurred all of its outstanding Indebtedness.

(f) Transactions with Affiliates.

The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

(11) EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or premium on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), Section 8.1 or Section 10.1 to 10.5, inclusive; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after a Responsible Officer obtaining actual knowledge of such default; or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(g) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Subsidiary, or any such petition shall be filed against the Company or any Subsidiary and such petition shall not be dismissed within 60 days; or

(h) a final judgment or judgments for the payment of money aggregating in excess of \$500,000 are rendered against one or more of the Company and its Subsidiaries which judgments are not, within 60 days after entry thereof, bonded, paid, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(12) REMEDIES ON DEFAULT, ETC.

(a) Acceleration.

If any Event of Default has occurred and is continuing, the Required Holders of the Notes may at any time at its or their option, by notice or notices to the Company, declare all the Notes at the time outstanding to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and the LIBOR Funding Loss Amount for each Series C Note (in each case to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived.

(b) Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the Holder of any Note at the time outstanding may proceed to protect and enforce the rights of such Holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

(c) Rescission.

At any time after any Notes have been declared due and payable pursuant to Section 12.1, the Required Holders by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the respective default rates specified in the Notes, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

(d) No Waivers or Election of Remedies, Expenses, etc.

No course of dealing and no delay on the part of any Holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such Holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any Holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the Holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such Holder incurred in any enforcement or collection under this Section 12, including without limitation reasonable attorneys' fees, expenses and disbursements.

(13) REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

(a) Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each Holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and Holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any Holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered Holders of Notes.

(b) Transfer and Exchange of Notes.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered Holder of such Note or his attorney duly authorized

in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the Holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such Holder may request. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$100,000, provided that if necessary to enable the registration of transfer by a Holder of its entire holding of Notes, one Note may be in a denomination of less than \$100,000.

You agree that the Company shall not be required to register the transfer of any Note to any Person (other than your nominee) or to any separate account maintained by you unless the Company receives from the transferee a representation to the Company (and appropriate information as to any separate accounts or other matters) to the same or similar effect with respect to the transferee as is contained in Section 6.2. You shall not be liable for any damages in connection with any such representations or assurances provided to the Company by any transferee.

(c) Replacement of Notes.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the Holder of such Note is, or is a nominee for, an original Purchaser or any other Institutional Investor, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

(14) PAYMENTS ON NOTES.

(a) Place of Payment.

Subject to Section 14.2, payments of principal, premium, if any, and interest becoming due and payable on the Notes shall be made in the State of Texas at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each Holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

(b) Home Office Payment.

So long as you or your nominee shall be the Holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall

have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

(15) EXPENSES, ETC.

(a) Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or Holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a Holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save you and each other Holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you).

(b) LIBOR Funding Losses.

The Company will pay each Holder of a Series C Note, within two Business Days after demand therefor, such amount (the "LIBOR Funding Loss Amount") as in the good faith determination by such Holder will compensate such Holder for any loss or reasonable expense such Holder may sustain as a consequence of the receipt or recovery for any reason (including without limitation a prepayment pursuant to Section 8.1 or acceleration pursuant to Section 12.1) of all or any part of payment on account of such Series C Note prior to the last day of the applicable Interest Period therefor, including without limitation any loss or expense sustained or incurred in liquidating a Swap or any loss of margin on reemployment of the funds so received or recovered.

(c) Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

(16) SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent Holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other

Holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

(a) Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the Holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or change the rate or the time of payment or method of computation of interest on, the Notes, (ii) change the percentage of the principal amount of the Notes the Holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

(b) Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each Holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each Holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any Holder of Notes as consideration for or as an inducement to the entering into by any Holder of Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms (or no less favorable terms taking into account differences in the terms of the Notes), ratably to each Holder of Notes then outstanding even if such Holder did not consent to such waiver or amendment.

(c) Binding Effect, etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all Holders of Notes and is binding upon them and upon each future Holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the Holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any Holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

(d) Notes held by Company, etc.

Solely for the purpose of determining whether the Holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the Holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

(18) NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other Holder of any Note, to such Holder at such address as such other Holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial officer, or at such other address as the Company shall have specified to the Holder Of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

(19) REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other Holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

(20) CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such

disclosure, (b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, officers, trustees, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors whose duties require them to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other Holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each Holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any Holder of a Note of information required to be delivered to such Holder under this Agreement or requested by such Holder (other than a Holder that is a party to this Agreement or its nominee), such Holder will enter into an agreement with the Company embodying the provisions of this Section 20.

(21) SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your non-United States Affiliates as the purchaser of the Notes that you have agreed to purchase as record holder on behalf of the Beneficial Owner hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original Holder of the Notes under this Agreement.

(22) MISCELLANEOUS.

(a) Successors and Assigns.

All covenants and other agreements contained in this

Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including without limitation any subsequent Holder of a Note) whether so expressed or not.

(b) Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

(c) Jurisdiction and Process.

(a) The Company irrevocably submits to the non-exclusive in personal jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the in personam jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 22.3(a) brought in any such court shall be conclusive and binding upon the Company subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which the Company is or may be subject) by a suit upon such judgment.

(c) The Company consents to process being served in any suit, action or proceeding of the nature referred to in Section 22.3(a) by mailing a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to the Company at its address specified in Section 18 or at such other address of which you shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to the Company. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 22.3 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) Indemnification.

The Company agrees, to the extent permitted by applicable law, to indemnify, exonerate, defend and hold you and each of your officers, directors, trustees, employees and agents (collectively the "Indemnitees" and individually an "Indemnitee") free and

harmless from and against any and all actions, causes of action, suits, losses, liabilities and damages, and expenses in connection therewith, including without limitation reasonable fees and disbursements of a single firm to act as special counsel for all Indemnitees or, if there shall exist a legitimate conflict in the interests of the Indemnitees, the reasonable fees and disbursements of more than one special counsel (collectively the "Indemnified Liabilities") incurred by the Indemnitees or any of them as a result of, or arising out of, or relating to, the execution, delivery, performance or enforcement of this Agreement, the Notes or any other instrument contemplated hereby by any of the Indemnitees, or any transaction financed or to be financed in whole or in part directly or indirectly with proceeds from the sale of any of the Notes, or any action taken or omitted by an Indemnitee in the capacity of Calculation Holder (or acting in place of the Calculation Holder as contemplated by Section 1.1(b)), except as to any Indemnitee for any such Indemnified Liabilities arising on account of such Indemnitee's gross negligence or willful misconduct; and if and to the extent the foregoing undertaking may be unenforceable for any reason, the Company agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of the Company under this Section shall survive the payment of the Notes.

(e) Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, all computations made pursuant to this Agreement shall be made in accordance with GAAP and all balance sheets and other financial statements with respect thereto shall be prepared in accordance with GAAP. Except as otherwise expressly provided, any consolidated financial statement or financial computation shall be done in accordance with GAAP; and, if at the time that any such statement or computation is required to be made the Company shall not have any Subsidiary, such terms shall mean a financial statement or a financial computation, as the case may be, with respect to the Company only.

(f) Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

(g) Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

(h) Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

(i) Governing Law.

THIS AGREEMENT AND THE NOTES SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF TEXAS EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE

APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

If you are in agreement with the foregoing, please sign the form of agreement in the space below provided on a counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

SHOWBIZ PIZZA TIME, INC.

By:
Title:

The foregoing is hereby agreed to
as of the date thereof.

BFC BANK (CAYMAN) LTD.

By:

SCHEDULE A

This Schedule A shows the names and addresses of the Purchasers under the foregoing Note Purchase Agreement and the other Agreements referred to therein and the respective principal amounts of the Series C Notes to be purchased by each.

Name and Address of Purchaser	Principal Amount of Series C Notes to be Purchased

BFC Bank (Cayman) Ltd.	\$2,500,000

(1) All payments by Fedwire transfer of immediately available funds, identifying the name of the Issuer (and the Credit, if any), and the payment as principal, interest or premium, in the format as follows:

Bank: Credit Suisse
1 Liberty Plaza
New York, New York
10005
ABA Routing No.: 026009179
For Credit To: BFC Bank
(Cayman) Ltd.

Account No.: 32151601
For further
Credit to: Relle, Account
Number 14600-5

(2) Address for all
correspondence and notices:

BFC Bank (Cayman) Ltd.
c/o Banque Financiere de la
Cite
Courier or Hand Delivery:
1, rue des Moulins, en L'Ile
1204 Geneva
Switzerland

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Beneficial Owner" means the beneficial owner of the Notes purchased hereunder.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in London, England, Dallas, Texas, Cayman Islands, Geneva, Switzerland, or Liechtenstein are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capitalized Lease Obligations" means with respect to any Person, all outstanding obligations of such Person in respect of Capital Leases, taken at the capitalized amount thereof accounted for as indebtedness in accordance with GAAP.

"Change of Control" means (a) the acquisition through purchase or otherwise (including the agreement to act in concert without more), by any Person or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) directly or indirectly, in one or more transactions, of the beneficial ownership or control of securities representing more than 25% of the combined voting power of the Company's Voting Stock or (b) the acquisition by any Person, entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), of the power (whether or not exercised) to elect a majority of the Board of Directors of the Company. For purposes of this definition "beneficial ownership" shall have the meaning set forth in Rule 13d-3 of the Securities and Exchange Commission adopted pursuant to the Exchange Act.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means ShowBiz Pizza Time, Inc., a Kansas corporation.

"Confidential Information" is defined in Section 20.

"Consolidated Capitalization" means, at any date, the sum of (a) Consolidated Indebtedness plus (b) Consolidated Net Worth plus (c) deferred tax liabilities (if any), all as determined on a consolidated basis for the Company and its Subsidiaries in accordance with GAAP.

"Consolidated Indebtedness" means, at any date, all Indebtedness of the Company and its Subsidiaries determined on a

consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" for any period means the sum for the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, of all amounts which would be deducted in computing Consolidated Net Income on account of interest on Indebtedness (including imputed interest in respect of Capitalized Lease Obligations and amortization of debt discount and expense).

"Consolidated Net Income" for any period means the net income of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy,

(b) any gains arising from (i) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of the gains during such period exceeds the aggregate amount of the losses during such period from the sale, abandonment or other disposition of assets (other than current assets), (ii) any write-up of assets or (iii) the acquisition of outstanding securities of the Company or any Subsidiary,

(c) any amount representing any interest in the undistributed earnings of any other Person (other than a Subsidiary),

(d) any earnings, prior to the date of acquisition, of any Person acquired in any manner, and any earnings of any Subsidiary acquired prior to its becoming a Subsidiary,

(e) any earnings of a successor to or transferee of the assets of the Company prior to its becoming such successor or transferee,

(f) any deferred credit (or amortization of a deferred charge or credit) arising from the acquisition of any Person, and

(g) any extraordinary gains not covered by clause (b) above.

"Consolidated Net Worth" means, at any date, on a consolidated basis for the Company and its Subsidiaries, (a) the sum of (i) capital stock taken at par or stated value plus (ii) capital in excess of par or stated value relating to capital stock plus (iii) retained earnings (or minus any retained earning deficit) minus (b) the sum of treasury stock, capital stock subscribed for and unissued, deferred compensation and other contra-equity accounts, all determined in accordance with GAAP.

"Consolidated Operating Lease Rentals" for any period means the sum of the rental and other obligations required to be paid by the Company and its Subsidiaries as lessee under all leases of real or personal property (other than Capital Leases), excluding any amounts required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, all determined on a consolidated basis in accordance with GAAP.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"EBITDA" for any period means Consolidated Net Income plus all amounts deducted in the computation thereof on account of (a) Consolidated Interest Expense, (b) depreciation and amortization expenses (including amortization of deferred compensation) and other non-cash charges, (c) income and profits taxes and (d) extraordinary losses (if any) of the type described in clauses (b) through (g) of the definition of "Consolidated Net Income" that are deducted in determining Consolidated Net Income for such period.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"Event of Default" is defined in Section 11.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including without limitation obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Material" means any and all pollutants, toxic or

hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including without limitation asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"Holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money,

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business and not overdue but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property),

(c) its Capitalized Lease Obligations,

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities),

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money),

(f) Swaps of such Person, and

(g) any Guaranty of Such Person with respect to liabilities of a type described in any of clauses (a) through (f) above.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP. Indebtedness shall not include any obligations under operating lease agreements.

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 1% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Interest Payment Date" means each March 31, June 30, September 30 and December 31.

"Interest Period" is defined in Section 1.1(c).

"LIBOR Funding Loss Amount" is defined in Section 15.2.

"LIBOR Rate" is defined in Section 1.1(c).

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Material" means material in relation to the business, operations, affairs, financial condition, profits, assets, properties or prospects of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, profits, assets, properties or prospects of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement and the Notes or (c) the validity or enforceability of this Agreement or the Notes.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"Notes" is defined in Section 1.1.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"Other Agreements" is defined in Section 2.

"Other Purchasers" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Paying Agent" shall be a bank, trust company, or other financial institution, at which this Note may be surrendered for payment. At its option, the Company may act as its own Paying Agent.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"QPAM Exemption" means Prohibited Transaction Class Exemption 84-14 issued on March 13, 1984 by the United States Department of Labor.

"Redemption Date" means the date fixed for redemption of any principal amount of the Notes, pursuant to the terms of this Agreement and the Notes.

"Redemption Price" means, with respect to any purchase, redemption, or prepayment of all or any part of the Notes, the price fixed for redemption in accordance with the terms of the Notes.

"Required Holders" means, at any time, the holders of at least a majority in unpaid principal amount of the Notes at the time outstanding.

"Reset Date" is defined in Section 1.2(c).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Series C Notes" is defined in Section 1.1.

"Subsidiary" means, as to any Person, any corporation or other business entity a majority of the combined voting power of all Voting Stock of which is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries. Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Swaps" means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"U.S. Legal Tender" means United States dollars or such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts in the United States of America.

"Voting Stock" means, with respect to any Person, any shares of stock or other equity interests of any class or classes of such Person whose holders are entitled under ordinary circumstances (irrespective of whether at the time stock or other equity interests of any other class or classes shall have or might have voting power by reason of the happening of any contingency) to vote for the election of a majority of the directors, managers, trustees or other governing body of such Person.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

[FORM OF SERIES C NOTE]
SHOWBIZ PIZZA TIME, INC.
FLOATING RATE SERIES C SENIOR NOTE DUE 1997

No. [] []
\$ [] [Date]
PPN []

BENEFICIAL OWNERSHIP OF THIS NOTE MAY ONLY BE TRANSFERRED TO A PERSON WHO IS NOT A RESIDENT OR CITIZEN OF THE UNITED STATES OF AMERICA, OR TO A BANK, OR OTHER INSTITUTION OR ENTITY WHICH IS NOT INCORPORATED OR ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE THEREOF. THIS NOTE WAS OFFERED FOR SALE IN CONNECTION WITH ITS ORIGINAL ISSUANCE ONLY OUTSIDE THE UNITED STATES AND HAS BEEN DELIVERED TO THE HOLDER OUTSIDE THE UNITED STATES.

FOR VALUE RECEIVED, the undersigned, SHOWBIZ PIZZA TIME, INC. (the "Company"), a Kansas corporation, hereby promises to pay to [_____], or registered assigns, the principal amount

of [_____] DOLLARS on July 31, 1997, with interest (computed on the basis of actual days elapsed and a year of 360 days) (a) from the date hereof on the unpaid balance thereof, payable quarterly on each Interest Payment Date (as below defined), at a rate per annum for each Interest Period (as defined in the Note Purchase Agreements referred to below) equal to 3.5% plus the LIBOR Rate (as so defined) as determined in respect of such Interest Period pursuant to said Note Purchase Agreements, until the principal hereof shall have become due and payable, and (b) on any overdue payment of principal or (to the extent permitted by applicable law) interest, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand) at a rate per annum from time to time equal to 2% above the interest rate then applicable to this Note, from the date of such default to and including the last day of the Interest Period during which such default occurs and thereafter at a rate per annum equal to 5.5% above said LIBOR Rate (as so determined from time to time on the basis of three-month Interest Periods).

[The LIBOR Rate for the [six]-month Interest Period commencing on the date of this Note is ____%.]

As used herein the term "Interest Payment Date" means each March 31, June 30, September 30 and December 31, beginning December 31, 1995.

Payments of principal of, interest on and any premium with respect to this Note are to be made in lawful money of the United States of America at the principal office of [_____] in [_____] or at such other place outside the United States as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes issued pursuant to separate Note Purchase Agreements dated as of _____, 1995 (as from time to time amended, the "Note Purchase Agreements") between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements.

Pursuant to the Note Purchase Agreements the Company is required to give written notice to the holder of this Note of the duration of each Interest Period for this Note, and of the applicable interest rate for such Interest Period as determined on the Reset Date (as defined in the Note Purchase Agreement) for such Interest Period. The applicable LIBOR Rate and interest rate and duration of such Interest Period for this Note shall be endorsed by the holder of this Note on the schedule attached hereto or any continuation thereof prior to any transfer of this Note.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new note for a like principal amount will be issued to, and registered in the name of, the transferee, provided that record ownership may only be transferred to a bank or other entity which meets the requirements of Section 6.5 of the Note Purchase Agreement. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note may be redeemed at the option of the Company, at any time in whole or from time to time in part, for an amount equal to the then unpaid principal amount of this Note, plus accrued and unpaid interest (if any) to the date of redemption (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to the holder of this Note at such

dated October _____, 1995).

- (iv) During all periods that the undersigned is a record holder of the Notes, the beneficial owners of the Notes will not be U.S. persons on any Interest Payment Date.
- (v) The undersigned will provide a U.S. beneficial ownership notification to the Company in the event this certification is or becomes untrue.
- (vi) This certification is signed on this _____ day of _____, 1995.

Under penalties of perjury, the undersigned certifies that all of the forgoing is true and correct in every respect.

Name of Record Holder: _____
Signature: _____

Printed Name of Person signing: _____
Title of Person Signing: _____

EXHIBIT 4.4(a)

October 10, 1995

Re: ShowBiz Pizza Time, Inc.; Floating Rate Series C Senior Notes due 1997.

To the several Purchases listed in Schedule A to Note purchase Agreement and the Beneficial Owners

Ladies and Gentlemen:

I have acted as in-house counsel to ShowBiz Pizza Time, Inc., a Kansas Corporation (the "Company"), in connection with the issuance by the Company of its Floating Rate Series C Senior Notes due 1997 in an aggregate principal amount of \$5,000,000 (the "Notes") and purchase by you pursuant to the several Note Purchase Agreement made by you to the Company under the date of October 10, 1995 (the "Note Purchase Agreement") of Notes in the respective aggregate principal amounts and series specified in Schedule A to the Note Purchase Agreement. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Note Purchase Agreement.

In my capacity as in-house counsel to the Company and its subsidiaries, I have participated in the preparation of the Agreement and the exhibits and other documents referred to therein. I have examined such corporate documents and records of the Company and its subsidiaries, certificates of public officials and other certificates, opinions and instruments and have made such other investigations as I have deemed necessary or advisable as a basis for the opinions hereinafter expressed.

In my examination I have assumed the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies and the authenticity of the originals of such latter documents. In addition, I have assumed the genuineness of all signatures except signatures of representatives of the Company, the due authorization, execution and delivery of all documents referred to herein by parties thereto other than the Company and the due authority of all persons executing such documents except persons executing such documents on behalf of the Company.

Based upon the foregoing and having regard for the legal consideration that I deem relevant, I render my opinion to you pursuant to Section 4.4(a) of the Note Purchase Agreement as follows:

1. The Company is a corporation duly organized and validly existing under the laws of the State of Kansas and has all requisite power and authority to own or hold under lease the property its purports to own or hold under lease, to carry on its business as now being conducted.

Letter to Beneficial Owners
October 10, 1995
Page 2 of 3

2. The Company has duly qualified and is authorized to do business in each jurisdiction where such qualification and authorization in necessary, except where the failure to be so qualified and authorized, individually or in the aggregate, could not have a Material Adverse Effect.

3. The Company has the corporate power and authority to execute and deliver the Note Purchase Agreement and the Notes and to perform the provisions thereof. The Note Purchase Agreement have been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company and is enforceable against the Company in accordance with their respective terms.

4. The Notes have been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company and is enforceable against the Company in accordance with their respective terms.

5. The execution and delivery by the Company of the Note Purchase Agreement and the performance by the Company of the transactions to be consummated by the Company described therein including the issuance of the Note do not conflict with or constitute on the part of the Company a breach or a violation of any of the terms and provisions of, or constitute (with due notice or lapse of time or both) a default under the Articles of the Company or Bylaws of the Company or of any indenture, agreement, order, writ, judgment or decree known to me to which the Company is a party or by which it or any of its properties are bound.

6. To the best of my knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity by or before any court or any Government Authority or public board or body pending or threatened against or affecting the Company or any subsidiary or any of its properties wherein an unfavorable decision, ruling or finding (a) would adversely affect the validity or enforceability of the Note Purchase Agreement or the Notes, (b) might result in any materially adverse change in the operations, properties, assets, liabilities or financial condition of the Company, or (c) would otherwise adversely affect the capability of the Company to comply with its obligations under the Note Purchase Agreement.

7. Each Subsidiary is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization. Each Subsidiary has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease and to transact the business it transacts.

Letter to Beneficial Owners
October 10, 1995

8. Each Subsidiary has duly qualified and is authorized to do business in each jurisdiction where such qualification and authorization in necessary, except where the failure to be so qualified and authorized, individually or in the aggregate, could not have a Material Adverse Effect.

My opinion expressed in paragraph 4 above is qualified to the extent that (a) the enforceability of the Note Purchase Agreement and the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general application from time to time affecting the rights of creditors, landlords, and secured parties generally and providing for relief of debtors, (b) a particular court may refuse to grant certain equitable remedies, including, without limiting the generality of the foregoing, specific performance, with respect to the enforcement of any provisions of the Note Purchase Agreement or the Notes, (c) certain provisions of the Note Purchase Agreement are or may be unenforceable in whole or in part under the laws of the State of Texas, but the inclusion of such provisions does not affect the validity of the Note Purchase Agreement, and the Note Purchase Agreement contains adequate provisions for enforcing payment of the obligations thereunder (including payment of the Notes) and for the practical realization of the rights and benefits afforded thereby, and (d) the enforceability of the indemnity provisions contained in the Note Purchase Agreement may be limited by federal securities laws and is subject to the qualification that a state court, in determining whether any party to an agreement is entitled to indemnification under the terms of the agreement, will limit any such indemnification arising from such party's sole or contributory negligence to the express terms and conditions as set forth in the agreement.

My opinion is limited solely to the laws of the State of Texas and the Kansas General Corporation Code, and the laws of the United States of America in effect on the date hereof, and no opinion is expressed herein as to any matters governed by the laws of any other jurisdictions.

This opinion is furnished to you solely in connection with the transactions being consummated today pursuant to the Note Purchase Agreement and may not be relied upon or described or quoted from by any other person, firm or entity without, in each instance, my prior written consent.

Very truly yours,

Marshall R. Fisco, Jr.
Counsel

EXHIBIT 4.4(a)

October 10, 1995

Re: ShowBiz Pizza Time, Inc.
Floating Rate Series C Senior Notes due 1997

To the several Purchasers listed in
Schedule A to the within-mentioned
Note Purchase Agreement and
the Beneficial Owner

Ladies and Gentlemen:

We have acted as special counsel to ShowBiz Pizza Time, Inc. (the "Company") in connection with the issuance by the Company of its Floating Rate Series C Senior Notes due 1997 in an aggregate principal amount of \$5,000,000 (the "Series C Notes" or the "Notes") and the purchases by you pursuant to the Note Purchase Agreement made by Purchaser with the Company under date of October 10, 1995 (the "Note Purchase Agreement") of Notes in the respective aggregate principal amounts specified in Schedule A to the Note Purchase Agreement. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Note Purchase Agreement.

We have examined such corporate records of the Company and its Subsidiaries, agreements and other instruments, certificates of officers and representatives of the Company and its Subsidiaries, certificates of public officials, and such other documents, as we have deemed necessary in connection with the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of documents submitted to us as originals and the conformity with the authentic originals of all documents submitted to us as copies. As to questions of fact material to such opinions we have, when relevant facts were not independently established, relied upon the representations set forth in the Note Purchase Agreement and upon certifications by officers or other representatives of the Company and its Subsidiaries.

Based upon the foregoing and having regard for legal considerations that we deem relevant, we render our opinion to you pursuant to Section 4.4 of the Note Purchase Agreement as follows:

1. The Company is a corporation duly organized and validly existing under the laws of the State of Kansas and has all requisite power to execute and deliver the Note Purchase Agreement and the Notes and to perform its obligations thereunder.
2. The Note Purchase Agreement has been duly authorized, executed and delivered by the Company and constitute legal, valid and binding agreements of the Company, enforceable against the Company in accordance with their terms. The Company is duly qualified and is authorized to do business in each jurisdiction where such qualification and authorization is necessary, except where the failure to be so qualified could not have a Material Adverse Effect.
3. The Notes being purchased by you today have been duly authorized, executed and delivered by the Company and constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.
4. No consent, approval or authorization of, or declaration, registration or filing with, any Kansas, Texas or Federal Governmental Authority is required to be obtained or made as a condition to the validity of the execution and delivery by the Company of the Note Purchase Agreement or the Notes.
5. It was not necessary in connection with the offering, sale and delivery of the Notes, under the circumstances contemplated by the Note Purchase Agreement, to register the Notes under the Securities Act of 1933, or the Texas Securities Act or to qualify an indenture in respect of the Notes under the Trust Indenture Act of 1939, as amended or to register the Notes under the Securities Exchange Act of 1934.
6. Each Subsidiary listed in Schedule 5.4 to the Note Purchase Agreement is a corporation or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, except where the failure to be so qualified, individually or in the aggregate, could not have a Material Adverse Effect.
7. Neither the Company nor any Subsidiary is subject to

regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, or the Federal Power Act, as amended.

8. None of the transactions contemplated by the Note Purchase Agreement (including without limitation the use of the proceeds from the sale of the Notes) will violate or result in a violation of Section 7 of the Exchange Act, or any regulations issued pursuant thereto, including without limitation Regulations G, T, U and X of the Board of Governors of the Federal Reserve System (12 CFR, Part 207, Part 220 and Part 224, respectively).

9. There are no actions, suits or proceedings pending, or to our knowledge threatened, against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority, except actions, suits or proceedings which (a) individually do not in any manner draw into question the validity of the Note Purchase Agreement or the Notes and (b) in the aggregate could not reasonably be expected to have a Material Adverse Effect.

10. Assuming the accuracy of the representations and warranties, and compliance with the covenants made by or on behalf of the Purchaser and the Beneficial Owner under the Note Purchase Agreement and the Notes, (i) each of the Notes meets the requirements of Section 871(h)(2)(B) or 881(c)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) in the case of Notes beneficially owned by a nonresident alien individual, interest paid on the Notes will constitute "portfolio interest" as such term is defined in Section 871(h)(2) of the Code, and (iii) in the case of Notes beneficially owned by a foreign corporation, interest paid on the Notes will constitute "portfolio interest" as such term is defined in Section 881(c)(2) of the Code.

The opinions expressed above as to the enforceability of any agreement or instrument in accordance with its terms are subject to the exceptions that (a) such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and (ii) general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law), (b) the enforceability of indemnity provisions contained in the Note Purchase Agreement may be subject to limitations based upon public policy considerations.

We express no opinion as to Section 22.3 of the Note Purchase Agreement insofar as said Section relates to (a) the subject matter jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, the City of New York, to adjudicate any controversy relating to the Note Purchase Agreement, the Notes or any other document related thereto, or (b) the waiver of inconvenient forum with respect to proceedings in such court.

Our opinions are limited in all respects to the substantive law of the State of Texas and the Kansas General Corporation Code, and the federal law of the United States, and we assume no responsibility as to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction.

This opinion is given solely for your benefit, in connection with the closing held today of the transactions contemplated by the Note Purchase Agreement, and may not be relied upon by any other person for any purpose without our prior written consent.

Very truly yours,

WINSTEAD SECHREST & MINICK P.C.

By: _____
Darrel A. Rice

SCHEDULE 5.3

Disclosure Documents

Form 10K -Annual Report for Fiscal year ended December 30, 1994.

Form 10Q -Quarterly Report for quarterly period ended March 31, 1995.

Form 8K - Current Report for May 5, 1995.

Proxy Statement - Notice of Annual Meeting of Shareholders to be held June 8, 1995.

Proxy Supplement - Supplemental Information of Annual Meeting of Shareholders to be held on June 8, 1995.

Form 10Q - Quarterly Report for quarterly period ended June 30, 1995.

SCHEDULE 5.4

Subsidiaries

BHC Acquisition Corporation

State of Incorporation: Texas

Shares/Equity Owned by Company: 100%

Directors:

Richard M. Frank
Michael H. Magusiak
Richard T. Huston

Officers:

Richard M. Frank	CEO, President, COO
Alice Winters	Vice President, Secretary
Michael H. Magusiak	Vice President, Controller, Treasurer
Odom Sherman	Assistant Treasurer
Richard T. Huston	Vice President
Gene Cramm	Vice President

ShowBiz of Laurel, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 73%

Directors:

Vivian K. Oram
Gene Cramm
Carol E. Neal

Officers:

Vivian K. Oram	President, Treasurer
Gene Cramm	Secretary, Vice President
Carol Elkins Neal	Assistant Secretary

Chuck E. Cheese of Waldorf, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 100%

Directors:

Richard M. Frank
Michael H. Magusiak
Lorie Martinsen

Chuck E. Cheese of Westview, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 98%

Directors:

Lorie Martinsen
Richard M. Frank
Michael H. Magusiak

Officers:

Lorie Martinsen President
Alice Winters Secretary, Treasurer

Hospitality Distribution Incorporated

State of Incorporation: Texas

Shares/Equity Owned by Company: 0%

Directors:

Michael H. Magusiak
Richard M. Frank
Lorie Martinsen

Officers:

Richard M. Frank President
Lorie Martinsen Secretary
Michael H. Magusiak Vice President, Treasurer
Odom Sherman, Jr. Assistant Treasurer

Chuck E. Cheese of Silver Springs, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 0%

Directors:

Richard T. Huston
Alice Winters
Susan Velasquez

Officers:

Richard T. Huston President
Alice Winters Secretary, Treasurer
Susan Velasquez Vice President

ShowBiz of La Crosse, Inc.

State of Incorporation: Wisconsin

Shares/Equity Owned by Company: 100%

Directors:

Richard M. Frank

Officers:

Richard M. Frank President
Alice Winters Vice President, Secretary
Michael H. Magusiak Treasurer

ShowBiz of Ashwaubenon, Inc.

State of Incorporation: Wisconsin

Shares/Equity Owned by Company: 100%

Shares/Equity Owned by Company: 51%

Mid-South Joint Venture Agreement

A South Carolina joint venture including Mid-South Food Management, Inc., a South Carolina corporation and ShowBiz Pizza Time, Inc.

Shares/Equity Owned by Company: 30%.

ShowBiz White Settlement Club, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

ShowBiz Richardson Club, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

ShowBiz Redbird Club, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

ShowBiz Montfort Club, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

2500 South Coulter Street Club

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

2402 South Stemmons Freeway Club

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer

Directors and Senior Officers of ShowBiz Pizza Time, Inc.

OFFICERS

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

Michael H. Magusiak
President

Richard T. Huston
Executive Vice President -- Marketing and Entertainment

Larry Page
Executive Vice President -- Chief Financial Officer and Treasurer

Gene Cramm
Senior Vice President -- Construction and Entertainment
Attractions Catherine Kreston Senior Vice President -- Human Resources

Bernard J. Yanelli
Senior Vice President -- Strategic Planning and Franchise Operations

BOARD OF DIRECTORS

Charles A. Crocco, Jr.
Partner -- Crocco & DeMaio, P.C.

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

Anthony J. Gumbiner
Chairman and Chief Executive Officer
The Hallwood Group Incorporated

Robert L. Lynch
Vice Chairman
The Hallwood Group Incorporated

Louis P. Neeb
President, Neeb Enterprises, Inc.

Cynthia I. Pharr
President, C. Pharr & Company, Inc.

J. Thomas Talbot
The Talbot Company

Brian M. Troup
President and Chief Operating Officer
The Hallwood Group Incorporated

Joshua Friedman
Caynon Partners Incorporated

SCHEDULE 5.5

Financial Statements

10K Annual Report for Fiscal year ended December 28, 1990.
10K Annual Report for Fiscal year ended December 27, 1991.
10K Annual Report for Fiscal year ended January 1, 1993.
10K Annual Report for Fiscal year ended December 31, 1993.
10K Annual Report for Fiscal year ended December 30, 1994.
10Q Quarterly Report for quarterly period ended March 31, 1995.
10Q Quarterly Report for quarterly period ended June 30, 1995.

SCHEDULE 5.8

Litigation

None.

SCHEDULE 5.1

Licenses, Etc.

CHICO CHEESES PIZZA, Brazilian Trademark, Registration No. 817043209 in Class 28.10 ("games, toys and pastimes")

CHICO CHEESES PIZZA, Brazilian Trademark, Registration No. 817043217 in Class 32.10 ("doughs, pastries in general")

SCHEDULE 5.15

Existing Indebtedness

Liens on personal property securing Standby Letters of Credit Nos. 50060624 and 50072426, as of March 31, 1995, issued by the Bank of Boston in the respective face amounts of \$58,600 and \$1,500,000, paid off from the proceeds under the Loan Agreement, dated June 27, 1995.

\$29,200,000 owed to the Bank of Boston as of March 31, 1995, excluding the Letters of Credit, paid off from the proceeds under the Note Purchase Agreement, dated June 15, 1995.

On June 15, 1995, the Company issued Series A Senior Notes and Series B Senior Notes, totaling \$28,000,000.

On June 27, 1995, the Company entered into a Loan Agreement with Bank One, Texas, N.A., with a revolving credit commitment in an amount equal to \$5,000,000.

Other existing indebtedness on the date of closing which would be permitted under Section 8.1 (a) of the Loan Agreement, consisting of capital lease obligations totaling \$1,193,915 and other indebtedness that does not exceed in the aggregate \$500,000.

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 March 31, 1995, such guarantees aggregated approximately \$989,000.

The Company has a limited recourse guaranty of Monterey Acquisition Corp.'s obligation to repay a \$4,700,000 term loan to Greyhound Financial Corporation. This guaranty is limited in recourse to the Company's pledge of its interest in 143,250 shares of common stock of Monterey Acquisition Corp. valued at \$437,500 in the aggregate.

MODIFICATION AND WAIVER
TO
NOTE PURCHASE AGREEMENT

This Modification and Waiver is entered into as of the 12th day of October, 1995, by and between ShowBiz Pizza Time, Inc., a Kansas corporation (the "Company"), and BFC Bank (Cayman) Ltd. ("BFC").

RECITALS:

(23) The Company and BFC have entered into a Note Purchase Agreement, dated as of October 10, 1995 (the "Note Purchase Agreement"), for the purchase of \$2,500,000 of the Company's Floating Rate Series C Notes by BFC.

(24) The Note Purchase Agreement contemplates the execution of Other Agreements, the purchase of other Notes, and the simultaneous closing of the Other Agreements and purchase of such other Notes.

(25) The Company and BFC desire to close the transactions contemplated by the Note Purchase Agreement regardless of whether any Other Purchaser executes the Other Agreements or purchases any Notes.

AGREEMENTS:

1. WAIVER. The Company and BFC each hereby waive any and all requirements, explicit or implicit, that (i) the Other Agreements be executed, and (ii) the Other Purchasers purchase the Notes listed on Schedule A.
2. FULL PERFORMANCE. Except with respect to the Other Agreements and the Other Purchasers, the Company and BFC each hereby agree to perform each covenant and requirement to be performed by such party to the other party under the Note Purchase Agreement under the same terms and conditions as if the Other Purchasers had executed the Other Agreements and purchased such other Notes, whether or not such Other Purchasers execute the Other Agreements or purchase such other Notes.
3. SALE OF OTHER NOTES. Nothing in this Modification and Waiver or the Note Purchase Agreement shall prevent or require the Company to sell any Notes to any person or entity other than BFC; provided, however, that if the Company sells any other Notes, it will only sell such other Notes upon terms and conditions substantially similar as those contained in the Note Purchase Agreement, except the initial LIBOR Rate may be different and continue to be different until the next Reset Date after the issuance and sale of such Notes; provided further that the aggregate principal amount of the Notes issued and sold by the Company under the Note Purchase Agreement and the Other Agreements shall not exceed U.S. \$5,000,000.
4. DEFINED TERMS. Unless the context indicates otherwise, all capitalized terms used herein without definition shall have the meaning ascribed thereto in the Note Purchase Agreement.
5. COUNTERPARTS. This Modification and Waiver may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.
6. NO OTHER MODIFICATIONS. This Modification and Waiver has been entered into solely for purposes of modifying the terms and conditions of the Note Purchase Agreement with respect to executing and performing the Other Agreements and the sale of the Notes thereunder, and not amending or modifying any other provision of the Note Purchase Agreement in any respect. Except as expressly provided herein, the Note Purchase Agreement is not amended or modified and no provision have been waived in any respect, and it remains in full force and effect in accordance with its terms. All of the terms and provisions of the Note Purchase

Agreement and all the terms and provisions incorporated therein are hereby incorporated herein by this reference.

EXECUTED as of the date first written above.

BFC BANK (CAYMAN) LTD.

By: _____
Its: _____
"BFC"

SHOWBIZ PIZZA TIME, INC.

By: _____
Its: _____
"Company"

EXHIBIT 10 (r) (3)

SHOWBIZ PIZZA TIME, INC.
FLOATING RATE SERIES C SENIOR NOTE DUE 1997

No. R-C1
\$2,500,000

October 12, 1995

BENEFICIAL OWNERSHIP OF THIS NOTE MAY ONLY BE TRANSFERRED TO A PERSON WHO IS NOT A RESIDENT OR CITIZEN OF THE UNITED STATES OF AMERICA, OR TO A BANK, OR OTHER INSTITUTION OR ENTITY WHICH IS NOT INCORPORATED OR ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE THEREOF. THIS NOTE WAS OFFERED FOR SALE IN CONNECTION WITH ITS ORIGINAL ISSUANCE ONLY OUTSIDE THE UNITED STATES AND HAS BEEN DELIVERED TO THE HOLDER OUTSIDE THE UNITED STATES.

FOR VALUE RECEIVED, the undersigned, SHOWBIZ PIZZA TIME, INC. (the "Company"), a Kansas corporation, hereby promises to pay to BFC BANK (CAYMAN) LTD. or registered assigns, the principal amount of TWO MILLION FIVE HUNDRED THOUSAND DOLLARS on October 12, 1997, with interest (computed on the basis of actual days elapsed and a year of 360 days) (a) from the date hereof on the unpaid balance thereof, payable quarterly on each Interest Payment Date (as below defined), at a rate per annum for each Interest Period (as defined in the Note Purchase Agreements referred to below) equal to 3.5% plus the LIBOR Rate (as so defined) as determined in respect of such Interest Period pursuant to said Note Purchase Agreements, until the principal hereof shall have become due and payable, and (b) on any overdue payment of principal or (to the extent permitted by applicable law) interest, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand) at a rate per annum from time to time equal to 2% above the interest rate then applicable to this Note, from the date of such default to and including the last day of the Interest Period during which such default occurs and thereafter at a rate per annum equal to 5.5% above said LIBOR Rate (as so determined from time to time on the basis of three-month Interest Periods).

The LIBOR Rate for the six-month Interest Period commencing on the date of this Note is 5.9375%.

As used herein the term "Interest Payment Date" means each March 31, June 30, September 30 and December 31, beginning December 31, 1995.

Payments of principal of, interest on and any premium with respect to this Note are to be made in lawful money of the United States of America at the principal office of Banque Financiere de la Cite in Geneva, Switzerland or at such other place outside the United States as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes issued pursuant to separate Note Purchase Agreements dated as of October 10, 1995 (as from time to time amended, the "Note Purchase Agreements") between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements.

Pursuant to the Note Purchase Agreements the Company is required to give written notice to the holder of this Note of the duration of each Interest Period for this Note, and of the applicable interest rate for such Interest Period as determined on the Reset Date (as defined in the Note Purchase Agreement) for such Interest Period. The applicable LIBOR Rate and interest rate and duration of such Interest Period for this Note shall be endorsed by the holder of this Note on the schedule attached hereto or any continuation thereof prior to any transfer of this Note.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer

duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new note for a like principal amount will be issued to, and registered in the name of, the transferee, provided that record ownership may only be transferred to a bank or other entity which meets the requirements of Section 6.5 of the Note Purchase Agreement. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note may be redeemed at the option of the Company, at any time in whole or from time to time in part, for an amount equal to the then unpaid principal amount of this Note, plus accrued and unpaid interest (if any) to the date of redemption (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to the holder of this Note at such holder's registered address. Except as set forth in the Note Purchase Agreements, from and after any redemption date, if monies for the redemption shall have been deposited with the Paying Agent for redemption on such redemption date, then, unless the Company defaults in the payment of such redemption price, principal amount called for redemption will cease to bear interest and the only right of the holders as to such principal amount will be to receive payment of the redemption price.

The Company is also required under circumstances described in the Note Purchase Agreements to offer to prepay all Notes on the terms specified in the Note Purchase Agreements.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder hereof shall be governed by, the laws of the State of Texas, excluding choice-of-law principles of such law.

SHOWBIZ PIZZA TIME, INC.

By _____
Title:

Schedule of Interest Rate and Duration of Interest Period

Reset Date

Duration of
Interest
Period

LIBOR Rate
Interest
Rate
(LIBOR Rate
plus 3.5%)

Notation
Made By

SHOWBIZ PIZZA TIME, INC.

Floating Rate Series C Senior Notes due 1997

NOTE PURCHASE AGREEMENT

Dated as of October 10, 1995

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SHOWBIZ PIZZA TIME, INC.
4441 West Airport Freeway
Irving, TX 75015

Floating Rate Series C Senior Notes due 1997

As of October 10, 1995

TO Neue Bank AG

Ladies and Gentlemen:

SHOWBIZ PIZZA TIME, INC., a Kansas corporation (the "Company"),
agrees with you as follows:

- (7) THE NOTES
- (8) Authorization of Notes.

The Company has duly authorized the issue and sale of up to \$5,000,000 aggregate principal amount of its Floating Rate Series C Senior Notes due 1997 (the "Series C Notes"), substantially in the respective forms set out in Exhibit 1.1(a). As used herein, the term "Notes" shall mean all notes originally delivered pursuant to this Agreement and the Other Agreements referred to below and all notes delivered in substitution or exchange for any such note and, where applicable, shall include the singular number as well as the plural. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. The

terms "Note", and "Series C Note" shall mean one of the Notes, and Series C Notes, respectively.

(b) Interest Rates on the Notes; Reset Procedures for Series C Notes.

(a) Series C Notes. Each Series C Note shall bear interest, payable quarterly on each Interest Payment Date in each year, at a rate per annum (computed on the basis of actual days elapsed and a year of 360 days) equal to 3.5% plus the LIBOR Rate for the Interest Period commencing on the date of the Closing (which shall be a period of six months), and from time to time thereafter at a rate per annum (so computed) equal to 3.5% plus the LIBOR Rate as in effect from time to time for the applicable Interest Period until the principal thereof shall become due and payable and shall bear interest on demand on any overdue principal or premium, if any, and on any overdue installment of interest at the default rate specified therein. If you are purchasing Series C Notes under this Agreement, at least one Business Day before the date of the Closing, the Company will give notice to you, specifying the initial LIBOR Rate, which shall be determined with respect to the date of the Closing as if that date were a Reset Date, and the resulting applicable interest rate on the Series C Notes for the Interest Period commencing on the date of the Closing.

The Company will give written notice to each Holder of a Series C Note at least three Business Days prior to each Reset Date (a "Reset Notice") specifying the duration of the Interest Period commencing on that Reset Date. If for any reason the Company fails to give a Reset Notice with respect to any Reset Date, the Interest Period commencing on such Reset Date shall be deemed a six-month period (or a three-month period in the case of the final Interest Period if the Reset Date is three months prior to the final maturity of the Series C Notes). On each Reset Date the Company shall determine the LIBOR Rate for the Interest Period then commencing and will give notice (by telephone or facsimile) to the Calculation Holder (by telephone or facsimile to such person as the Calculation Holder may from time to time specify for such purpose) specifying the LIBOR Rate as so determined. If for any reason the Calculation Holder, by notice to the Company (which notice shall be given within two Business Days after the Reset Date), objects to such determination, the LIBOR Rate as determined by the Calculation Holder shall be final and binding upon the Company absent manifest error. Forthwith and in any event within two Business Days after each Reset Date the Company will give written notice to the Holders of the Series C Notes specifying the LIBOR Rate and the resulting applicable interest rate on the Series C Notes for the Interest Period commencing on that Reset Date and stating whether the Calculation Holder determined (or confirmed the Company's determination of) the LIBOR Rate for that Interest Period. If for any reason neither the Company nor the Calculation Holder determines the LIBOR Rate for any Interest Period, the determination of the LIBOR Rate by any other Institutional Investor Holder of a Series C Note (acting in place of the Calculation Holder if necessary) and specified in a written notice to the Company shall be final and binding upon the Company and the Holders of the Series C Notes absent manifest error, provided that in case more than one such Institutional Investor Holder gives such a written notice and the LIBOR Rate in such notices is not the same rate, the LIBOR Rate shall be the rate agreed upon by such other Institutional Investor Holders as specified in a subsequent notice to the Company, which rate shall be final and binding as aforesaid.

(b) Certain Defined Terms and Procedures. For purposes of determining the applicable interest rate on the Series C Notes, the following terms have the following meanings (and certain matters will be determined in accordance with procedures as specified below):

"Calculation Holder" means the Institutional Investor holding the highest unpaid principal amount of Series C Notes at the time outstanding and willing to serve in such capacity.

"Designated Maturity" means for any Reset Date a period of three or six months, as the case may be, corresponding to the Interest Period commencing on such Reset Date.

"Interest Period" means a period commencing on and including the date of the Closing or a Reset Date, as the case may be, and ending on the Interest Payment Date that is three or six months

thereafter, as set forth in respect of the Interest Period commencing on the date of the Closing in Section 1.2(a) and as set forth in respect of each Reset Date in the Reset Notice for such period. Notwithstanding the foregoing if the Interest Payment Date in the appropriate month is not a Business Day such Interest Period shall be extended to the next day that is a Business Day and if there is no numerically corresponding date in the appropriate month, such Interest Period shall end on the last Business Day of such month.

"LIBOR Rate" means for the Interest Period commencing on the date of the Closing, the rate specified in notice from the Company given pursuant to Section 1.2(a); and means for any Reset Date the rate for deposits in U.S. Dollars for a period of the Designated Maturity which appears on the display designated as "Page 3750" on Telerate Access Service (or such other display as may replace Page 3750 on Telerate Access Service) as of 11:00 a.m., London time, on the date that is two London Banking Days preceding that Reset Date; and if such rate does not appear on Telerate Page 3750 (or such other display), the rate for that Reset Date will be determined on the basis of rates on which deposits in U.S. dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on the day that is two London Banking Days preceding that Reset Date to prime banks in the London interbank market for a period of the Designated Maturity commencing on that Reset Date and in a Representative Amount. The Company will cause the Calculation Holder to request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that Reset Date will be the arithmetic means of the quotations. If fewer than two quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Calculation Holder, at approximately 11:00 a.m., New York City time, on that Reset Date for loans in U.S. dollars to leading European banks for a period of the Designated Maturity commencing on that Reset Date and in a Representative Amount.

"London Banking Day" means any day other than Saturday or Sunday or a day on which commercial banks are required or authorized by law to be closed in London, England.

"Reference Banks" means four major banks in the London interbank market.

"Representative Amount" means an amount that is comparable to the unpaid principal amount of the Series C Notes at the relevant time.

"Reset Date" means any Interest Payment Date corresponding to the first day of an Interest Period.

"Reset Notice" is defined in Section 1.2(a).

(c) Extension.

Upon notice to the Company by the Holder of any Note, given not less than ninety (90) nor more than one hundred twenty (120) days prior to each annual anniversary date of the Notes, the Holder may, at its sole and absolute discretion, elect to extend the maturity date on a Note for an additional year. If a Holder extends the maturity date of a Note, the Company shall, upon surrender of any such Note at the principal executive office of the Company, execute and deliver a new Note reflecting the extended maturity date in exchange therefor. Notwithstanding anything herein, no extension of the maturity of the Notes under this Section 1.3 shall extend the maturity of any of the Notes beyond October 10, 2000.

(d) Optional Redemption.

(a) The Company shall have the right, at its option, to redeem the Notes in whole or in part at any time and from time to time, as provided herein and in the Notes. At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first class mail to the Holder at such Holder's registered address.

Each notice for redemption shall identify the principal amount of the Note to be redeemed and shall state:

1. the Redemption Date;
2. the Redemption Price;
3. the name and address of the Paying Agent;
4. that the Note called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;
5. that, unless the Company defaults in making the redemption payment, interest on the principal amount of the Notes called for redemption ceases to accrue on and after the Redemption Date, and the only remaining right of the Holders of such Notes is to receive payment of the Redemption Price upon surrender to the Paying Agent of the Notes redeemed;
6. if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date, and upon surrender of such Note, a new Note or Notes in aggregate principal amount equal to the unredeemed portion thereof will be issued; and
7. if fewer than all the Notes are to be redeemed, the identification of the particular Notes (or portion thereof) to be redeemed, as well as the aggregate principal amount of Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption.

(b) Once notice of redemption is mailed in accordance with Section 1.4(a), Notes (or any part thereof) called for redemption become due and payable on the Redemption Date and at the Redemption Price. Upon surrender to the Paying Agent, such Notes (or any part thereof) called for redemption shall be paid at the Redemption Price.

(c) On or before the Redemption Date, the Company shall deposit with the Paying Agent United States dollars sufficient to pay the Redemption Price of all Notes (or part thereof) to be redeemed on that date (other than Notes or any part thereof called for redemption on that date which have been delivered to the Paying Agent for cancellation). The Paying Agent shall promptly return to the Company any United States dollars so deposited which are not required for that purpose upon the written request of the Company.

(d) If the Company complies with the preceding paragraph, then, unless the Company defaults in the payment of such Redemption Price, interest on the Notes (or any part thereof) to be redeemed will cease to accrue on and after the applicable Redemption Date, whether or not such Notes are presented for payment.

(d) Upon surrender of a Note that is to be redeemed in part, the Company shall issue to the Holder, at the expense of the Company, a new Note or Notes equal in principal amount to the unredeemed portion of the Note surrendered.

(e) Withholding Taxes.

All payments by the Company of principal of and interest on the Notes are payable without deduction for or on account of any present or future taxes, duties or other charges levied or imposed by the United States of America or by the government of any jurisdiction outside the United States of America or by any political subdivision or taxing authority of or in any of the foregoing through withholding or deduction with respect to any such payments. If any such taxes, duties or other charges are so levied or imposed, the Company will pay additional interest or will make additional payments in such amounts so that every net payment of principal of and interest on the Notes, after withholding or deduction for or on account of any such present or future taxes, duties or other charges, will not be less than the amount provided for herein or therein, provided that the Company shall have no obligation to pay such additional amounts to any Holder to the extent that such taxes, duties, or other charges are levied or imposed by reason of the failure of such Holder to comply with the provisions of Section 1.6. The

Company shall furnish promptly to each Holder official receipts evidencing any such withholding or reduction.

(f) Withholding Tax Exemption for Obligations Targeted to Foreign Markets.

Each Holder agrees that it will deliver to the Company a certificate not more than 90 days prior to the first Interest Payment Date, and annually thereafter on January 15 of each year signed under oath (subject to penalty for perjury) by such Holder and certifying that (A) the beneficial owners of the Notes are foreign (non-U.S.) persons and have not been U.S. persons on any Interest Payment Date, (B) during all periods while the Holder holds the Notes, the beneficial owners of the Notes on each Interest Payment Date will not be a U.S. person, and (C) the Holder will provide a statement to the Company if the Notes are transferred to a U.S. Person, notifying the Company of such event. Such certificate shall be substantially in the form attached hereto as Exhibit 1.6, which form complies with the requirements of Treasury Regulation S 35a.999-5(b) (question and answer 14).

(8) SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you, as record holder on behalf of the Beneficial Owner, and you, as record holder on behalf of the Beneficial Owner, will purchase from the Company, at the Closing provided for in Section 3, Series C Notes in the principal amount or amounts specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof, and in the aggregate principal amount of not more than Five Million Dollars (\$5,000,000). Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "Other Agreements") identical with this Agreement (except for the principal amounts of Notes to be purchased) with each of the other purchasers named in Schedule A (the "Other Purchasers"), providing for the sale at such Closing to each of the Other Purchasers of Notes in the principal amount or amounts specified opposite its name in Schedule A. Your obligation hereunder and the obligations of the Other Purchasers under the Other Agreements are several and not joint obligations and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or non-performance by any Other Purchaser thereunder. The aggregate principal amount of Notes issued and sold by the Company under this Agreement and the Other Agreements shall not exceed U.S. \$5,000,000.

(9) CLOSING.

The sale and purchase of the Notes to be purchased by you and the Other Purchasers shall occur at the offices of Banque Financiere de la Cite, at 9:00 a.m., Dallas, Texas time, at a closing (the "Closing") on October 10, 1995 or on such other Business Day thereafter on or prior to October 24, 1995 as may be agreed upon by the Company and you and the Other Purchasers. At the Closing the Company will deliver to you the Notes to be purchased by you, as record holder on behalf of the Beneficial Owner, in the form of a single Note so to be purchased (or such greater number of Notes in denominations of at least U.S. \$100,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds (in U.S. Legal Tender) for the account of the Company to account number 501-33529 at Bank of Boston, Boston, Massachusetts, ABA# 011000390 (Attention: Frank D'Ulisse at 617-434-7996).

If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

(10) CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

(a) Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

(b) Performance; No Default.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof) no Default or Event of Default shall have occurred and be continuing.

(c) Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to you a certificate of the Secretary or an Assistant Secretary of the Company certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement and the Other Agreements.

(d) Opinions of Counsel.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing and addressed to you and the Beneficial Owner from Marshall Fisco, Esq., Counsel of the Company, and Winstead Sechrest & Minick P.C., special counsel for the Company, substantially in the respective forms set forth in Exhibits 4.4(a) and 4.4(b) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request.

(e) Purchase Permitted By Applicable Law, etc.

On the date of the Closing your purchase of Notes as record holder on behalf of the Beneficial Owner shall (a) be permitted by the laws and regulations of each jurisdiction to which you and the Beneficial Owner are subject, (b) not violate any applicable law or regulation (including without limitation Regulation G, T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

(f) Sale of Notes to Other Purchasers.

The Company shall sell to the Other Purchasers and the Other Purchasers shall purchase the Notes to be purchased by them at the Closing as specified in Schedule A.

(g) Changes in Corporate Structure.

The Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity at any time following the date of the most recent financial statements referred to in Schedule 5.5. There has been no event, condition, or occurrence since December 31, 1994 which, individually or in the aggregate, has had a Material Adverse Effect and no condition exists or event has occurred, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect.

(h) Proceedings and Documents.

All corporate and other proceedings in connection with the

transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

(11) REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that the following are true and correct as of the date hereof and will be true and correct through the date of the Closing as if made on such date.

(a) Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Other Agreements and the Notes and to perform the provisions hereof and thereof.

(b) Authorization, etc.

This Agreement and the Other Agreements and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Disclosure.

This Agreement, the documents, certificates or other writings delivered to you by or on behalf of the Company in connection with the transactions contemplated hereby and described in Schedule 5.3 (the "Disclosure Documents"), and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since December 31, 1994, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except as disclosed in the Disclosure Documents or in the financial statements listed in Schedule 5.5 and other changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents. Any projections provided by the Company in the Disclosure Documents are based on assumptions which management of the Company believes to be reasonable.

(d) Organization and Ownership of Shares of Subsidiaries; Affiliates.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists of the Company's (i) Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) Affiliates, other than Subsidiaries, and (iii) directors and senior officers.

(b) All of the outstanding shares of capital stock or similar

equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal restriction or any agreement (other than this Agreement, the agreements listed in Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

(e) Financial Statements.

The Company has delivered to you copies of the financial statements of the Company and its Subsidiaries listed in Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments made in accordance with GAAP).

(f) Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

(g) Governmental Authorizations, etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required for the validity of the execution, delivery or performance by the Company of this Agreement or the Notes. Specifically, and without limitation of the foregoing, no registration of the Notes is required under the Securities Act, the Securities Exchange Act, or the Texas Securities Act, and no indenture with respect to the Notes is required to be qualified under the Trust Indenture Act of 1939.

(h) Litigation; Observance of Agreements, Statutes and Orders.

(a) Except as disclosed in Schedule 5.8, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any

arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(i) Taxes

The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) currently payable without penalty or interest, (b) the amount of which is not individually or in the aggregate Material or (c) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that individually or in the aggregate might be Material. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1993.

(j) Title to Property; Leases.

The Company and its Subsidiaries have good and marketable title to their respective real properties and good and sufficient title to their respective other properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet listed on Schedule 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens other than the Liens disclosed on Schedule 5.15. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

(k) Licenses, Permits, etc.

Except as disclosed in Schedule 5.11,

(a) the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company infringes in any material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

(l) Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and

administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(m) Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than you and the Other Purchasers, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or the Texas Securities Act, or require registration under the Exchange Act, or the qualification of an indenture with respect to the Notes under the Trust Indenture Act of 1939.

(n) Use of Proceeds; Margin Regulations.

The Company will apply the proceeds of the sale of the Notes for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation G or Regulation U of the Board of Governors of the Federal Reserve System, or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board or to involve any broker or dealer in a violation of Regulation T of said Board. Margin stock does not constitute more than 5% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

(o) Existing Indebtedness; Future Liens.

(a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of March 31, 1995, since which date there has been no Material change in the amounts, interest rates, sinking funds, instalment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.1.

(p) Foreign Assets Control Regulations, etc.

Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(q) Status under Certain Statutes.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

(r) Environmental Matters.

Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to you in writing prior to your execution and delivery of this Agreement,

(a) neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

(s) Status under the Internal Revenue Code of 1986.

Assuming the accuracy of the representations and warranties, and compliance with the covenants made by or on behalf of the Purchaser and the Beneficial Owner under this Agreement and the Notes, (i) each of the

Notes meets the requirements of Section 871(h)(2)(B) or 881(c)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) in the case of Notes beneficially owned by a nonresident alien individual, interest paid on the Notes will constitute "portfolio interest" as such term is defined in Section 871(h)(2) of the Code, and (iii) in the case of Notes beneficially owned by a foreign corporation, interest paid on the Notes will constitute "portfolio interest" as such term is defined in Section 881(c)(2) of the Code.

(12) REPRESENTATIONS OF THE PURCHASER.

You represent and warrant to the Company that the following are true and correct as of the date hereof and will be true and correct through the date of the Closing as if made on such date.

(a) Purchase of Notes.

You represent that you are purchasing the Notes for the account of one or more investors who to your knowledge are "accredited investors" as such term is defined in Rule 501 promulgated under the Securities Act or to whom the sale of the Notes would otherwise be permitted without registration under the Securities Act pursuant to Regulation S, and not with a view to the distribution thereof, provided that the disposition of their property shall at all times be within their control. You understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

(b) Source of Funds.

You represent that to your knowledge the funds to be used by the Beneficial Owner to pay the purchase price of the Notes to be purchased hereunder are funds from sources legally available for such purchase in accordance with applicable law.

(c) Independent Analysis.

You represent that to your knowledge, the Beneficial Owner or its agent has performed its own independent analysis of the Company and its business, financial condition, and prospects.

(d) Brokers and Finders.

You represent that there are no agent's, broker's or finder's fees or commissions payable to you by the Company in connection with the Notes purchased hereunder.

(e) Representations Relating to U.S. Tax Withholding Obligations.

(a) You represent that you are a bank not incorporated under the laws of the United States of America or any State thereof.

(b) You represent that you are a securities clearing organization, a bank, or another financial institution that holds customers' securities in the ordinary course of your trade or business.

(c) So long as you are the record holder of the Notes purchased hereunder, you will promptly notify the Company of any change, of which you have knowledge, in beneficial ownership of the Notes purchased hereunder, and will state whether to your knowledge any such change results in a U.S. person, firm, or corporation becoming a beneficial owner of the Notes purchased hereunder or any portion thereof.

(d) You represent that you have informed the Beneficial Owner that the Notes may not be sold or transferred, except as follows: (i) record ownership may be transferred only to another non-U.S. bank or other entity which complies with 6.5(b) above; and (ii) beneficial ownership may be transferred only to foreign (non-U.S.) persons.

(e) You understand that the Notes must bear a legend restricting ownership and transfer to only foreign (non-U.S.) persons.

(13) INFORMATION AS TO COMPANY.

(a) Financial and Business Information.

The Company shall deliver to each Holder of Notes that is an Institutional Investor:

Quarterly Statements -- within two (2) Business Days after the day that is 45 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements -- within two (2) Business Days after the day that is 90 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders, equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied

(A) by an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed Sections 10.2, 10.3, and 10.5 of this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default under said Sections, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in

accordance with generally accepted auditing standards or did not make such an audit),

provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in clause (B) above, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary generally to its shareholders or to its creditors (other than the Company or another Subsidiary), and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such Holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of each press release and other statement made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Accountants Reports -- promptly, and in any event within 30 days of receipt thereof by a Responsible Officer of the Company, copies of any report as to material inadequacies in accounting controls submitted by independent accountants in connection with any audit of the Company or any Subsidiary;

(g) Material Litigation -- promptly, and in any event within 30 days after a Responsible Officer of the Company becomes aware of any litigation, arbitration or administrative proceedings, whether instituted or, to the knowledge of the Company, threatened, affecting the Company or any of its Subsidiaries and which, if adversely determined, could be reasonably expected to have a Material Adverse Effect, a written statement of a

Responsible Officer describing the nature and status of such matters and what action the Company or a Subsidiary has taken, is taking or proposes to take with respect thereto;

(h) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(i) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such Holder of Notes.

(b) Officer's Certificate.

Each set of financial statements delivered to a Holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 10.2 and 10.3 during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Default -- a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

(c) Inspection.

The Company shall permit the representatives of each Holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such Holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants

(and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

(14) PREPAYMENT OF THE NOTES.

In addition to the payment of the entire unpaid principal amount of the Notes at the final maturity thereof, the Company will make required prepayments in respect of the Notes, and under certain circumstances may be required to offer to prepay all Notes, as hereinafter provided.

(a) Prepayment in Connection with a Change of Control.

Promptly and in any event within five Business Days after the occurrence of a Change of Control, the Company will give written notice thereof to the Holders of all outstanding Notes, which notice shall (a) refer specifically to this Section 8.1, (b) describe the Change of Control in reasonable detail and specify the Change of Control Prepayment Date and the Response Date (as respectively defined below) in respect thereof, and (c) offer to prepay all Notes at the Redemption Price on the date therein specified (the "Change of Control Prepayment Date"), which shall be not less than 10 nor more than 30 days after the date of such notice is given. In the event that the Company shall fail to give any notice required above within five Business Days after being requested to do so by the Holder of any Note, such Holder may give such notice (with a copy thereof to the Company), which notice shall have the same effect as if given by the Company. Each Holder of a Note will notify the Company of such Holder's acceptance or rejection of such offer by giving written notice of such acceptance or rejection to the Company at least five days prior to the Change of Control Prepayment Date (the "Response Date"), except that the failure by any such Holder to respond in writing to such offer on or before the Response Date shall be deemed to be an acceptance of such offer by such Holder in respect of such Change of Control. The Company shall prepay on the Change of Control Prepayment Date all of the Notes held by the Holders as to which such offer has been so accepted, at the Redemption Price. If any Holder shall reject such offer, such Holder shall be deemed to have waived its rights under this Section 8.1 to require prepayment of all Notes held by such Holder in respect of such Change of Control but not in respect of any subsequent Change of Control.

If the Change of Control Prepayment Date does not occur on the last day of an Interest Period, the Company shall also pay each Holder of a Series C Note then being prepaid an amount equal to the LIBOR Funding Loss Amount with respect to such Series C Note, as specified by written notice given by the Holder of such Series C Note at least two Business Days prior to the Change of Control Prepayment Date (or, if such notice is subsequently given by such Holder, within two Business Days after receipt of such notice by the Company). The obligation of the Company to pay such LIBOR Funding Loss Amount with respect to the prepayment of any Series C Note pursuant to this Section 8.1 shall survive the prepayment of such Series C Note and the termination of this Agreement.

(b) Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof.

(c) Maturity; Surrender, etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

(d) Purchase or Optional Redemption of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to a notice of optional redemption pursuant to Section 1.4 hereof made by the Company or any such Affiliate to the Holders of all Notes at the time outstanding to redeem Notes on the same terms and conditions, pro rata among all Notes tendered.

Any Notes so repurchased or redeemed shall immediately upon acquisition thereof be cancelled and no Notes shall be issued in substitution or exchange therefor, except as provided in Section 1.4.

Promptly and in any event within five Business Days after each such purchase or redemption of Notes, the Company will furnish each Holder of the Notes with a certificate of a Senior Financial Officer describing such purchase (including the aggregate principal amount of Notes so purchased and the purchase price therefor) and certifying that such purchase was made in compliance with the requirements of this Section.

(15) AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

(a) Compliance with Law.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including without limitation Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Insurance.

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers rated "A" or better by A.M. Best Company, Inc., insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles and co-insurance) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

(c) Maintenance of Properties.

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) Payment of Taxes and Claims.

The Company will and will cause each of its Subsidiaries to file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on

them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claim if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(e) Corporate Existence, etc.

The Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.5 and 10.6, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Subsidiary) and all rights and franchises (as franchises) of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

(f) Lines of Business.

The Company and its Subsidiaries will remain engaged solely in the business of owning and operating family restaurant/entertainment centers, and other businesses directly related thereto.

(16) NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

(a) Liens.

(a) The Company will not, and will not permit any Subsidiary to create, assume, incur or suffer to exist any Lien upon or with respect to any property or assets, whether now owned or hereafter acquired, securing any Indebtedness, provided that nothing in this Section 10.1 shall prohibit

(i) Liens in respect of property of the Company or a Subsidiary existing on the date of the Closing and described in Schedule 5.15, and Liens relating to any extension, renewal or replacement of Indebtedness secured by any such Lien as described in Schedule 5.15, provided that the principal amount of Indebtedness secured by any such Lien is not increased and such Lien does not extend to or cover any property of the Company or such Subsidiary, as the case may be, other than the property covered by such Lien on the date of Closing;

(ii) Liens in respect of property acquired by the Company or a Subsidiary after the date of Closing, (A) existing on such property at the time of acquisition thereof (and not incurred in anticipation thereof), whether or not Indebtedness secured thereby is assumed by the Company or a Subsidiary, or (B) created within 180 days after acquisition or completion of construction of improvements on such property, to secure Indebtedness assumed or incurred to finance all or any part of the purchase price or cost of construction of improvements on such property, or (C) in the case of any Person that hereafter becomes a Subsidiary or is consolidated with or merged with or into the Company or a Subsidiary or sells, leases or otherwise disposes of all or substantially all of its property to the Company or a Subsidiary, existing at the time such Person becomes a Subsidiary or is so consolidated or merged or effects such sale, lease or other disposition of property (and not incurred in anticipation thereof), provided that in any such case

(x) no such Lien shall extend to or cover any other property of the Company or such Subsidiary, as the case may be,

(y) the aggregate principal amount of Indebtedness secured by all such Liens in respect of any such property shall not exceed the cost of such property at the time of such acquisition or, in the case of a Lien in respect of property existing at the time of such Person becoming a Subsidiary or being so consolidated or merged or effecting such sale, lease or other disposition, the fair market value of such property at such time, and

(z) no Lien may be created pursuant to subclause (B) above prior to December 31, 1996;

(iii) Liens securing Indebtedness owed by a Subsidiary to the Company or to a Wholly-Owned Subsidiary; and

(iv) Liens securing reimbursement obligations in connection with letters of credit obtained by the Company or a Subsidiary, provided that the aggregate unpaid principal amount of Indebtedness in respect of such letters of credit secured by such Liens permitted by this Section 10.1(a) (iv) does not at any time exceed \$5,000,000.

For purposes of this Section 10.1(a) any Lien existing in respect of property at the time such property is acquired or in respect of property of a Person at the time such Person is acquired, consolidated or merged with or into the Company or a Subsidiary shall be deemed to have been created at that time.

(b) In case any property is subjected to a Lien in violation of Section 10.1(a), the Company will make or cause to be made effective provision whereby the Notes will be secured equally and ratably with all Indebtedness and other obligations secured by such Lien, and in any case the Notes shall have the benefit, to the full extent that, and with such priority as, the Holders may be entitled thereto under applicable law, of an equitable lien on such property securing the Notes. Such violation of Section 10.1(a) shall constitute an Event of Default hereunder, whether or not any such provision is made pursuant to this Section 10.1(b).

(b) Maintenance of Financial Conditions.

(a) The Company will not at any time prior to the last day of the fiscal year ending on or about December 31, 1995 permit Consolidated Net Worth to be less than \$115,000,000 and thereafter the Company will not at any time permit Consolidated Net Worth to be less than the sum of (i) \$115,000,000 plus (ii) 75% of Consolidated Net Income for each fiscal year ending after the date of the Closing (but without any deduction for any consolidated net loss in any fiscal year) plus (iii) 100% of the net cash proceeds of all sales of equity securities by the Company after the date of the Closing.

(b) The Company will not permit the sum of EBITDA plus Consolidated Operating Lease Rentals for the periods of two and three consecutive quarterly accounting periods respectively ending on or about June 30 and September 30, 1995 to be less than 150% of Consolidated Interest Expense plus Consolidated Operating Lease Rentals for such periods, and thereafter the Company will not permit the sum of EBITDA plus Consolidated Operating Lease Rentals for any period of four consecutive quarterly accounting periods to be less than the applicable percentage of the sum of Consolidated Interest Expense plus Consolidated Operating Lease Rentals for such period specified below:

Four Quarterly Accounting Periods Ending on or About -----	Applicable Percentage -----
June 30, 1995 to September 30, 1996	150%

thereafter to September 30, 1997 175%
thereafter 200%

(c) The Company will not permit Consolidated Indebtedness as of the last of any quarterly accounting period (commencing with such accounting period ending on or about June 30, 1995) to exceed 175% of EBITDA for the four consecutive quarterly accounting periods then ended.

(c) Asset Sales.

The Company will not and will not permit any Subsidiary to, directly or indirectly, make any sale, transfer, lease (as lessor), loan or other disposition of any property or assets (an "Asset Sale") other than

- (a) Asset Sales in the ordinary course of business,
- (b) Asset Sales of property or assets by a Subsidiary to the Company or a Wholly-Owned Subsidiary or a Person then becoming a Wholly-Owned Subsidiary,
- (c) Asset Sales consisting of the Company's investment as of the date of this Agreement in shares or Indebtedness issued by the owner of Monterey Tex-Mex Restaurants, and
- (d) other Asset Sales, provided that
 - (i) immediately before and after giving effect to each such Asset Sale, no Default or Event of Default shall have occurred and be continuing, and

(ii) the aggregate net book value of property or assets disposed of in each such Asset Sale and all other Asset Sales by the Company and its Subsidiaries (A) during the immediately preceding twelve months does not exceed 5% of Consolidated Capitalization and (B) during the period from the date of the Closing to and including the effective date of such proposed Asset Sale does not exceed 10% of Consolidated Capitalization (in each case determined as of the last day of the quarterly accounting period ending on or most recently prior to the effective date of such proposed Asset Sale), and

such Asset Sales in the aggregate shall not involve a substantial number of Chuck E. Cheese's restaurants (except in connection with closings in the ordinary course of business) or any intangible assets related to Chuck E. Cheese's restaurants generally,

and provided further that for purposes of clause (ii) above there shall be excluded the net book value of property or assets disposed of in an Asset Sale if and to the extent such Asset Sale is made for cash, payable in full upon the completion of such Asset Sale, and an amount equal to the net proceeds realized upon such Asset Sale is applied by the Company or such Subsidiary, as the case may be, within one year after the effective date of such Asset Sale (x) to reinvest in similar categories of property or assets for use in the business of the Company and its Subsidiaries (but not in a transaction Permitted by Section 10.1(a)(ii)) or (y) to repay Indebtedness (which may, at the sole option of the Company, include the purchase of Notes pursuant to an offer to purchase Notes pursuant to Section 8.4).

For purposes of this Section 10.3 any shares of Voting Stock of a Subsidiary that are the subject of an Asset Sale shall be valued at the greater of (1) the fair market value of such shares as determined in good faith by the Board of Directors of the Company and (2) the aggregate net book value of the assets of such Subsidiary multiplied by a fraction of which the numerator is the aggregate number of shares of Voting Stock of such Subsidiary disposed of in such Asset Sale and the denominator is the aggregate number of shares of Voting Stock of such Subsidiary outstanding immediately prior to such Asset Sale.

(d) Merger, Consolidation, etc.

The Company will not and will not permit any Subsidiary to

consolidate with or merge with any other corporation or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person except:

(a) a Subsidiary may consolidate with or merge with, convey or transfer all or substantially all of its assets to

the Company (provided that the Company shall be the continuing or surviving corporation) or a then existing Wholly-Owned Subsidiary, or

any Person in an Asset Sale involving all of the outstanding stock or all or substantially all of the assets of such Subsidiary, in either case subject to the limitations of Section 10.3 and to the further requirement that such Subsidiary does not at the time of such Asset Sale own, directly or indirectly, any shares of capital stock or any Indebtedness of any other Subsidiary not simultaneously being sold as part of such Asset Sale; and

(b) the Company may consolidate with or merge with any other corporation or convey or transfer all or substantially all of its assets to a solvent corporation organized and existing under the laws of the United States or any state thereof, provided that

(c) if the Company is not the continuing, surviving or acquiring corporation (the "surviving corporation"), the surviving corporation shall have (A) executed and delivered to each Holder of a Note its assumption (pursuant to documentation in form and substance reasonably satisfactory to the Required Holders) of the due and punctual performance and observance of all obligations of the Company under this Agreement, the Other Agreements and the Notes and (B) caused to be delivered to each Holder of a Note an opinion of counsel reasonably satisfactory to the Required Holders to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof, and

immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing and, if applicable, the Company shall have given any notice required in connection with such transaction under Section 8.1.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.4 from its liability under this Agreement or the Notes.

(e) Subsidiary Indebtedness.

The Company will not permit any Subsidiary to create, assume incur, guarantee or otherwise become liable in respect of any Indebtedness except

(a) Indebtedness securing Liens permitted by clause (i), (ii) or (iii) of Section 10.1(a), and

(b) Indebtedness of a Wholly-Owned Subsidiary owing to the Company or another Wholly-Owned Subsidiary.

For purposes of this Section 10.5, a Subsidiary shall be deemed to have incurred Indebtedness in respect of any obligation previously owed to the Company or to a Wholly-Owned Subsidiary on the date the obligee ceases for any reason to be the Company or a Wholly-Owned Subsidiary and a Person that hereafter becomes a Subsidiary shall be deemed at that time to have incurred all of its outstanding Indebtedness.

(f) Transactions with Affiliates.

The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the

Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

(17) EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or premium on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), Section 8.1 or Section 10.1 to 10.5, inclusive; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after a Responsible Officer obtaining actual knowledge of such default; or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(g) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Subsidiary, or any such petition shall be filed against the Company or any Subsidiary and such petition shall not be dismissed within 60 days; or

(h) a final judgment or judgments for the payment of money aggregating in excess of \$500,000 are rendered against one or more of the Company and its Subsidiaries which judgments are not, within 60 days after entry thereof, bonded, paid, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(18) REMEDIES ON DEFAULT, ETC.

(a) Acceleration.

If any Event of Default has occurred and is continuing, the Required Holders of the Notes may at any time at its or their option, by

notice or notices to the Company, declare all the Notes at the time outstanding to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and the LIBOR Funding Loss Amount for each Series C Note (in each case to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived.

(b) Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the Holder of any Note at the time outstanding may proceed to protect and enforce the rights of such Holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

(c) Rescission.

At any time after any Notes have been declared due and payable pursuant to Section 12.1, the Required Holders by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the respective default rates specified in the Notes, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

(d) No Waivers or Election of Remedies, Expenses, etc.

No course of dealing and no delay on the part of any Holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such Holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any Holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the Holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such Holder incurred in any enforcement or collection under this Section 12, including without limitation reasonable attorneys' fees, expenses and disbursements.

(19) REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

(a) Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each Holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and Holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any Holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all

registered Holders of Notes.

(b) Transfer and Exchange of Notes.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered Holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the Holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such Holder may request. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$100,000, provided that if necessary to enable the registration of transfer by a Holder of its entire holding of Notes, one Note may be in a denomination of less than \$100,000.

You agree that the Company shall not be required to register the transfer of any Note to any Person (other than your nominee) or to any separate account maintained by you unless the Company receives from the transferee a representation to the Company (and appropriate information as to any separate accounts or other matters) to the same or similar effect with respect to the transferee as is contained in Section 6.2. You shall not be liable for any damages in connection with any such representations or assurances provided to the Company by any transferee.

(c) Replacement of Notes.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the Holder of such Note is, or is a nominee for, an original Purchaser or any other Institutional Investor, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

(20) PAYMENTS ON NOTES.

(a) Place of Payment.

Subject to Section 14.2, payments of principal, premium, if any, and interest becoming due and payable on the Notes shall be made in the State of Texas at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each Holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

(b) Home Office Payment.

So long as you or your nominee shall be the Holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note

for principal and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

(21) EXPENSES, ETC.

(a) Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or Holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a Holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save you and each other Holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you).

(b) LIBOR Funding Losses.

The Company will pay each Holder of a Series C Note, within two Business Days after demand therefor, such amount (the "LIBOR Funding Loss Amount") as in the good faith determination by such Holder will compensate such Holder for any loss or reasonable expense such Holder may sustain as a consequence of the receipt or recovery for any reason (including without limitation a prepayment pursuant to Section 8.1 or acceleration pursuant to Section 12.1) of all or any part of payment on account of such Series C Note prior to the last day of the applicable Interest Period therefor, including without limitation any loss or expense sustained or incurred in liquidating a Swap or any loss of margin on reemployment of the funds so received or recovered.

(c) Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

(22) SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent Holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other Holder of a Note. All statements contained in any certificate or other instrument delivered by or on

behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

(23) AMENDMENT AND WAIVER.

(a) Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the Holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or change the rate or the time of payment or method of computation of interest on, the Notes, (ii) change the percentage of the principal amount of the Notes the Holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

(b) Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each Holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each Holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any Holder of Notes as consideration for or as an inducement to the entering into by any Holder of Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms (or no less favorable terms taking into account differences in the terms of the Notes), ratably to each Holder of Notes then outstanding even if such Holder did not consent to such waiver or amendment.

(c) Binding Effect, etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all Holders of Notes and is binding upon them and upon each future Holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the Holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any Holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

(d) Notes held by Company, etc.

Solely for the purpose of determining whether the Holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to

be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the Holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

(24) NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

if to any other Holder of any Note, to such Holder at such address as such other Holder shall have specified to the Company in writing, or

if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial officer, or at such other address as the Company shall have specified to the Holder Of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

(25) REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other Holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

(26) CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, officers, trustees, employees, agents, attorneys and

affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors whose duties require them to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other Holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each Holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any Holder of a Note of information required to be delivered to such Holder under this Agreement or requested by such Holder (other than a Holder that is a party to this Agreement or its nominee), such Holder will enter into an agreement with the Company embodying the provisions of this Section 20.

(27) SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your non-United States Affiliates as the purchaser of the Notes that you have agreed to purchase as record holder on behalf of the Beneficial Owner hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original Holder of the Notes under this Agreement.

(28) MISCELLANEOUS.

(a) Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including without limitation any subsequent Holder of a Note) whether so expressed or not.

(b) Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Jurisdiction and Process.

(a) The Company irrevocably submits to the non-exclusive in personam jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the in personam jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 22.3(a) brought in any such court shall be conclusive and binding upon the Company subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which the Company is or may be subject) by a suit upon such judgment.

(c) The Company consents to process being served in any suit, action or proceeding of the nature referred to in Section 22.3(a) by mailing a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to the Company at its address specified in Section 18 or at such other address of which you shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to the Company. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 22.3 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) Indemnification.

The Company agrees, to the extent permitted by applicable law, to indemnify, exonerate, defend and hold you and each of your officers, directors, trustees, employees and agents (collectively the "Indemnitees" and individually an "Indemnatee") free and harmless from and against any and all actions, causes of action, suits, losses, liabilities and damages, and expenses in connection therewith, including without limitation reasonable fees and disbursements of a single firm to act as special counsel for all Indemnitees or, if there shall exist a legitimate conflict in the interests of the Indemnitees, the reasonable fees and disbursements of more than one special counsel (collectively the "Indemnified Liabilities") incurred by the Indemnitees or any of them as a result of, or arising out of, or relating to, the execution, delivery, performance or enforcement of this Agreement, the Notes or any other instrument contemplated hereby by any of the Indemnitees, or any transaction financed or to be financed in whole or in part directly or indirectly with proceeds from the sale of any of the Notes, or any action taken or omitted by an Indemnatee in the capacity of Calculation Holder (or acting in place of the Calculation Holder as contemplated by Section 1.1(b)), except as to any Indemnatee for any such Indemnified Liabilities arising on account of such Indemnatee's gross negligence or willful misconduct; and if and to the extent the foregoing undertaking may be unenforceable for any reason, the Company agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of the Company under this Section shall survive the payment of the Notes.

(e) Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, all computations made pursuant to this Agreement shall be made in accordance with GAAP and all balance sheets and other financial statements with respect thereto shall be prepared in accordance with GAAP. Except as otherwise expressly provided, any consolidated financial statement or financial computation shall be done in accordance with GAAP; and, if at the time that any such statement or computation is required to be made the Company shall not have any Subsidiary, such terms shall mean a financial statement or a financial computation, as the case may be, with respect to the Company only.

(f) Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

(g) Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

(h) Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

(i) Governing Law.

THIS AGREEMENT AND THE NOTES SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF TEXAS EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

If you are in agreement with the foregoing, please sign the form of agreement in the space below provided on a counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,
SHOWBIZ PIZZA TIME, INC.

By: _____
Title: _____

The foregoing is hereby agreed to as of the date thereof.

NEUE BANK AG

By: _____

SCHEDULE A

This Schedule A shows the names and addresses of the Purchasers under the foregoing Note Purchase Agreement and the other Agreements referred to therein and the respective principal amounts of the Series C Notes to be purchased by each.

Name and Address of Purchaser	Principal Amount of Series C Notes to be Purchased
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NEUE BANK AG
Kirchstrasse 8
Postfach
FL-9490 Vaduz

\$2,500,000

- (1) All payments on account of the Notes shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds (identifying each payment as ShowBiz Pizza Time, Inc. Floating Rate Series C Senior Notes due 1997 interest and principal to:

Swiss Bank Corporation

Zurich

For credit as follows:

With telephone advice of payment to:

- (2) All notices and communications to be addressed to:

Neue Bank AG

att. U. Eggenberger

Address see above

Tel. (075) 236 08 08

Fax (075) 232 92 60

- (3) Notices with respect to payments and corporate actions to be addressed as provided in clause (2) above:

- (4) Tax Identification Number:
N.A.

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Beneficial Owner" means the beneficial owner of the Notes purchased hereunder.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in London, England, Dallas, Texas, Cayman Islands, Geneva, Switzerland, or Liechtenstein are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capitalized Lease Obligations" means with respect to any Person, all outstanding obligations of such Person in respect of Capital Leases, taken at the capitalized amount thereof accounted for as indebtedness in accordance with GAAP.

"Change of Control" means (a) the acquisition through purchase or otherwise (including the agreement to act in concert without more), by any Person or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) directly or indirectly, in one or more transactions, of the beneficial ownership or control of securities representing more than 25% of the combined voting power of the Company's Voting Stock or (b) the acquisition by any Person, entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), of the power (whether or not exercised) to elect a majority of the Board of Directors of the Company. For purposes of this definition "beneficial ownership" shall have the meaning set forth in Rule 13d-3 of the Securities and Exchange Commission adopted pursuant to the Exchange Act.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means ShowBiz Pizza Time, Inc., a Kansas corporation.

"Confidential Information" is defined in Section 20.

"Consolidated Capitalization" means, at any date, the sum of (a) Consolidated Indebtedness plus (b) Consolidated Net Worth plus (c) deferred tax liabilities (if any), all as determined on a consolidated basis for the Company and its Subsidiaries in accordance with GAAP.

"Consolidated Indebtedness" means, at any date, all Indebtedness of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" for any period means the sum for the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, of all amounts which would be deducted in computing Consolidated Net Income on account of interest on Indebtedness (including imputed interest in respect of Capitalized Lease Obligations and amortization of debt discount and expense).

"Consolidated Net Income" for any period means the net income of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy,

(b) any gains arising from (i) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of the gains during such period exceeds the aggregate amount of the losses during such period from the sale, abandonment or other disposition of assets (other than current assets), (ii) any write-up of assets or (iii) the acquisition of outstanding securities of the Company or any Subsidiary,

(c) any amount representing any interest in the undistributed earnings of any other Person (other than a Subsidiary),

(d) any earnings, prior to the date of acquisition, of any Person acquired in any manner, and any earnings of any Subsidiary acquired prior to its becoming a Subsidiary,

(e) any earnings of a successor to or transferee of the assets of the Company prior to its becoming such successor or transferee,

(f) any deferred credit (or amortization of a deferred charge or credit) arising from the acquisition of any Person, and

(g) any extraordinary gains not covered by clause (b) above.

"Consolidated Net Worth" means, at any date, on a consolidated basis for the Company and its Subsidiaries, (a) the sum of (i) capital stock taken at par or stated value plus (ii) capital in excess of par or stated value relating to capital stock plus (iii) retained earnings (or minus any retained earning deficit) minus (b) the sum of treasury stock, capital stock subscribed for and unissued, deferred compensation and other contra-equity accounts, all determined in accordance with GAAP.

"Consolidated Operating Lease Rentals" for any period means the sum of the rental and other obligations required to be paid by the Company and its Subsidiaries as lessee under all leases of real or personal property (other than Capital Leases), excluding any amounts required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, all determined on a consolidated basis in accordance with GAAP.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"EBITDA" for any period means Consolidated Net Income plus all amounts deducted in the computation thereof on account of (a) Consolidated Interest Expense, (b) depreciation and amortization expenses (including amortization of deferred compensation) and other non-cash charges, (c) income and profits taxes and (d)

extraordinary losses (if any) of the type described in clauses (b) through (g) of the definition of "Consolidated Net Income" that are deducted in determining Consolidated Net Income for such period.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"Event of Default" is defined in Section 11.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including without limitation obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct

obligations of such obligor.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including without limitation asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"Holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money,

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business and not overdue but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property),

(c) its Capitalized Lease Obligations,

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities),

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money),

(f) Swaps of such Person, and

(g) any Guaranty of Such Person with respect to liabilities of a type described in any of clauses (a) through (f) above.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP. Indebtedness shall not include any obligations under operating lease agreements.

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 1% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Interest Payment Date" means each March 31, June 30, September 30 and December 31.

"Interest Period" is defined in Section 1.1(c).

"LIBOR Funding Loss Amount" is defined in Section 15.2.

"LIBOR Rate" is defined in Section 1.1(c).

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to

any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Material" means material in relation to the business, operations, affairs, financial condition, profits, assets, properties or prospects of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, profits, assets, properties or prospects of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement and the Notes or (c) the validity or enforceability of this Agreement or the Notes.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"Notes" is defined in Section 1.1.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"Other Agreements" is defined in Section 2.

"Other Purchasers" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Paying Agent" shall be a bank, trust company, or other financial institution, at which this Note may be surrendered for payment. At its option, the Company may act as its own Paying Agent.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"QPAM Exemption" means Prohibited Transaction Class Exemption 84-14 issued on March 13, 1984 by the United States Department of Labor.

"Redemption Date" means the date fixed for redemption of any principal amount of the Notes, pursuant to the terms of this Agreement and the Notes.

"Redemption Price" means, with respect to any purchase, redemption, or prepayment of all or any part of the Notes, the price fixed for redemption in accordance with the terms of the Notes.

"Required Holders" means, at any time, the holders of at least a majority in unpaid principal amount of the Notes at the time outstanding.

"Reset Date" is defined in Section 1.2(c).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Series C Notes" is defined in Section 1.1.

"Subsidiary" means, as to any Person, any corporation or other business entity a majority of the combined voting power of all Voting Stock of which is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries. Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Swaps" means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"U.S. Legal Tender" means United States dollars or such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts in the United States of America.

"Voting Stock" means, with respect to any Person, any shares of stock or other equity interests of any class or classes of such Person whose holders are entitled under ordinary circumstances (irrespective of whether at the time stock or other equity interests of any other class or classes shall have or might have voting power by reason of the happening of any contingency) to vote for the election of a majority of the directors, managers, trustees or other governing body of such Person.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

EXHIBIT 1.1(a)

[FORM OF SERIES C NOTE]
SHOWBIZ PIZZA TIME, INC.
FLOATING RATE SERIES C SENIOR NOTE DUE 1997

No. [_____] [_____]
\$ [_____] [Date]
PPN [_____]

BENEFICIAL OWNERSHIP OF THIS NOTE MAY ONLY BE TRANSFERRED TO A PERSON WHO IS NOT A RESIDENT OR CITIZEN OF THE UNITED STATES OF AMERICA, OR TO A BANK, OR OTHER INSTITUTION OR ENTITY WHICH IS NOT INCORPORATED OR ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE THEREOF. THIS NOTE WAS OFFERED FOR SALE IN CONNECTION WITH ITS ORIGINAL ISSUANCE ONLY OUTSIDE THE UNITED STATES AND HAS BEEN DELIVERED TO THE HOLDER OUTSIDE THE UNITED STATES.

FOR VALUE RECEIVED, the undersigned, SHOWBIZ PIZZA TIME, INC. (the "Company"), a Kansas corporation, hereby promises to pay to [_____] , or registered assigns, the principal amount of [_____] DOLLARS on July 31, 1997, with interest (computed on the basis of actual days elapsed and a year of 360 days) (a) from the date hereof on the unpaid balance thereof, payable quarterly on each Interest Payment Date (as below defined), at a rate per annum for each Interest Period (as defined in the Note Purchase Agreements referred to below) equal to 3.5% plus the LIBOR Rate (as so defined) as determined in respect of such Interest Period pursuant to said Note Purchase Agreements, until the principal hereof shall have become due and payable, and (b) on any overdue payment of principal or (to the extent permitted by applicable law) interest, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand) at a rate per annum from time to time equal to 2% above the interest rate then applicable to this Note, from the date of such default to and including the last day of the Interest Period during which such default occurs and thereafter at a rate per annum equal to 5.5% above said LIBOR Rate (as so determined from time to time on the basis of three-month Interest Periods).

[The LIBOR Rate for the [six]-month Interest Period commencing on the date of this Note is ____%.]

As used herein the term "Interest Payment Date" means each March 31, June 30, September 30 and December 31, beginning December 31, 1995.

Payments of principal of, interest on and any premium with respect to this Note are to be made in lawful money of the United States of America at the principal office of [_____] in [_____] or at such other place outside the United States as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes issued pursuant to separate Note Purchase Agreements dated as of _____, 1995 (as from time to time amended, the "Note Purchase Agreements") between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements.

Pursuant to the Note Purchase Agreements the Company is required to give written notice to the holder of this Note of the duration of each Interest Period for this Note, and of the applicable interest rate for such Interest Period as determined on the Reset Date (as defined in the Note Purchase Agreement) for such Interest Period. The applicable LIBOR Rate and interest rate and duration of such Interest Period for this Note shall be endorsed by the holder of this Note on the schedule attached hereto or any continuation thereof prior to any transfer of this Note.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new note for a like principal amount will be issued to, and registered in the name of, the transferee, provided that record ownership may only be transferred to a bank or other entity which meets the requirements of Section 6.5 of the Note Purchase Agreement. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note may be redeemed at the option of the Company, at any time in whole or from time to time in part, for an amount equal to

the then unpaid principal amount of this Note, plus accrued and unpaid interest (if any) to the date of redemption (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to the holder of this Note at such holder's registered address. Except as set forth in the Note Purchase Agreements, from and after any redemption date, if monies for the redemption shall have been deposited with the Paying Agent for redemption on such redemption date, then, unless the Company defaults in the payment of such redemption price, principal amount called for redemption will cease to bear interest and the only right of the holders as to such principal amount will be to receive payment of the redemption price.

The Company is also required under circumstances described in the Note Purchase Agreements to offer to prepay all Notes on the terms specified in the Note Purchase Agreements.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder hereof shall be governed by, the laws of the State of [Texas], excluding choice-of-law principles of such law.

SHOWBIZ PIZZA TIME, INC.

By _____
Title:

Schedule of Interest Rate and Duration of Interest Period

Reset Date	Duration of Interest Period	LIBOR Rate	Interest Rate LIBOR Rate plus 3.5%
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EXHIBIT 1.6

CERTIFICATE IN LIEU OF FORM W-8

[Please print or type]

Name: _____

Address: _____

Type of Entity (Please check appropriate box):

Non-U.S. Bank Foreign branch of a U.S. Bank
 Other (please describe) _____

(I) The undersigned is a record holder of the Floating Rate Series C Senior Notes due 1997 (the "Notes") issued by ShowBiz Pizza Time, Inc., a Kansas corporation (the "Company").

(ii) The outstanding principal amount of the Notes of which the undersigned is record holder is: U.S. \$

(iii) The beneficial owners of the Notes are foreign (non-U.S.)

persons and have not been U.S. persons on any Interest Payment Date (as that term is defined in the Note Purchase Agreement dated October _____, 1995).

- (iv) During all periods that the undersigned is a record holder of the Notes, the beneficial owners of the Notes will not be U.S. persons on any Interest Payment Date.
- (v) The undersigned will provide a U.S. beneficial ownership notification to the Company in the event this certification is or becomes untrue.
- (vi) This certification is signed on this _____ day of _____, 1995.

Under penalties of perjury, the undersigned certifies that all of the forgoing is true and correct in every respect.

Name of Record Holder: _____

Signature: _____

Printed Name of Person signing: _____

Title of Person Signing: _____

EXHIBIT 4.4(a)

October 10, 1995

Re: ShowBiz Pizza Time, Inc.; Floating Rate Series C Senior Notes due 1997.

To the several Purchases listed in
Schedule A to Note purchase Agreement and
the Beneficial Owners

Ladies and Gentlemen:

I have acted as in-house counsel to ShowBiz Pizza Time, Inc., a Kansas Corporation (the "Company"), in connection with the issuance by the Company of its Floating Rate Series C Senior Notes due 1997 in an aggregate principal amount of \$5,000,000 (the "Notes") and purchase by you pursuant to the several Note Purchase Agreement made by you to the Company under the date of October 10, 1995 (the "Note Purchase Agreement") of Notes in the respective aggregate principal amounts and series specified in Schedule A to the Note Purchase Agreement. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Note Purchase Agreement.

In my capacity as in-house counsel to the Company and its subsidiaries, I have participated in the preparation of the Agreement and the exhibits and other documents referred to therein. I have examined such corporate documents and records of the Company and its subsidiaries, certificates of public officials and other certificates, opinions and instruments and have made such other investigations as I have deemed necessary or advisable as a basis for the opinions hereinafter expressed.

In my examination I have assumed the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies and the authenticity of the originals of such latter documents. In addition, I have assumed the genuineness of all signatures except signatures of representatives of the Company, the due authorization, execution and delivery of all documents referred to herein by parties thereto other than the Company and the due authority of all persons executing such documents except persons executing such documents on behalf of the Company.

Based upon the foregoing and having regard for the legal consideration that I deem relevant, I render my opinion to you pursuant to Section 4.4(a) of the Note Purchase Agreement as follows:

1. The Company is a corporation duly organized and validly existing under the laws of the State of Kansas and has all requisite power and authority to own or hold under lease the property its purports to own or hold under lease, to carry on its business as now being conducted.

Letter to Beneficial Owners
October 10, 1995
Page 2 of 3

2. The Company has duly qualified and is authorized to do business in each jurisdiction where such qualification and authorization in necessary, except where the failure to be so qualified and authorized, individually or in the aggregate, could not have a Material Adverse Effect.

3. The Company has the corporate power and authority to execute and deliver the Note Purchase Agreement and the Notes and to perform the provisions thereof. The Note Purchase Agreement have been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company and is enforceable against the Company in accordance with their respective terms.

4. The Notes have been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company and is enforceable against the Company in accordance with their respective terms.

5. The execution and delivery by the Company of the Note Purchase Agreement and the performance by the Company of the transactions to be consummated by the Company described therein including the issuance of the Note do not conflict with or constitute on the part of the Company a breach or a violation of any of the terms and provisions of, or constitute (with due notice or lapse of time or both) a default under the Articles of the Company or Bylaws of the Company or of any indenture, agreement, order, writ, judgment or decree known to me to which the Company is a party or by which it or any of its properties are bound.

6. To the best of my knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity by or before any court or any Government Authority or public board or body pending or threatened against or affecting the Company or any subsidiary or any of its properties wherein an unfavorable decision, ruling or finding (a) would adversely affect the validity or enforceability of the Note Purchase Agreement or the Notes, (b) might result in any materially adverse change in the operations, properties, assets, liabilities or financial condition of the Company, or (c) would otherwise adversely affect the capability of the Company to comply with its obligations under the Note Purchase Agreement.

7. Each Subsidiary is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization. Each Subsidiary has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease and to transact the business it transacts.

Letter to Beneficial Owners
October 10, 1995

8. Each Subsidiary has duly qualified and is authorized to do business in each jurisdiction where such qualification and authorization in necessary, except where the failure to be so qualified and authorized, individually or in the aggregate, could not have a Material Adverse Effect.

My opinion expressed in paragraph 4 above is qualified to the extent that (a) the enforceability of the Note Purchase Agreement and the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general application from time to time affecting the rights of creditors, landlords, and secured parties generally and providing for relief of debtors, (b) a particular court may refuse to grant certain equitable remedies, including, without limiting the generality of the foregoing, specific performance, with respect to the enforcement of any provisions of the Note Purchase Agreement or the Notes, (c) certain provisions of the Note Purchase Agreement are or may be unenforceable in whole or in part under the laws of the State of Texas, but the inclusion of such provisions does not affect the validity of the Note Purchase Agreement, and the Note Purchase Agreement contains adequate provisions for enforcing payment of the obligations thereunder (including payment of the Notes) and for the practical realization of the rights and benefits afforded thereby, and (d) the enforceability of the indemnity provisions contained in the Note Purchase Agreement may be limited by federal securities laws and is subject to the qualification that a state court, in determining whether any party to an agreement is entitled to indemnification under the terms of the agreement, will limit any such indemnification arising from such party's sole or contributory negligence to the express terms and conditions as set forth in the agreement.

My opinion is limited solely to the laws of the State of Texas and the Kansas General Corporation Code, and the laws of the United States of America in effect on the date hereof, and no opinion is expressed herein as to any matters governed by the laws of any other jurisdictions.

This opinion is furnished to you solely in connection with the transactions being consummated today pursuant to the Note Purchase Agreement and may not be relied upon or described or quoted from by any other person, firm or entity without, in each instance, my prior written consent.

Very truly yours,

Marshall R. Fisco, Jr.
Counsel

EXHIBIT 4.4(a)

October 10, 1995

Re: ShowBiz Pizza Time, Inc.
Floating Rate Series C Senior Notes due 1997

To the several Purchasers listed in
Schedule A to the within-mentioned
Note Purchase Agreement and
the Beneficial Owner

Ladies and Gentlemen:

We have acted as special counsel to ShowBiz Pizza Time, Inc. (the

"Company") in connection with the issuance by the Company of its Floating Rate Series C Senior Notes due 1997 in an aggregate principal amount of \$5,000,000 (the "Series C Notes" or the "Notes") and the purchases by you pursuant to the Note Purchase Agreement made by Purchaser with the Company under date of October 10, 1995 (the "Note Purchase Agreement") of Notes in the respective aggregate principal amounts specified in Schedule A to the Note Purchase Agreement. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Note Purchase Agreement.

We have examined such corporate records of the Company and its Subsidiaries, agreements and other instruments, certificates of officers and representatives of the Company and its Subsidiaries, certificates of public officials, and such other documents, as we have deemed necessary in connection with the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of documents submitted to us as originals and the conformity with the authentic originals of all documents submitted to us as copies. As to questions of fact material to such opinions we have, when relevant facts were not independently established, relied upon the representations set forth in the Note Purchase Agreement and upon certifications by officers or other representatives of the Company and its Subsidiaries.

Based upon the foregoing and having regard for legal considerations that we deem relevant, we render our opinion to you pursuant to Section 4.4 of the Note Purchase Agreement as follows:

1. The Company is a corporation duly organized and validly existing under the laws of the State of Kansas and has all requisite power to execute and deliver the Note Purchase Agreement and the Notes and to perform its obligations thereunder.
2. The Note Purchase Agreement has been duly authorized, executed and delivered by the Company and constitute legal, valid and binding agreements of the Company, enforceable against the Company in accordance with their terms. The Company is duly qualified and is authorized to do business in each jurisdiction where such qualification and authorization is necessary, except where the failure to be so qualified could not have a Material Adverse Effect.
3. The Notes being purchased by you today have been duly authorized, executed and delivered by the Company and constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.
4. No consent, approval or authorization of, or declaration, registration or filing with, any Kansas, Texas or Federal Governmental Authority is required to be obtained or made as a condition to the validity of the execution and delivery by the Company of the Note Purchase Agreement or the Notes.
5. It was not necessary in connection with the offering, sale and delivery of the Notes, under the circumstances contemplated by the Note Purchase Agreement, to register the Notes under the Securities Act of 1933, or the Texas Securities Act or to qualify an indenture in respect of the Notes under the Trust Indenture Act of 1939, as amended or to register the Notes under the Securities Exchange Act of 1934.
6. Each Subsidiary listed in Schedule 5.4 to the Note Purchase Agreement is a corporation or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, except where the failure to be so qualified, individually or in the aggregate, could not have a Material Adverse Effect.
7. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, or the

Federal Power Act, as amended.

8. None of the transactions contemplated by the Note Purchase Agreement (including without limitation the use of the proceeds from the sale of the Notes) will violate or result in a violation of Section 7 of the Exchange Act, or any regulations issued pursuant thereto, including without limitation Regulations G, T, U and X of the Board of Governors of the Federal Reserve System (12 CFR, Part 207, Part 220 and Part 224, respectively).

9. There are no actions, suits or proceedings pending, or to our knowledge threatened, against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority, except actions, suits or proceedings which (a) individually do not in any manner draw into question the validity of the Note Purchase Agreement or the Notes and (b) in the aggregate could not reasonably be expected to have a Material Adverse Effect.

10. Assuming the accuracy of the representations and warranties, and compliance with the covenants made by or on behalf of the Purchaser and the Beneficial Owner under the Note Purchase Agreement and the Notes, (i) each of the Notes meets the requirements of Section 871(h)(2)(B) or 881(c)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) in the case of Notes beneficially owned by a nonresident alien individual, interest paid on the Notes will constitute "portfolio interest" as such term is defined in Section 871(h)(2) of the Code, and (iii) in the case of Notes beneficially owned by a foreign corporation, interest paid on the Notes will constitute "portfolio interest" as such term is defined in Section 881(c)(2) of the Code.

The opinions expressed above as to the enforceability of any agreement or instrument in accordance with its terms are subject to the exceptions that (a) such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and (ii) general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law), (b) the enforceability of indemnity provisions contained in the Note Purchase Agreement may be subject to limitations based upon public policy considerations.

We express no opinion as to Section 22.3 of the Note Purchase Agreement insofar as said Section relates to (a) the subject matter jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, the City of New York, to adjudicate any controversy relating to the Note Purchase Agreement, the Notes or any other document related thereto, or (b) the waiver of inconvenient forum with respect to proceedings in such court.

Our opinions are limited in all respects to the substantive law of the State of Texas and the Kansas General Corporation Code, and the federal law of the United States, and we assume no responsibility as to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction.

This opinion is given solely for your benefit, in connection with the closing held today of the transactions contemplated by the Note Purchase Agreement, and may not be relied upon by any other person for any purpose without our prior written consent.

Very truly yours,

WINSTEAD SECHREST & MINICK P.C.

By: _____
Darrel A. Rice

SCHEDULE 5.3

Disclosure Documents

Form 10K - Annual Report for Fiscal year ended December 30, 1994.

Form 10Q - Quarterly Report for quarterly period ended March 31, 1995.

Form 8K - Current Report for May 5, 1995.

Proxy Statement - Notice of Annual Meeting of Shareholders to be held June 8, 1995.

Proxy Supplement - Supplemental Information of Annual Meeting of Shareholders to be held on June 8, 1995.

Form 10Q - Quarterly Report for quarterly period ended June 30, 1995.

SCHEDULE 5.4

Subsidiaries

BHC Acquisition Corporation

State of Incorporation: Texas

Shares/Equity Owned by Company: 100%

Directors:

Richard M. Frank
Michael H. Magusiak
Richard T. Huston

Officers:

Richard M. Frank	CEO, President, COO
Alice Winters	Vice President, Secretary
Michael H. Magusiak	Vice President, Controller, Treasurer
Odom Sherman	Assistant Treasurer
Richard T. Huston	Vice President
Gene Cramm	Vice President

ShowBiz of Laurel, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 73%

Directors:

Vivian K. Oram
Gene Cramm
Carol E. Neal

Officers:

Vivian K. Oram	President, Treasurer
Gene Cramm	Secretary, Vice President
Carol Elkins Neal	Assistant Secretary

Chuck E. Cheese of Waldorf, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 100%

Directors:

Richard M. Frank
Michael H. Magusiak
Lorie Martinsen

Officers:

Lorie Martinsen	President
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Alice Winters Secretary, Treasurer
Sandra Schiranko Vice President

Chuck E. Cheese of Gaithersburg, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 80%

Directors:

Lois Perry
Lorie Martinsen
Leslie Cherkis

Officers:

Lois Perry President
Lorie Martinsen Secretary/Treasurer
Leslie Cherkis Vice President

Chuck E. Cheese of Glen Burnie, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 97%

Directors:

Richard M. Frank
Michael H. Magusiak
Alice M. Winters

Officers:

Alice M. Winters President
Lorie Martinsen Vice President, Secretary,
Treasurer
Ruth Ann Raup Assistant Secretary

ShowBiz of Madison, Inc.

State of Incorporation: Wisconsin

Shares/Equity Owned by Company: 100%

Directors:

Richard M. Frank

Officers:

Richard M. Frank President
Alice Winters Vice President, Secretary
Michael H. Magusiak Treasurer

Chuck E. Cheese of Diamond Point, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 97%

Directors:

Richard M. Frank
Michael H. Magusiak
Alice Winters

Officers:

Alice Winters President
Karessa Rollwage Secretary, Treasurer

Chuck E. Cheese of Westview, Inc.

State of Incorporation: Maryland

Shares/Equity Owned by Company: 98%

SB Hospitality Corporation

State of Incorporation: Texas

Shares/Equity Owned by Company: 49 %

Directors:

Richard T. Huston
Alice Winters
Odom Sherman, Jr.

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Vice President
Odom Sherman, Jr.	Treasurer

ShowBiz of Arkansas, Inc.

State of Incorporation: Arkansas

Shares/Equity Owned by Company: 50%

Directors:

Richard M. Frank

Officers:

Richard M. Frank	President
Alice Winters	Vice President, Secretary
Michael H. Magusiak	Treasurer
Odom Sherman	Assistant Treasurer

Affiliates

International Association of ShowBiz Pizza Time Restaurants, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Jim Rudolph
R.C. Schmidt
Bryon Schlosser
Michael H. Magusiak
Michael A. Hilton
Ronald Hake

Officers:

Michael A. Hilton	President
Michael Magusiak	Secretary, Treasurer
R.C. Schmidt	Vice President

B - SB Joint Venture Agreement

An Oklahoma joint venture including Harold W. Burlingame, Barbara Jean Burlingame and ShowBiz Pizza Time, Inc.

Shares/Equity Owned by Company: 50%

MCBIZ/SHOWBIZ Joint Venture Agreement

A Kansas joint venture including MCBIZ Limited Partnership, a Kansas limited partnership and ShowBiz Pizza Time, Inc.

Shares/Equity Owned by Company: 51%

Mid-South Joint Venture Agreement

A South Carolina joint venture including Mid-South Food Management, Inc., a South Carolina corporation and ShowBiz Pizza Time, Inc.

Shares/Equity Owned by Company: 30%.

ShowBiz White Settlement Club, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

ShowBiz Richardson Club, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

ShowBiz Redbird Club, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

ShowBiz Montfort Club, Inc.

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
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Alice Winters
John E. Artope

Secretary, Treasurer
Vice President

2500 South Coulter Street Club

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer
John E. Artope	Vice President

2402 South Stemmons Freeway Club

State of Incorporation: Texas

Shares/Equity Owned by Company: Non-Profit

Directors:

Richard T. Huston
Alice M. Winters
John E. Artope

Officers:

Richard T. Huston	President
Alice Winters	Secretary, Treasurer

Directors and Senior Officers of ShowBiz Pizza Time, Inc.

OFFICERS

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

Michael H. Magusiak
President

Richard T. Huston
Executive Vice President -- Marketing and Entertainment

Larry Page
Executive Vice President -- Chief Financial Officer and Treasurer

Gene Cramm
Senior Vice President -- Construction and Entertainment Attractions

Catherine Kreston
Senior Vice President -- Human Resources

Bernard J. Yanelli
Senior Vice President -- Strategic Planning and Franchise
Operations

BOARD OF DIRECTORS

Charles A. Crocco, Jr.
Partner -- Crocco & DeMaio, P.C.

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

Anthony J. Gumbiner
Chairman and Chief Executive Officer
The Hallwood Group Incorporated

Robert L. Lynch
Vice Chairman
The Hallwood Group Incorporated

Louis P. Neeb
President, Neeb Enterprises, Inc.

Cynthia I. Pharr
President, C. Pharr & Company, Inc.

J. Thomas Talbot
The Talbot Company

Brian M. Troup
President and Chief Operating Officer
The Hallwood Group Incorporated

Joshua Friedman
Caynon Partners Incorporated

SCHEDULE 5.5

Financial Statements

10K Annual Report for Fiscal year ended December 28, 1990.
10K Annual Report for Fiscal year ended December 27, 1991.
10K Annual Report for Fiscal year ended January 1, 1993.
10K Annual Report for Fiscal year ended December 31, 1993.
10K Annual Report for Fiscal year ended December 30, 1994.
10Q Quarterly Report for quarterly period ended March 31, 1995.
10Q Quarterly Report for quarterly period ended June 30, 1995.

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SCHEDULE 5.8

Litigation

None.
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SCHEDULE 5.11

Licenses, Etc.

CHICO CHEESES PIZZA, Brazilian Trademark, Registration No.
817043209 in Class 28.10 ("games, toys and pastimes")

CHICO CHEESES PIZZA, Brazilian Trademark, Registration No.
817043217 in Class 32.10 ("doughs, pastries in general")

SCHEDULE 5.15

Existing Indebtedness

Liens on personal property securing Standby Letters of Credit Nos. 50060624 and 50072426, as of March 31, 1995, issued by the Bank of Boston in the respective face amounts of \$58,600 and \$1,500,000, paid off from the proceeds under the Loan Agreement, dated June 27, 1995.

\$29,200,000 owed to the Bank of Boston as of March 31, 1995, excluding the Letters of Credit, paid off from the proceeds under the Note Purchase Agreement, dated June 15, 1995.

On June 15, 1995, the Company issued Series A Senior Notes and Series B Senior Notes, totaling \$28,000,000.

On June 27, 1995, the Company entered into a Loan Agreement with Bank One, Texas, N.A., with a revolving credit commitment in an amount equal to \$5,000,000.

Other existing indebtedness on the date of closing which would be permitted under Section 8.1 (a) of the Loan Agreement, consisting of capital lease obligations totaling \$1,193,915 and other indebtedness that does not exceed in the aggregate \$500,000.

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 March 31, 1995, such guarantees aggregated approximately \$989,000.

The Company has a limited recourse guaranty of Monterey Acquisition Corp.'s obligation to repay a \$4,700,000 term loan to Greyhound Financial Corporation. This guaranty is limited in recourse to the Company's pledge of its interest in 143,250 shares of common stock of Monterey Acquisition Corp. valued at \$437,500 in the aggregate.

MODIFICATION AND WAIVER
TO
NOTE PURCHASE AGREEMENT

This Modification and Waiver is entered into as of the 24th day of October, 1995, by and between ShowBiz Pizza Time, Inc., a Kansas corporation (the "Company"), and Neue Bank AG ("Neue").

RECITALS:

(1) The Company and Neue have entered into a Note Purchase Agreement, dated as of October 10, 1995 (the "Note Purchase Agreement"), for the purchase of \$2,500,000 of the Company's Floating Rate Series C Notes by Neue.

(2) The Note Purchase Agreement contemplates the execution of Other Agreements, the purchase of other Notes, and the simultaneous closing of the Other Agreements and purchase of such other Notes.

(3) The Company and Neue desire to close the transactions contemplated by the Note Purchase Agreement regardless of whether any Other Purchaser executes the Other Agreements or purchases any Notes.

AGREEMENTS:

1. WAIVER. The Company and Neue each hereby waive any and all requirements, explicit or implicit, that (i) the Other Agreements be executed, and (ii) the Other Purchasers purchase the Notes listed on Schedule A.
2. FULL PERFORMANCE. Except with respect to the Other Agreements and the Other Purchasers, the Company and Neue each hereby agree to perform each covenant and requirement to be performed by such party to the other party under the Note Purchase Agreement under the same terms and conditions as if the Other Purchasers had executed the Other Agreements and purchased such other Notes, whether or not such Other Purchasers execute the Other Agreements or purchase such other Notes.
3. SALE OF OTHER NOTES. Nothing in this Modification and Waiver or the Note Purchase Agreement shall prevent or require the Company to sell any Notes to any person or entity other than Neue; provided, however, that if the Company sells any other Notes, it will only sell such other Notes upon terms and conditions substantially similar as those contained in the Note Purchase Agreement, except the initial LIBOR Rate may be different and continue to be different until the next Reset Date after the issuance and sale of such Notes; provided further that the aggregate principal amount of the Notes issued and sold by the Company under the Note Purchase Agreement and the Other Agreements shall not exceed U.S. \$5,000,000.
4. DEFINED TERMS. Unless the context indicates otherwise, all capitalized terms used herein without definition shall have the meaning ascribed thereto in the Note Purchase Agreement.
5. COUNTERPARTS. This Modification and Waiver may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.
6. NO OTHER MODIFICATIONS. This Modification and Waiver has been entered into solely for purposes of modifying the terms and conditions of the Note Purchase Agreement with respect to executing

and performing the Other Agreements and the sale of the Notes thereunder, and not amending or modifying any other provision of the Note Purchase Agreement in any respect. Except as expressly provided herein, the Note Purchase Agreement is not amended or modified and no provision have been waived in any respect, and it remains in full force and effect in accordance with its terms. All of the terms and provisions of the Note Purchase Agreement and all the terms and provisions incorporated therein are hereby incorporated herein by this reference.

EXECUTED as of the date first written above.

NEUE BANK AG

By: _____
Its: _____
"Neue"

SHOWBIZ PIZZA TIME, INC.

By: _____
Its: _____
"Company"

EXHIBIT (s) (3)

SHOWBIZ PIZZA TIME, INC.
FLOATING RATE SERIES C SENIOR NOTE DUE 1997

No. R-C2
\$2,500,000

November 2, 1995

BENEFICIAL OWNERSHIP OF THIS NOTE MAY ONLY BE TRANSFERRED TO A PERSON WHO IS NOT A RESIDENT OR CITIZEN OF THE UNITED STATES OF AMERICA, OR TO A BANK, OR OTHER INSTITUTION OR ENTITY WHICH IS NOT INCORPORATED OR ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE THEREOF. THIS NOTE WAS OFFERED FOR SALE IN CONNECTION WITH ITS ORIGINAL ISSUANCE ONLY OUTSIDE THE UNITED STATES AND HAS BEEN DELIVERED TO THE HOLDER OUTSIDE THE UNITED STATES.

FOR VALUE RECEIVED, the undersigned, SHOWBIZ PIZZA TIME, INC. (the "Company"), a Kansas corporation, hereby promises to pay to NEUE BANK, AG, or registered assigns, the principal amount of TWO MILLION FIVE HUNDRED THOUSAND DOLLARS on October 12, 1997, with interest (computed on the basis of actual days elapsed and a year of 360 days) (a) from the date hereof on the unpaid balance thereof, payable quarterly on each Interest Payment Date (as below defined), at a rate per annum for each Interest Period (as defined in the Note Purchase Agreements referred to below) equal to 3.5% plus the LIBOR Rate (as so defined) as determined in respect of such Interest Period pursuant to said Note Purchase Agreements, until the principal hereof shall have become due and payable, and (b) on any overdue payment of principal or (to the extent permitted by applicable law) interest, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand) at a rate per annum from time to time equal to 2% above the interest rate then applicable to this Note, from the date of such default to and including the last day of the Interest Period during which such default occurs and thereafter at a rate per annum equal to 5.5% above said LIBOR Rate (as so determined from time to time on the basis of three-month Interest Periods).

The LIBOR Rate for the six-month Interest Period commencing on the date of this Note is 5.9375%.

As used herein the term "Interest Payment Date" means each March 31, June 30, September 30 and December 31, beginning December 31, 1995.

Payments of principal of, interest on and any premium with respect to this Note are to be made in lawful money of the United States of America at the principal office of Neue Bank, AG in Liechtenstein, or at such other place outside the United States as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes issued pursuant to separate Note Purchase Agreements dated as of October 10, 1995 (as from time to time amended, the "Note Purchase Agreements") between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements.

Pursuant to the Note Purchase Agreements the Company is required to give written notice to the holder of this Note of the duration of each Interest Period for this Note, and of the applicable interest rate for such Interest Period as determined on the Reset Date (as defined in the Note Purchase Agreement) for such Interest

Period. The applicable LIBOR Rate and interest rate and duration of such Interest Period for this Note shall be endorsed by the holder of this Note on the schedule attached hereto or any continuation thereof prior to any transfer of this Note.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new note for a like principal amount will be issued to, and registered in the name of, the transferee, provided that record ownership may only be transferred to a bank or other entity which meets the requirements of Section 6.5 of the Note Purchase Agreement. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note may be redeemed at the option of the Company, at any time in whole or from time to time in part, for an amount equal to the then unpaid principal amount of this Note, plus accrued and unpaid interest (if any) to the date of redemption (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to the holder of this Note at such holder's registered address. Except as set forth in the Note Purchase Agreements, from and after any redemption date, if monies for the redemption shall have been deposited with the Paying Agent for redemption on such redemption date, then, unless the Company defaults in the payment of such redemption price, principal amount called for redemption will cease to bear interest and the only right of the holders as to such principal amount will be to receive payment of the redemption price.

The Company is also required under circumstances described in the Note Purchase Agreements to offer to prepay all Notes on the terms specified in the Note Purchase Agreements.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder hereof shall be governed by, the laws of the State of Texas, excluding choice-of-law principles of such law.

SHOWBIZ PIZZA TIME, INC.

By: _____
Title: _____

Schedule of Interest Rate and Duration of Interest Period

Reset Date	Duration of Interest Pd.	LIBOR Rate	Interest Rate	Notation
-----	-----	-----	Libor + 3.5%	Made by

ENTERTAINMENT OPERATING FUND LINE OF CREDIT

By this Agreement, dated as of _____, 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;

(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.

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.

(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 _____, 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.

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.

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 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.

(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: _____
Richard M. Frank
Chairman and Chief Executive Officer

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

By: _____

Michael A. Hilton
President

EXHIBIT A

Payment Grid for the Promissory Note,
dated _____, 1994, between International
Association of ShowBiz Pizza Time Restaurants,
Inc. and ShowBiz Pizza Time, Inc.

Date	Principal Advances	Principal Payments	Interest Payments	Balance Due
-----	-----	-----	-----	-----

NATIONAL ADVERTISING PRODUCTION LINE OF CREDIT

By this Agreement, dated as of _____, 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;

(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.

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.

(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: _____

Richard M. Frank
Chairman and Chief Executive Officer

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC.

By: _____
Michael A. Hilton
President

NATIONAL ADVERTISING PRODUCTION
PROMISSORY NOTE

\$750,000.00 Irving, Texas _____, 1994
Dated as of

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.

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.

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 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.

(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: _____
Richard M. Frank
Chairman and Chief Executive Officer

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 _____ 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;
- (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.

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.
- (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: _____
Richard M. Frank
Chairman and Chief
Executive Officer

INTERNATIONAL ASSOCIATION OF SHOWBIZ
PIZZA TIME RESTAURANTS, INC.

By: _____
Michael A. Hilton
President

EXHIBIT A

Payment Grid for the Promissory Note,
dated _____, 1994, between International
Association of ShowBiz Pizza Time Restaurants,
Inc. and ShowBiz Pizza Time, Inc.

Date	Principal Advances	Principal Payment	Interest Payments	Balance Due
-----	-----	-----	-----	-----

NATIONAL MEDIA FUND
PROMISSORY NOTE

\$400,000.00 Irving, Texas _____, 1994 Dated as of

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.

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.

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 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.

(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: _____
Richard M. Frank
Chairman and Chief Executive Officer

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

By: _____
Michael A. Hilton
President

EXHIBIT A

Payment Grid for the Promissory Note,
dated _____, 1994, between International
Association of ShowBiz Pizza Time Restaurants,
Inc. and ShowBiz Pizza Time, Inc.

Date	Principal Advances	Principal Payments	Interest Payments	Balance Due
------	--------------------	--------------------	-------------------	-------------

21 -- List of Subsidiaries

SUBSIDIARIES

NAME OF SUBSIDIARY (AND NAMES IN WHICH SUBSIDIARY DOES BUSINESS -----	STATE OF ORGANIZATION -----
BHC Acquisition	Texas

23 -- Independent Auditor's Consent

INDEPENDENT AUDITOR'S CONSENT

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

We consent to the incorporation by reference in Registration Statement Nos. 33-29495, 33-36075 and 33-39650 on Form S-8 of ShowBiz Pizza Time, Inc. of our report dated February 23, 1996, appearing in this Annual Report on Form 10-K of ShowBiz Pizza Time, Inc. for the year ended December 29, 1995.

Deloitte & Touche, LLP
Dallas, Texas
March 26, 1996

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