

FRANCHISE AGREEMENT

BIG BOY FRANCHISE MANAGEMENT LLC

**One Big Boy Drive
Warren, Michigan 48091
Telephone: (586) 759-6000**

Franchisee

Franchised Location

Name

Street

Name

City State Zip Code

Street

()

Area Code Telephone

City State Zip Code

()

Area Code Fax

()

Area Code Telephone

Restaurant No.

E-Mail Address

Date of Franchise Agreement

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The following information will have to be completed by Big Boy and the Franchisee prior to the time that this Agreement is signed by the parties:

<u>Article</u>	<u>Page</u>	<u>Information Required</u>	<u>Completed</u>	<u>Person Completing Information</u>
N/A	F-1	Date of Franchise Agreement	_____	_____
N/A	F-1	Name of Franchisee	_____	_____
N/A	F-1	Business Structure of Franchisee	_____	_____
1.1	F-6	Franchised Location	_____	_____
32	F-49	Name and Telephone Number of Franchisee's Attorney or Advisor	_____	_____
N/A	F-49	Signature of Big Boy	_____	_____
N/A	F-49	Signature(s) of Franchisee	_____	_____
N/A	F-49	Signature(s) of Owners and Percentage of Ownership (if applicable)	_____	_____
N/A	F-51	Signature(s) of Personal Guarantors	_____	_____

**BIG BOY FRANCHISE MANAGEMENT LLC
FRANCHISE AGREEMENT**

This Franchise Agreement (this "Agreement") is made and entered into this _____ day of _____, 200__ by and between Big Boy Franchise Management LLC, a Michigan limited liability company (the "Franchisor"), and _____, a _____ (the "Franchisee").

RECITALS

Big Boy Restaurant System. The Franchisor has developed a unique business system for operating and franchising unique family restaurants with table service that serve breakfast, lunch and dinner and feature sandwiches, including the Big Boy® Sandwich, the Super Big Boy® Sandwich, beverages and other food products (the "Big Boy System" or the "Restaurant System").

Licensing of Marks. The Franchisor has extensively publicized the name "Big Boy®" to the public as an organization of restaurant businesses operating under the Restaurant System. The Franchisor has the right and authority to license the use of the name "Big Boy®" and the other Marks for use in connection with the Restaurant System to selected persons, businesses or entities who will comply with the uniformity requirements and quality standards of the Franchisor. The Franchisor will continue to develop, use, and control the use of the name "Big Boy®" and the other Marks, in order to identify for the public the source of foods, food items, food products, beverages and services marketed under the Restaurant System, and to represent to the public the Restaurant System's high standards of quality, appearance, cleanliness and service.

Operation of Big Boy Restaurant. The Franchisee desires to develop, own and operate a Big Boy Restaurant (the "Big Boy Restaurant" or the "Restaurant") at the Franchised Location in conformity with the Restaurant System and the Franchisor's uniformity requirements and quality standards as established and promulgated from time to time by the Franchisor. The Franchisee understands and acknowledges the importance of complying with the high standards of quality, appearance, procedures, controls, cleanliness and service established by the Franchisor, and the necessity of operating the Restaurant in strict conformity with the standards and specifications established by the Franchisor.

Right to Use Marks and Restaurant System. The Franchisee acknowledges that it would take substantial capital and human resources to develop a restaurant concept that is similar to a Big Boy Restaurant and, for those reasons, the Franchisee desires to acquire the right to use the Marks and the Restaurant System and to own and operate a Big Boy Restaurant pursuant to the terms and conditions of this Agreement.

Pursuant to the above Recitals and in consideration of the mutual promises and covenants set forth in this Agreement, the Franchisor and the Franchisee agree and contract as follows:

**ARTICLE 1
DEFINITIONS**

For purposes of this Agreement, the following words will have the following definitions:

1.1 Abandon.

"Abandon" will mean the conduct of the Franchisee indicating the willingness, desire or intent of the Franchisee to discontinue operating the Franchisee's Big Boy Restaurant in accordance with the quality standards, uniformity requirements and the Restaurant System as described in this Agreement, the

Operations Manual or otherwise in writing including, but not limited to, the failure of the Franchisee to operate the Big Boy Restaurant for five or more consecutive days without the prior written approval of the Franchisor, or the failure of the Franchisee to remain open for business during the business hours designated by the Franchisor.

1.2 Approved Suppliers.

“Approved Suppliers” will mean the suppliers and distributors that have been approved in writing by the Franchisor to offer and sell the Products and Services specified in the Operations Manual or otherwise in writing by the Franchisor.

1.3 Assistant Manager.

“Assistant Manager” will mean an individual responsible for supervising an operational shift during the daily operation of the Franchisee’s Big Boy Restaurant.

1.4 Business Assets.

“Business Assets” will mean: (a) the FF&E, Signs, supplies, food and liquor inventory, trucks, automobiles, Computer Equipment, equipment leases, contracts, and all other assets owned by the Franchisee and used in connection with Franchisee’s Big Boy Restaurant, (b) all assets listed on the Franchisee’s Financial Statements and tax returns relating to or used in connection with Franchisee’s Big Boy Restaurant; (c) the Lease for the Franchised Location; (d) the land and building for the Franchisee’s Big Boy Restaurant, if the building and land are owned by the Franchisee or any affiliate of the Franchisee or entity under common control with the Franchisee; (e) this Agreement; (f) any Ownership Interest in the Franchisee; and (g) all other interests in the Franchisee or the Franchisee’s Big Boy Restaurant.

1.5 Claims and Damages.

“Claims and Damages” will mean all losses, damages, judgments, liabilities, fines, penalties, assessments, and all related expenses, and will include, without limitation: (a) damages to real and personal property and damages for loss of use of real and personal property, (b) damages for lost profits, (c) special, consequential, exemplary and punitive damages, (d) personal injury damages, (e) damages resulting from the death of a person or persons, including wrongful death damages, (f) Costs and Expenses and all other expenses incurred in defending any claims or litigation, (g) Salaries and Travel Expenses and all related expenses incurred in defending any claims or litigation, (h) amounts paid in settlement of any disputed claims or litigation, (i) product liability damages, (j) amounts paid pursuant to any court judgment or court decree, resulting from any civil or criminal claims, demands, allegations, lawsuits, litigation, arbitration proceedings, administrative actions or other legal proceedings, and (k) damages assessed under any federal, state or local statutes, rules, regulations or ordinances.

1.6 Computer Equipment.

“Computer Equipment” will mean the computer hardware and peripherals used in the operation of the Restaurant, including printers, monitors, modems, and networking equipment, and other computer systems and electronic devices, specified in the Operations Manual or otherwise in writing by the Franchisor.

1.7 Computer Software.

“Computer Software” will include the computer software and operating system approved and specified in this Agreement, the Operations Manual, or otherwise in writing by the Franchisor for use in the operation of the Franchisee’s Big Boy Restaurant.

1.8 Competitive Restaurant.

“Competitive Restaurant” will mean any family-style restaurant with table service offering breakfast, lunch and dinner (including by way of illustration only Denny's, Bob Evans, Perkins, Shoney's, Eat-N-Park, CoCos, Carrows, Ram's Horn, Bill Knapps, and IHOP restaurants), any restaurant that sells double-deck hamburgers or deep fried French toast, or any restaurant that sells any food products under the name “Bob’s,” “Boy” or “Buddy Boy.”

1.9 Costs and Expenses.

“Costs and Expenses” will mean all attorney’s fees, deposition costs, expert witness fees, court costs, investigation costs, accounting fees, filing fees and Travel Expenses.

1.10 Designated Supplier.

“Designated Supplier” will mean the only and exclusive supplier or distributor that is authorized by the Franchisor to sell the Products and Services specified in the Operations Manual or otherwise in writing by the Franchisor.

1.11 Dollars.

“Dollars” will mean United States of America dollars.

1.12 Entity.

“Entity” will mean any corporation, limited liability company, general partnership, limited partnership, limited liability partnership, or other legal entity formed in compliance with applicable law.

1.13 FF&E.

“FF&E” will mean the furniture, fixtures and equipment specified in the Operations Manual or otherwise in writing by the Franchisor used in the operations of the Franchisee’s Big Boy Restaurant.

1.14 Financial Records.

“Financial Records” will mean the computerized and hand prepared records and ledgers, sales ledgers, work papers, books, bank statements, federal and state income tax returns, federal and state sales tax returns, daily cash register tapes, accounts, and other financial information relating to the Gross Revenues, food and beverage costs, and labor costs for the Franchisee’s Restaurant.

1.15 Financial Statements.

“Financial Statements” will mean: (a) monthly and year-to-date balance sheet and profit and loss statement; and (b) annual balance sheet, profit and loss statement, statement of cash flows and explanatory footnotes for the Franchisee’s Restaurant.

1.16 Franchise.

“Franchise” will mean the license rights granted by the Franchisor to the Franchisee authorizing the Franchisee to develop and operate a Big Boy Restaurant at the Franchised Location in conformity with the Restaurant System using the name “Big Boy®” and the other Marks.

1.17 Franchised Location.

“Franchised Location” will mean the single address set forth in Article 2.1 of this Agreement.

1.18 General Manager.

“General Manager” will mean the individual responsible for supervising the overall management and operation of the Franchisee’s Big Boy Restaurant including, but not limited to, administration, basic operations, marketing, customer and community relations, record keeping, employee staffing and training, inventory control, hiring and firing, food preparation and maintenance of the Franchised Location.

1.19 Gross Revenues.

“Gross Revenues” will mean the total dollar sales from all customers of the Franchisee’s Big Boy Restaurant, and will include all cash and credit sales made by the Franchisee of every kind and nature made at, from, by or in connection with the Franchisee’s Big Boy Restaurant including, but not limited to, all dollars and income received from: (a) the sale of all foods, food products, food items, and services, whether prepared in the Restaurant or pre-packaged; (b) the sale of all alcoholic and non-alcoholic beverages and drinks; (c) the sale of all goods, products or items sold by or at the Franchisee’s Restaurant; (d) admission fees or cover charges; (e) vending machines, telephones, electronic or other games, and other amusement games; (f) slot machines and gaming machines; (g) the sale of lottery tickets and pull tabs; (h) the sale of hats, sweatshirts, T-shirts, jackets, clothing, music records, tapes and compact discs; (i) the sale of cigars, cigarettes, tobacco products, newspapers, magazines, candies and gum; (j) the sale of foods, food products, food items, and services at any banquet; (k) the sale of any catered foods, food products, food items, and services; (l) the sale of any foods, food products or food items that are carried out of the Restaurant; (m) the sale of any foods, food products, and food items that are delivered by the Franchisee or other delivery service; (n) the sales of foods, food products food items, and all other products and services offered in connection with the Franchisee’s Big Boy Restaurant; (o) all sales, use or gross receipts tax rebates; and (p) all business interruption insurance payments made to the Franchisee under any insurance policy carried by the Franchisee. “Gross Revenues” will not include any coupons, discounts on employee meals or sales, use or gross receipts tax imposed by any federal, state, municipal or governmental authority directly upon sales, if the amount of the tax is added to the selling price and is charged to the customer, a specific record is made at the time of each sale of the amount of such tax, and the amount of such tax is paid to the appropriate taxing authority by the Franchisee.

1.20 Home Page.

“Home Page” will mean the website or home page on the Internet used to advertise, market or promote the Franchisee’s Restaurant, to communicate with its customers, and/or to post employment opportunities at the Restaurant.

1.21 Lease.

“Lease” will mean the written or oral agreement between the Franchisee and the Landlord that grants the Franchisee the right to rent and occupy the Franchised Location, and will include any oral or written rental agreement between the Franchisee and the Franchisee’s Owners.

1.22 Major Brand Name Restaurant.

“Major Brand Name Restaurant” will mean any restaurant which has at least 50 restaurant locations within the contiguous United States which operate under the same name.

1.23 Management Team.

“Management Team” will mean the Franchisee’s General Manager and Assistant Managers.

1.24 Marks.

“Marks” will include the name “Big Boy®” and the specific trademarks, trade names, service marks, logos and commercial symbols, phrases, slogans, and tag lines created and developed by the Franchisor for use in connection with the operation of Big Boy® Restaurants that are specified in this Agreement, the Operations Manual, or otherwise in writing by the Franchisor.

1.25 Opening Team.

“Opening Team” will mean the District Leader and operations personnel specified in the Operations Manual, in this Agreement or otherwise in writing by the Franchisor who will, during the times specified in the Operations Manual, provide opening assistance to the Franchisee at the Franchised Location when the Franchisee’s Restaurant is scheduled to open for business.

1.26 Operations Manual.

“Operations Manual” will mean the confidential operations manuals, recipe manuals, and all other manuals and written materials developed by the Franchisor for the operation of a Big Boy Restaurant.

1.27 Owner.

“Owner” will mean any person or Entity that owns any Ownership Interest in the Franchisee.

1.28 Ownership Interest.

“Ownership Interest” will mean (a) capital stock if the Franchisee is a corporation, (b) membership interest if the Franchisee is a limited liability company, (c) partnership interest if the Franchisee is a partnership, (d) limited or general partnership interests if the Franchisee is a limited partnership, and (e) all other types and means of any ownership or interest in the Franchisee or in the land and building for the Franchisee’s restaurant or in any entity which owns such land or building, if such entity is owned by Franchisee, or by an affiliate of Franchisee or any entity under common control with the Franchisee (an “Affiliated Owner”).

1.29 Personal Guarantors.

“Personal Guarantors” will mean the owners and their spouses required to sign the Personal Guaranty attached to this Agreement, which will include the owners and their spouses, if applicable, and any Affiliated Owner that owns the land and/or building used for the Franchisee’s restaurant.

1.30 Products and Services.

“Products and Services” will mean all of the foods, food products, food items, seasonings, gravies, sauces, salad dressings, alcoholic and non-alcoholic beverages and drinks, products, sundries, goods, supplies, merchandise and/or services specified in the Operations Manual or otherwise in writing by the Franchisor that have been approved by the Franchisor for use or sale under the Marks and the Restaurant System.

1.31 Restaurant System.

“Restaurant System” will mean the distinctive Products and Services associated with (a) the Big Boy Restaurant Business System, (b) the Franchisor’s trademarks, trade names, service marks, and copyrights, (c) the Franchisor’s distinctive interior and exterior building designs, decor, furnishings, menus, uniforms, slogans, Signs, logos, commercial symbols and color combinations, and (d) the uniformity requirements, standards of consistency and quality, procedures, cleanliness, sanitation, controls, specifications, training, advertising, and instructions promulgated by the Franchisor in connection with the operation of a Big Boy Restaurant.

1.32 Salary or Salaries.

“Salary” or “Salaries” will mean wages or hourly rate of pay, fringe benefits, federal and state withholding taxes and Social Security taxes.

1.33 Signs.

“Signs” will mean the interior and exterior signs used to advertise the Restaurant at the Franchised Location.

1.34 Transfer or Transferred.

“Transfer” or “Transferred” will mean to sell, assign, trade, transfer, lease, sublease or otherwise dispose of.

1.35 Travel Expenses.

"Travel Expenses" will include all transportation, lodging, food, entertainment, automobile rental, and related travel expenses.

1.36 Week.

"Week" will mean a period of seven consecutive days from Monday through Sunday.

1.37 Weekly Report.

"Weekly Report" will mean the written record in the form and format set forth in the Operations Manual of (a) the daily Gross Revenues, (b) the food costs and labor costs, and (c) such other information as may be required by the Franchisor, and submitted to the Franchisor for the Franchisee's Restaurant which will be provided to the Franchisor each Week during the Term of this Agreement.

**ARTICLE 2
GRANT OF LICENSE**

2.1 Franchised Location.

The Franchisor hereby grants the Franchisee the personal right to operate one Big Boy Restaurant in conformity with the Restaurant System using the name "Big Boy®" and the other Marks specified by the Franchisor in writing at the following single location: _____
(the "Franchised Location").

2.2 Undetermined Franchised Location.

If the Franchised Location has not been determined as of the date of this Agreement, then the geographic area in which the Franchisee's Restaurant is to be located will be described or otherwise defined in an exhibit signed by the parties and attached to this Agreement. At such time as the address of the Franchised Location is determined, then the address will be inserted into this Agreement and initialed by the parties or will be described in an exhibit attached to this Agreement and signed by both parties.

2.3 Exclusive Area.

Except as provided to the contrary in this Article, the Franchisee will receive an "Exclusive Area" consisting of the area within a two mile radius from the Franchised Location. The Franchisee's Exclusive Area is exclusive only to the extent that the Franchisor will not have the right to franchise, license, develop, own or operate ("Develop") a Big Boy Restaurant in the Franchisee's Exclusive Area. Notwithstanding the foregoing, the Franchisor will have the absolute right to: (a) Develop other restaurant concepts under other brand names even if the locations for those restaurant concepts are located within the Exclusive Area; (b) Develop Big Boy Restaurants in the Exclusive Area if they are located at or within international airports, major theme or entertainment parks, casinos, hospitals, mass merchandising outlets, government facilities or professional sports stadiums; (c) market, distribute and sell foods and other products on a wholesale or retail basis, under any of the Marks, by direct sale, the Internet, mail order, infomercials, telemarketing or by any and all other marketing and distribution methods, even if such sales are made to customers or by distributors or retailers who are located in the Exclusive Area and (d) advertise, promote and participate in special promotions in the Exclusive Area, including, without limitation, cooking, recipe or restaurant competitions, sporting events, and fund-raising and charitable events.

2.4 Lease or Purchase of Franchised Location.

The Franchisee will not sign any lease or purchase agreement or obtain any related rights to possession, occupancy or ownership of the Franchised Location prior to the effective date of this Agreement. If the Franchisee leases the Franchised Location, then the Franchisee will use its best efforts to negotiate a lease term that coincides with the Term of this Agreement.

2.5 Relocation.

The Franchisee may, with the prior written approval of the Franchisor, relocate the Franchised Location if: (a) the proposed new location does not compete with any Big Boy Restaurant operated by the Franchisor or any other Big Boy franchisee or licensee; (b) the proposed new location is within the Franchisee's Exclusive Area; and (c) the proposed new location does not infringe upon and is not located within the exclusive area of another Big Boy franchisee, an area developer, a master franchisee or a subfranchisor. The new location of the Restaurant, including the real estate and the building, must comply with all applicable provisions of this Agreement and with the Franchisor's then-current image, decor and specifications. Within 10 days after receipt by the Franchisee of the Franchisor's written approval to relocate the Franchised Location, the Franchisee will pay to the Franchisor a Relocation Fee of \$10,000.

2.6 Conditions.

The Franchisee hereby undertakes the obligation to operate a Big Boy Restaurant using the Restaurant System at the Franchised Location in strict compliance with the terms and conditions of this Agreement for the entire Term. The rights and privileges granted to the Franchisee by the Franchisor under this Agreement are applicable only to the single location designated as the Franchised Location, are personal in nature, and may not be used by the Franchisee at any other location, or in any other channel of distribution, other than the Franchised Location.

2.7 Personal License.

The Franchisee will not have the right to franchise, subfranchise, license or sublicense its rights under this Agreement. Neither the Franchisee or any of the owners have the right to transfer this Agreement or any rights under this Agreement, except as specifically provided for in this Agreement.

ARTICLE 3
TERM OF AGREEMENT

Unless terminated in accordance with the terms and conditions of this Agreement, the term of this Agreement will be for 20 years (the "Term") and the Term of this Agreement will commence on the date of this Agreement. This Agreement will not be enforceable until it has been signed by both the Franchisee and the Franchisor and a signed copy has been delivered to the Franchisee.

ARTICLE 4
INITIAL FEE

The Franchisee will pay the Franchisor an Initial Fee of \$40,000, which is payable in full to the Franchisor on the date the Franchisee signs this Agreement. The Franchisee acknowledges that (a) the Initial Fee is consideration for the Franchise granted to the Franchisee under this Agreement, (b) the Initial Fee has been fully earned by the Franchisor, and (c) the Initial Fee will not be refundable to the Franchisee for any reason or under any circumstances.

ARTICLE 5
ROYALTY FEES; ADVERTISING FEES

5.1 Amount of Royalty Fees.

In addition to the Initial Fee, the Franchisee will, for the entire Term of this Agreement, pay the Franchisor royalty fees equal to four percent (4%) of the Franchisee's weekly Gross Revenues for the preceding Week ("Royalty Fees"). The weekly Royalty Fees payable to the Franchisor under this Article

will be due and payable by the Franchisee on or before the eighth day after the end of each Week during the entire Term of this Agreement.

5.2 Advertising Fees.

The Franchisee will pay the Franchisor weekly advertising fees equal to two percent (2%) of the Franchisee's weekly Gross Revenues for the preceding Week ("Advertising Fees") and, in addition, the Franchisee will spend one percent (1%) of weekly Gross Revenues for local market advertising. The Franchisor will have the right to increase the weekly Advertising Fees from two percent (2%) to three percent (3%) of the Franchisee's weekly Gross Revenues by giving the Franchisee six months written notice of the increase. In that event, beginning on the later of (i) the first day of the seventh month after the date the written notice is received by the Franchisee or (ii) the date specified in the written notice from the Franchisor, the Franchisee will, for the remaining Term of this Agreement, pay the Franchisor Advertising Fees equal to three percent (3%) of the Franchisee's weekly Gross Revenues and the Franchisee will no longer be required to spend one percent (1%) of its Gross Revenues for local marketing advertising. The weekly Advertising Fees payable to the Franchisor under this Article will be due and payable by the Franchisee on or before the eighth day after the end of each Week during the entire Term of this Agreement. The Advertising Fees will not be deposited in a separate account, will be under the exclusive control of the Franchisor and will be spent as provided for in Article 5.3.

5.3 Advertising Expenditures.

The Franchisor will have the absolute and unilateral right to determine when, how and where the Advertising Fees will be spent or committed including, but not limited to, the right of the Franchisor to purchase and pay for (a) product research and development, development of logotypes and slogans, production materials and costs, point of sales promotional materials, ad slicks, banners, signs, brochures, radio, television, cable, newspaper, magazine and other print advertising, services provided by advertising agencies, market research, customer retention and incentive programs, direct mail advertising, telemarketing, media time and space advertising, Internet advertising, promotions, marketing, public relations, national, regional and local advertising, and all other forms and methods of advertising, promotion, marketing, and public relations that the Franchisor deems, in its sole judgment, appropriate and in the best interests of all Big Boy franchisees and the Restaurant System, and (b) all long distance telephone charges, office rental, computers and computer software, furniture, fixtures and equipment, leasehold improvements, personnel salaries and benefits, travel costs, office supplies, collection costs (including attorneys' fees) paid in attempting to collect past due Advertising Fees from franchisees and all other costs and expenses associated with and incurred in connection with administering the Advertising Fees and the Advertising expenditures. The Franchisor will not be required to spend the Advertising Fees in any particular market and will not be required to spend the Advertising Fees in the Franchisee's market area in proportion to the Advertising Fees paid by the Franchisee. The Franchisor will have the right, but not the obligation, to spend all or part of the Advertising Fees paid by any franchisee in that franchisee's market area. The Franchisor will not be required to pay any Advertising Fees. A summary showing the amount of the Advertising Fees received and the amount of the advertising expenditures for the calendar year will be prepared by the Franchisor on or before March 31 of each year for the preceding year and will, upon written request, be provided to the Franchisee.

5.4 Weekly Report.

On or before 12:00 noon on the eighth day after the end of each Week, the Franchisee will e-mail, electronically submit, or fax the Weekly Report for the Franchisee's Big Boy Restaurant to the Franchisor for that Week.

5.5 Franchisee's Obligation to Pay.

The Royalty Fees and Advertising Fees payable to the Franchisor under this Article will be calculated and paid to the Franchisor by the Franchisee each Week during the entire Term of this Agreement. The

Franchisee's obligation to pay the Franchisor the Royalty Fees and Advertising Fees pursuant to the terms of this Agreement will be absolute and unconditional, and will remain in full force and effect until the Term of this Agreement has expired or until this Agreement has been terminated in accordance with the terms and conditions set forth in this Agreement and applicable law. The Franchisee will not have the "right of offset" for any payments due to the Franchisor and, as a consequence, the Franchisee will timely pay all Royalty Fees and Advertising Fees due and payable to the Franchisor under this Agreement regardless of any claims or allegations the Franchisee may allege against the Franchisor. The Franchisor's acceptance of any payments of Royalty Fees and Advertising Fees will be without prejudice and will not constitute a waiver of the Franchisor's rights to claim a payment deficiency or to audit the Franchisee's Financial Records.

5.6 Pre-Authorized Bank Debits.

The Franchisee will, from time to time during the Term of this Agreement, execute such documents as the Franchisor may request to provide the Franchisee's unconditional and irrevocable authority authorizing and directing the Franchisee's bank to pay and deposit directly to the account of the Franchisor, and to charge to the account of the Franchisee, the amount of the Royalty Fees and the Advertising Fees payable by the Franchisee pursuant to this Agreement. The authorization will be in the form attached to this Agreement and will permit the Franchisor to designate the amount to be debited or drafted from the Franchisee's account and to adjust the payments to the amount of the Royalty Fees and Advertising Fees payable to the Franchisor by the Franchisee. If the Franchisee fails at any time to provide the required Weekly Reports, then the Franchisor will have the absolute right to debit the Franchisee's bank account for the same amount of the Royalty Fees and Advertising Fees that were payable by the Franchisee according to the last Weekly Report received from the Franchisee. The Franchisee will, at all times during the Term of this Agreement, maintain a balance in its bank account sufficient to allow the appropriate amount to be debited from the Franchisee's bank account for the Royalty Fees and Advertising Fees payable by the Franchisee.

ARTICLE 6
FINANCIAL STATEMENTS

6.1 Financial Statements.

The Franchisee will, at its expense, prepare Financial Statements for the Franchisee's Restaurant. All Financial Statements will be in the form prescribed by the Franchisor in writing, will conform to the standard chart of accounts prescribed by the Franchisor and will be prepared in accordance with generally accepted accounting principles applied on a consistent basis. The monthly Financial Statements for the Franchisee's Restaurant will be due within 15 days after the end of each month and the yearly Financial Statements will be due within 90 days after the Franchisee's fiscal year end. The Franchisee's Financial Statements must be verified by the Franchisee's Chief Financial Officer.

6.2 Substantiation of Weekly Report and Financial Statements.

Within three business days after receiving a written request from the Franchisor, the Franchisee will provide the Franchisor with originals or exact copies of the Financial Records requested by the Franchisor to substantiate the information provided in the Weekly Report and Financial Statements submitted by the Franchisee pursuant to this Article.

6.3 Sales and Income Tax Returns.

Within 90 days after the Franchisee's fiscal year end, the Franchisee will furnish the Franchisor with copies of the Franchisee's yearly federal income tax returns filed by the Franchisee's Restaurant. Within three business days after receipt of a written request from the Franchisor, the Franchisee will furnish the Franchisor with copies of all state sales tax returns filed by the Franchisee's Restaurant for each month of the current calendar year.

6.4 Audit Rights.

Within three business days after receiving written notice from the Franchisor, the Franchisee and the Franchisee's accountants will make all of the Franchisee's computer and hand prepared Financial Records available to the Franchisor during business hours for review and audit by the Franchisor or its designee. If the Financial Records are computerized, then the Franchisee will grant the Franchisor or its designees the absolute right to access the Franchisee's computer and software programs containing the Financial Records and the absolute right to copy the Financial Records to a computer disk or to any portable or other computer owned or controlled by the Franchisor. The Financial Records for each fiscal year will be kept in a secure place by the Franchisee and will be available for audit by the Franchisor for at least five years from the date they are created. The Franchisee will provide the Franchisor with adequate facilities to conduct the audit.

6.5 Payment of Audit Costs.

If an audit of the Franchisee's Financial Records reveals any deficiencies in the Royalty Fees, Advertising Fees or other amounts payable to the Franchisor under this Agreement, then the Franchisee will, within five days after receipt of an invoice from the Franchisor indicating the amounts owed, pay the deficiency owed to the Franchisor, together with interest as provided for herein. If an audit by the Franchisor results in a determination that the Franchisee's Gross Revenues were understated by more than two percent (2%) or more in any month, quarter or year, then the Franchisee will, within five days after receipt of an invoice from the Franchisor, reimburse the Franchisor for all costs and expenses (including employee Salaries, Travel Expenses and audit fees) incurred by the Franchisor for the audit.

6.6 Refusal to Submit Records or Permit Audit.

The Franchisee's failure or refusal to provide the Financial Records requested by the Franchisor to substantiate the Weekly Report and Financial Statements in accordance with Article 6.2 or to produce the Financial Records in accordance with Article 6.4 will be grounds for the immediate termination of this Agreement by the Franchisor.

6.7 Confidentiality of Financial Records.

The Franchisor will maintain the confidentiality of all Financial Statements and Financial Records submitted by the Franchisee to the Franchisor pursuant to this Article. However, any Financial Statements or Financial Records that are relevant to any issue in any arbitration or court proceeding between the Franchisor and the Franchisee may be disclosed or introduced into evidence in any such proceedings.

ARTICLE 7
QUALITY CONTROL, UNIFORMITY AND
STANDARDS REQUIRED OF FRANCHISEE

7.1 Quality and Service Standards.

The Franchisor will develop, from time to time, uniform standards of quality, cleanliness and service regarding the business operations of the Franchisee's Big Boy Restaurant to protect and maintain (for the benefit of the Franchisor and all of its franchisees) the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and the Restaurant System. Accordingly, to ensure that all Big Boy franchisees maintain and adhere to the uniformity requirements and quality standards for the Products and Services associated with the Marks and the Restaurant System, the Franchisee agrees to maintain the uniformity and quality standards required by the Franchisor for all Products and Services associated with the Marks and the Restaurant System and agrees to the terms and conditions contained in

this Article to assure the public that all Big Boy Restaurants will be uniform in nature and will sell and dispense quality Products and Services.

7.2 Big Boy Sandwich®; Super Big Boy Sandwich®

The Franchisor has developed, advertised and marketed the “Big Boy Sandwich®” and the “Super Big Boy Sandwich®” as the signature products associated with the Restaurant System and the Marks. As a consequence, the Franchisee will offer the Big Boy Sandwich and Super Big Boy Sandwich for sale at all times at the Franchisee’s Big Boy Restaurant. The menus for the Franchisee’s Big Boy Restaurant will prominently feature and describe the Big Boy® Sandwich and Super Big Boy® Sandwich in the manner approved by the Franchisor. The Franchisee’s employees will be trained to emphasize to customers that the Big Boy® Sandwich and the Super Big Boy® Sandwich are the signature products of the Restaurant and the Franchisee will not refer to any other sandwiches, hamburgers or other food items as a “Big Boy Sandwich®” or a “Super Big Boy Sandwich®.”

7.3 Compliance with Standards.

The Franchisee will use the Marks and the Restaurant System in strict compliance with the moral and ethical standards, quality standards, health standards, operating procedures, specifications, requirements and instructions required by the Franchisor, which may be amended and supplemented by the Franchisor from time to time.

7.4 Identification of Restaurant.

The Franchisee will operate the Restaurant so that it is clearly identified and advertised as a Big Boy Restaurant. The style and form of the words “Big Boy®” and the other Marks used in any advertising, marketing, public relations or promotional program must have the prior written approval of the Franchisor. The Franchisee will use the name “Big Boy®,” the approved logos and all graphics commonly associated with the Restaurant System and the Marks which now or hereafter may form a part of the Restaurant System, on all paper supplies, furnishings, advertising, public relations and promotional materials, Signs, stationery, business cards, linens, towels, napkins, aprons, menus, menu boards, food and beverage containers, placemats, uniforms, clothing and other materials in the identical combination and manner as may be prescribed by the Franchisor in writing. The Franchisee will, at its expense, comply with all legal notices of registration required by the Franchisor or its attorneys and will, at its expense, comply with all trademark, trade name, service mark, copyright, patent or other notice markings that are required by the Franchisor or by applicable law.

7.5 Other Business.

The Franchisee will use the Franchised Location solely for the operation of a Big Boy Restaurant and will not directly or indirectly operate or engage in any other business or activity from the Franchised Location without the prior written consent of the Franchisor. The Franchisee will not participate in any dual branding program, or in any other program, promotion or business pursuant to which a trademark, service mark, trade name, logo, slogan, or commercial symbol owned by any person or Entity other than the Franchisor is displayed, featured or used in connection with the Franchisee’s Big Boy Restaurant without the prior written consent of the Franchisor.

7.6 Franchisee’s Name.

The Franchisee will not use the name “Big Boy®” or any derivative thereof as the legal name of its Entity or sole proprietorship name. The Franchisee will hold itself out to the public as an independent contractor that is operating its Restaurant as a franchised Big Boy Restaurant. The Franchisee will file for a certificate of assumed name in the manner required by applicable state law to notify the public that the Franchisee is operating its Restaurant as an independent contractor pursuant to this Agreement.

7.7 Approved Advertising.

The Franchisee will not conduct any advertising or promotion for its Restaurant unless and until the Franchisor has given the Franchisee prior written approval for all concepts, content, materials and media proposed for any such advertising and/or promotion. The Franchisee will not permit any third party to advertise its business, services or products on the premises of or in connection with the Franchisee's Big Boy Restaurant. The Franchisor will at all times have the right to remove any unauthorized advertising or promotional materials from the Franchisee's Restaurant at the Franchisee's expense. All advertising and other materials provided to the Franchisee by the Franchisor or contained in the current Operations Manual will be deemed to be approved.

7.8 Telephone Directory Listings.

The Franchisee will, at its expense, continually list and advertise in the "Yellow Pages" in the Franchisee's market area under the heading of "Restaurants" and under other headings or listings designated by the Franchisor in writing. The format, size and content of the listings and advertising copy will conform in all respects to the standards established by the Franchisor in the Operations Manual. The Franchisee will, at its cost, also list in the "White Pages" of the Franchisee's market area under the name "Big Boy®".

7.9 Television; Vending and Gaming Machines; Tickets.

Except with the prior written approval of the Franchisor, which may be withheld at the sole and absolute discretion of the Franchisor, the Franchisee will not (a) permit any television, jukebox, video and electronic games, vending machines (including cigarette, gum and candy machines), newspaper racks, rides or other mechanical or electronic entertainment devices, coin or token operated machines (including pinball), or gambling machines or other gambling devices to be used on the premises of the Franchised Location, or (b) offer for sale or allow employees to offer for sale at or near the Franchised Location any tickets, subscriptions, pools, chances, raffles, lottery tickets or pull tabs.

7.10 Standard Attire or Uniforms.

The Franchisee will require its employees to wear the standard attire or uniforms described in the Operations Manual. All employees of the Franchisee will wear clean and neat attire or uniforms and will practice good personal hygiene.

7.11 Business Hours; Personnel.

The Franchisee's Big Boy Restaurant will be open during the times and hours specified by the Franchisor in the Operations Manual, unless the Franchisor has agreed to different hours and times in writing. The Franchisee will at all times during business hours have management personnel on duty who are responsible for supervising the employees and the business operations of the Franchisee's Restaurant. The Franchisee will have a sufficient number of adequately trained and competent service, kitchen and other personnel on duty to guarantee efficient service to the Franchisee's customers. The Franchisee will take such steps as are necessary to ensure that its employees develop and preserve good customer relations, render competent, prompt, courteous and knowledgeable service and meet the quality and service standards established by the Franchisor.

7.12 Reservations.

The Franchisee's Big Boy Restaurant will not take dining reservations or permit reserved seating, except as may be authorized in the Operations Manual.

7.13 Credit Cards.

The Franchisee will honor all credit, charge, courtesy or cash cards or other credit devices required or approved by the Franchisor in writing. The Franchisee must obtain the written approval of the Franchisor prior to honoring any unapproved credit, charge, courtesy or cash cards, or other credit devices.

7.14 Gift Certificates and Coupons.

The Franchisee will not create, sell or issue gift certificates and will not issue coupons or discounts of any type except as may be approved in advance in writing by the Franchisor. The Franchisee will participate in all electronic and written gift certificate, gift card, coupon and customer loyalty programs approved by the Franchisor and will purchase or acquire all equipment necessary to accept electronic and written gift certificates, gift cards, coupons, and customer loyalty rewards and cards in the manner prescribed in the Operations Manual.

7.15 Music and Music Selection.

In order to maintain the image and ambiance associated with the Restaurant System, the Franchisee will only play the music and music selections that have been approved by the Franchisor in the Operations Manual or otherwise in writing.

7.16 Standards of Service.

The Franchisee will at all times give prompt, courteous and efficient service to its customers. The Franchisee will, in all dealings with its customers, suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct.

7.17 Security and Safety.

The Franchisee will be responsible for implementing, obtaining, installing and maintaining the security and safety procedures, measures, devices and systems necessary to adequately protect the employees, public, guests and customers of the Franchisee's Big Boy Restaurant during and after business hours.

7.18 Equipment and Supplies.

The Franchisee will, at its sole expense, obtain and maintain at all times during the Term of this Agreement, the FF&E, inventory and supplies required by the Franchisor for use in the operation of the Franchisee's Big Boy Restaurant which must meet the then-current standards and specifications established by the Franchisor.

7.19 Maintenance.

The Franchisee will, at its expense, repair, paint and keep in a clean and sanitary condition the interior, the exterior, the parking lot, signage, exterior lighting, and the grounds of the Franchised Location and the Franchisee's Restaurant, and will replace all floor coverings, wall coverings, light fixtures, curtains, blinds, shades, furniture, room furnishings, wall hangings, Signs, fixtures and other decor items as they become worn-out, soiled or in disrepair. All mechanical equipment, including ventilation, heating and air conditioning, must be kept in good working order by the Franchisee at all times. All replacement FF&E, Signs, décor items, supplies and other items used in the Restaurant by the Franchisee must comply with the Franchisor's then-current standards and specifications.

7.20 Remodeling of Business Premises.

The Franchisee will make the reasonable capital expenditures necessary to extensively remodel, modernize, redecorate and renovate ("remodel" or "remodeling") the Franchisee's Restaurant and to replace and modernize the supplies and FF&E so that the Franchisee's Restaurant and the premises will reflect the then-current image of Big Boy Restaurants. All remodeling and all replacements for the FF&E must conform to the Franchisor's then-current plans and specifications. The Franchisee will commence remodeling the Franchised Location within four months after the date the Franchisee receives written notice from the Franchisor specifying the required remodeling, and will diligently complete such remodeling within six months after its commencement. Except as provided for in Article 7.19 of this Agreement, the Franchisee will not be required to remodel the Restaurant, or to replace and modernize its FF&E more than once every five years during the Term of this Agreement.

7.21 Alterations to Restaurant.

The Franchisee will not install or permit to be installed on or above the Restaurant, without the prior written consent of the Franchisor, any FF&E, Signs, décor or other items not previously approved by the Franchisor.

7.22 Inspection Rights.

The Franchisee will permit the Franchisor or its representatives to enter, remain on, and inspect the Franchised Location whenever the Franchisor reasonably deems it appropriate and without prior notice to interview the Franchisee's employees and customers, to take photographs and videotapes of and examine the interior and exterior of the Franchised Location, to examine or review representative samples of the Products and Services sold or used at the Franchisee's Restaurant, and to evaluate the quality of the Products and Services provided by the Franchisee to its customers. The Franchisor will also have the right to send a representative of the Franchisor to dine at the Franchisee's Big Boy Restaurant to evaluate the operations of the Franchisee's Big Boy Restaurant and the quality of the Products and Services provided by the Franchisee to its customers. The Franchisor will have the right to use all interviews, photographs and videotapes of the Franchisee's Big Boy Restaurant for such purposes as the Franchisor deems appropriate including, but not limited to, use in advertising, marketing and promotional materials. The Franchisee will not be entitled to, and hereby expressly waives, any right that it may have to be compensated by the Franchisor, its advertising agencies, and other franchisees of Big Boy Restaurants for the use of such photographs or videotapes for advertising, marketing and promotional purposes. The Franchisor will not use any photographs of the Franchisee's employees or customers unless written releases have been obtained by the Franchisor.

7.23 Management and Operation of Big Boy Restaurant.

The Franchisor strongly recommends that the Franchisee (if an individual) actively participate in the operation of the Franchisee's Big Boy Restaurant, either as the General Manager or in another capacity. The Franchisee will be totally and solely responsible for the operation of its Big Boy Restaurant, and will control, supervise and manage all the employees, agents and independent contractors who work for or with the Franchisee. The Franchisee will be responsible for the acts of its employees, agents and independent contractors, and will take all reasonable business actions necessary to ensure that its employees, agents and independent contractors comply with all applicable federal, state, city, local and municipal laws, statutes, ordinances, rules and regulations. The Franchisor will not have any right, obligation or responsibility to control, supervise or manage the Franchisee's employees, agents or independent contractors.

7.24 Operating Entity.

The Entity that becomes the Franchisee under this Agreement must be responsible for operating and managing the Restaurant and will not hold or have any Ownership Interest in, operate, or manage any other business of any kind without the prior written approval of the Franchisor.

7.25 Compliance with Applicable Law.

The Franchisee will, at its expense, comply with all applicable federal, state, city, local and municipal laws, statutes, ordinances, rules and regulations pertaining to the construction or remodeling of the Franchised Location and the operation of the Franchisee's Big Boy Restaurant including, but not limited to, all health, food service and liquor licensing laws, all health and safety regulations, all environmental laws, all laws relating to employees, including all wage and hour laws, employment laws, workers' compensation laws, discrimination laws, sexual harassment laws, and disability discrimination laws. The Franchisee will, at its expense, be solely and exclusively responsible for determining the licenses and permits required by law for the Franchisee's Big Boy Restaurant, for obtaining and qualifying for all such licenses and permits, and for complying with all applicable laws.

7.26 Payment of Taxes.

The Franchisee will be absolutely and exclusively responsible and liable for filing all required tax returns and for the prompt payment of all federal, state, city and local taxes including, but not limited to, individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, liquor taxes, personal property taxes and real estate taxes ("Taxes") payable in connection with the Franchisee's Big Boy Restaurant. The Franchisor will have no liability for any Taxes which arise or result from the Franchisee's Restaurant and the Franchisee will indemnify the Franchisor for all Taxes that may be assessed or levied against the Franchisor which arise out of or result from the Franchisee's Restaurant.

7.27 "Franchise" and Other Taxes.

If any "franchise" or other tax which is based upon the Gross Revenues, receipts, sales, business activities or operation of the Franchisee's Big Boy Restaurant is imposed upon the Franchisor by any taxing authority, then the Franchisee will reimburse the Franchisor in an amount equal to the amount of such taxes and related costs imposed upon and paid by the Franchisor. The Franchisee will be notified in writing when the Franchisor is entitled to reimbursement for the payment of such taxes and, in that event, the Franchisee will pay the Franchisor the amount specified in the written notice within 10 days after receipt of the written notice.

7.28 Payments to Creditors.

The Franchisee will timely pay all of its obligations and liabilities due and payable to all suppliers, landlords, lessors, vendors, creditors and the Franchisor for all services, products and goods purchased by the Franchisee.

7.29 Security Interest in Franchise Agreement.

This Agreement and the Franchise granted to the Franchisee hereunder may not be pledged as collateral or be the subject of a security interest, lien, levy, attachment or execution by the Franchisee's creditors or any financial institution, except with the prior written approval of the Franchisor.

7.30 Default Notices and Significant Correspondence.

The Franchisee will deliver to the Franchisor, immediately upon receipt by the Franchisee or delivery at the Franchised Location, copies of all: (a) notices of default received from the landlord of the Franchised Location or any mortgagee, trustee under any deed of trust, contract for deed holder, lessor, or any other party with respect to the Franchised Location; (b) legal proceeding or lawsuit claiming damages in excess of \$5,000 relating in any way to the Franchisee's Restaurant or to the Franchised Location; (c) consumer complaints/claims made in writing; (d) written employee complaints or claims, including any matters relating to employment laws; and (e) written inspection reports or any other notices, claims, reports, warnings or citations from or by any governmental authority, including any health or safety authority. Upon written request, the Franchisee will provide such additional information as may be required by the Franchisor regarding the disclosed matter.

7.31 Catastrophes.

If the Restaurant or the Franchised Location is damaged or destroyed by fire or other casualty, then the Franchisee will, within 90 days thereafter, initiate the repairs and reconstruction necessary to restore the Franchised Location and the Restaurant to its original condition prior to such casualty. If in the reasonable judgment of the Franchisor, the damage or destruction is of such a nature or extent that it is feasible for the Franchisee to repair or reconstruct the premises of the Restaurant in conformance with the then-current standard Big Boy Restaurant decor specifications without incurring substantial additional costs, then the Franchisor may require the Franchisee to do so by giving written notice to the Franchisee. A Restaurant closed due to fire or other casualty will not be considered abandoned.

7.32 Health Classification and Maintenance of Standards.

The Franchisee will at all times operate and maintain the Franchisee's Big Boy Restaurant in a manner that will insure that the Franchisee's Big Boy Restaurant will obtain the highest health classification possible for restaurants of like kind from the governmental authorities that inspect restaurants in the area in which the Restaurant is operated. If the Franchisee is not able to obtain this health classification, or if the Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by Franchisor, then the Franchisor may, at its option, place such trained personnel in the Franchisee's Big Boy Restaurant as the Franchisor deems necessary to train the Franchisee's operating personnel until the Restaurant can obtain the highest health classification or meet the general standards. The Franchisee will pay the Franchisor's Travel Expenses, employee compensation costs and other costs of providing personnel to the Franchisee's Restaurant. The Franchisor may modify its procedures and policies with regard to health classification requirements, and may require that the Franchisee post its health classification report in a conspicuous place in the Franchisee's Big Boy Restaurant to insure the public's access to such information.

7.33 Periodic Inspections.

The Franchisor will have the absolute right to inspect, evaluate, videotape and photograph the Franchisee's Big Boy Restaurant at any time during normal business hours to determine whether the Franchisee is complying with the standards set forth in the Operations Manual, the standards of quality and service associated with the Business System and the terms and conditions of this Agreement ("Inspection.") The results of each Inspection will be provided to the Franchisee in writing. If the Franchisee fails to attain a passing score as specified in the Operations Manual on any Inspection conducted by the Franchisor, then the Franchisee will have 30 days from the date the Franchisee receives the written Inspection report from the Franchisor to correct the operational deficiencies specified in the Inspection report. If the operational deficiencies are not corrected within 30 days, then the Franchisor will have the right to terminate this Agreement as provided herein.

7.34 Hiring Restrictions.

The Franchisee will not employ nor seek to employ any General Manager or Assistant Manager who is, or has been during the previous three months, employed by the Franchisor or any other Big Boy franchisee without first obtaining the consent of that person's employer or former employer and will not, directly or indirectly, induce any General Manager or Assistant Manager to leave his or her employment with any Big Boy Restaurant.

ARTICLE 8
PRODUCTS AND SERVICES

8.1 Products and Services.

The Franchisee will offer and sell only the Products and Services specified in the Operations Manual or that have been approved in writing by the Franchisor. The Franchisee will not, under any circumstances, have the right to offer or sell any other foods, beverages, merchandise or services that are not specified in the Operations Manual or otherwise approved by the Franchisor in writing. The Franchisee will offer and sell all of the Products and Services specified in the Operations Manual or otherwise approved by the Franchisor in writing and will maintain sufficient inventories to realize the full economic potential of the Restaurant. The Franchisee will offer for sale and sell the Products and Services only on a retail basis (to the end user) from the Franchised Location and will not sell any Products and Services or other foods, beverages, merchandise or services under any of the Marks or the Business System (a) on a wholesale basis (for resale to another retailer or wholesaler), (b) on a retail basis at or from any other location other than the Franchised Location (except as approved by the Franchisor in writing), (c) by means of the Internet, catalogue sales, mail order sales, infomercials or telemarketing, or (d) by any other means or

methods of sales or distribution. The Franchisee will have the absolute right to sell all Products and Services to its customers and guests at whatever prices and on whatever terms it deems appropriate.

8.2 Approved Suppliers.

The Franchisee will purchase all Products and Services specified in the Operations Manual or otherwise in writing by the Franchisor only from Approved Suppliers. The Franchisee will have the right and option to purchase all Products and Services specified by the Franchisor pursuant to this Article from other suppliers and distributors provided their comparable foods, beverages, merchandise and services conform in quality to the Franchisor's standards and specifications and provided that the Franchisor determines that the supplier's or distributor's business reputation, quality standards, delivery performance, credit rating, and other factors specified by the Franchisor are satisfactory. If the Franchisee desires to purchase any foods, beverages, merchandise and services from other suppliers and distributors, then the Franchisee must, at its expense, submit to the Franchisor samples and specifications, and other business and product information as requested by the Franchisor, for review and/or testing to determine whether the supplier or distributor and its foods, beverages, merchandise and services meet the Franchisor's standards and specifications. The Franchisor will have the right to inspect the facilities of the proposed supplier or distributor. Within 10 days after being invoiced, the Franchisee will reimburse the Franchisor for the costs and expenses incurred by the Franchisor to (a) analyze, review and test the foods, beverages, merchandise and services and the samples, and (b) conduct an inspection of the facilities of the proposed supplier or distributor. The Franchisor will complete testing of all foods, beverages, merchandise and services within 30 days after receipt of the required information, and will notify the Franchisee of its determination within 45 days thereafter. The written approval of the Franchisor must be obtained by the Franchisee before any unapproved foods, beverages, merchandise and services are sold or used by the Franchisee or purchased from any unapproved supplier or distributor. The Franchisor will have the right to require any new or existing Approved Supplier to sign a contract containing terms and conditions acceptable to the Franchisor, including those relating to pricing, delivery, terms, product availability, economic viability, service and quality.

8.3 Designated Suppliers.

The Franchisee will purchase the Products and Services specified in the Operations Manual or otherwise in writing by the Franchisor only from Designated Suppliers. The Franchisor may be a Designated Supplier for certain Products and Services. The Franchisee will not have the right to substitute any new supplier or distributor for any Designated Supplier or to request or require the Franchisor to appoint or approve any new supplier or distributor as a Designated Supplier. The Franchisor will have the right to require any Designated Supplier to sign a contract containing terms and conditions acceptable to the Franchisor, including those relating to pricing, delivery, terms, product availability, economic viability, service and quality.

8.4 Delivery and Catering.

The Franchisee will not, without the prior written consent of the Franchisor, offer or provide delivery or catering services for any of the Products and Services.

8.5 Alcoholic Beverages.

The Franchisee will not serve beer, wine, liquor or other alcoholic beverages at or from its Big Boy Restaurant, except with the prior written approval of the Franchisor, which approval may be withheld at the sole and absolute discretion of the Franchisor.

8.6 Payments to Franchisor.

The Franchisee acknowledges that the Franchisor may receive commissions, volume discounts, purchase discounts, performance payments, signing bonuses, rebates, marketing and advertising allowances, co-op advertising, administrative fees, enhancements, price discounts, economic benefits and other payments

("Payments") based upon purchases of Products and Services from Designated Suppliers, Approved Suppliers, the Franchisor, and/or other suppliers, vendors and distributors ("Suppliers" or "Supplier"). Any Payments received by the Franchisor from any Suppliers as a result of or based on the Franchisee's purchases from those Suppliers will be the exclusive property of the Franchisor and the Franchisee will not have any right to any Payments received by the Franchisor from any Suppliers. If the Franchisor is a Supplier for any Products and Services and if the Franchisee purchases Products and from the Franchisor, then any Payments made to the Franchisor by any Supplier that is based on the Franchisee's purchases of any Products and Services from the Franchisor will be the exclusive property of the Franchisor and the Payment will be deemed to be a reduction of the price paid by the Franchisor for the Products and Services sold to the Franchisee by the Franchisor. The Franchisee will not, under any circumstances, have the right to receive or claim the right to any portion of any Payments received by the Franchisor from any Supplier for the sale of any Products and Services purchased by the Franchisor and thereafter sold to the Franchisee by the Franchisor.

8.7 Branding of Products.

The Franchisee will not under any circumstances have the right to: (a) use or display the Marks on or in connection with any product or service other than the Products and Services; (b) acquire, develop or manufacture any product under the name "Big Boy®" or any of the Marks, or direct any other person or Entity to do so; (c) acquire, develop or manufacture any product that has been developed or manufactured by or for the Franchisor for use in conjunction with the Restaurant System and which is sold under any of the Marks, or direct any other person or Entity to do so; and (d) use, have access to, or have any rights to any proprietary formulas, ingredients, or recipes for any of the Franchisor's proprietary products or other Products and Services.

8.8 Independent Shopping Services.

The Franchisor will have the right to hire an independent shopping service to visit, dine at and/or evaluate the Franchisee's Big Boy Restaurant and the quality of the foods, beverages and services provided to customers by the Franchisee's Big Boy Restaurant. The Franchisor will determine the number and frequency of the visits the shopping service will make to the Franchisee's Big Boy Restaurant and the form of the reports the shopping service will provide to the Franchisor. The fees charged by the shopping service for visiting and evaluating the Franchisee's Big Boy Restaurant will be paid by the Franchisor. The Franchisor will provide the Franchisee with copies of all reports prepared by the shopping service evaluating the Franchisee's Big Boy Restaurant.

ARTICLE 9
CONFIDENTIAL OPERATIONS MANUAL
AND OTHER CONFIDENTIAL INFORMATION

9.1 Compliance with Operations Manual.

The Franchisor will loan the Franchisee one copy of its Operations Manual. The Franchisee will conform to the common image and identity created by the foods, food items, beverages, products, music, food portions, recipes, ingredients, cooking techniques and processes, cleanliness, sanitation and services associated with its Big Boy Restaurant which are portrayed and described by the Operations Manual. The Franchisee will modify the operations of the Restaurant to implement all changes, additions and supplements made by the Franchisor to the Restaurant System which are reflected in the Operations Manual as promptly as reasonably possible. The Franchisee will implement all operational changes to the Restaurant System deemed necessary by the Franchisor to: (a) improve the standards of service or the food, food items, beverages, and products offered for sale under the Restaurant System; (b) protect the goodwill associated with the Marks; (c) improve the operation of the Franchisee's Restaurant; and (d) protect the health and safety of the Franchisee's employees, customers or guests. The Franchisor reserves

the right to revise the Operations Manual at any time during the Term of this Agreement. The Operations Manual and all supplements, changes and additions to the Operations Manual are and will be deemed confidential in all respects and will be deemed to be trade secrets of the Franchisor. The Franchisee will not use the Operations Manual or any information contained therein in connection with the operation of any other restaurant or other business or for any purpose other than in conjunction with the operation of the Franchisee's Big Boy Restaurant. If the Franchisee loses its copy of the Operations Manual, it will pay the Franchisor the current charge for a replacement copy.

9.2 Revisions to Operations Manual.

The Franchisor may from time to time revise the Operations Manual, and the Franchisee expressly agrees to operate its Big Boy Restaurant in accordance with all such revisions. The Franchisee will at all times keep its copy of the Operations Manual current and up-to-date, and in the event of any dispute regarding the Operations Manual, the terms of the most recent version of the master copy of the Operations Manual maintained by the Franchisor will be controlling in all respects.

9.3 Confidentiality of Operations Manual.

The Operations Manual will, at all times during the Term of this Agreement and thereafter, remain the sole and exclusive property of the Franchisor. The Franchisee will treat the Operations Manual and any other manuals created for or approved for use in the operation of the Franchisee's Big Boy Restaurant as secret and confidential and the Franchisee will use all reasonable means to keep such information secret and confidential. Neither the Franchisee nor any employees of the Franchisee will make any copy, duplication, record or reproduction of the Operations Manual, or any portion thereof, available to any unauthorized person.

9.4 Confidentiality of Other Information.

The Franchisor and the Franchisee expressly understand and agree that the Franchisor will be disclosing and providing to the Franchisee certain confidential and proprietary information concerning the Restaurant System and the procedures, operations, technology and data used in connection with the Restaurant System. The Franchisee will not, during the Term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or Entity any such confidential and proprietary information, knowledge or know-how concerning the methods of operation of the Restaurant which may be communicated to the Franchisee, or of which the Franchisee may be apprised by virtue of this Agreement. The Franchisee will divulge such confidential and proprietary information only to its employees who must have access to it in order to operate the Franchisee's Big Boy Restaurant. Any and all information, knowledge and know-how including, without limitation, drawings, memos, letters, writings, e-mails, reports, client lists, materials, equipment, technology, methods, procedures, techniques, recipes, specifications, computer programs, systems and other data which the Franchisor copyrights or designates as confidential or proprietary will be deemed confidential and proprietary for the purposes of this Agreement.

ARTICLE 10

**SITE SELECTION; CONSTRUCTION COSTS;
BUSINESS PREMISES SPECIFICATIONS**

10.1 Site Selection.

The Franchisee will be solely responsible for selecting the site of the Franchised Location for the Franchisee's Big Boy Restaurant, regardless of whether the Franchised Location is owned or leased by the Franchisee. The Franchisee will retain an experienced commercial real estate broker or salesperson that has a minimum of five years experience in locating restaurant sites to advise the Franchisee and to locate, acquire, purchase or lease the site for the Franchisee's Big Boy Restaurant. Accordingly, no provision in this Agreement will be construed or interpreted to impose any obligation upon the Franchisor

to locate a site for the Franchised Location, to assist the Franchisee in the selection of a suitable site for the Franchised Location, or to provide any assistance to the Franchisee in the purchase or lease of the Franchised Location.

10.2 Site Selection Criteria.

The Franchisee will not lease, purchase or otherwise acquire a site for the Franchised Location until such information as the Franchisor may require regarding the proposed site has been provided to the Franchisor by the Franchisee, and either the Franchisor has issued a notice of no objection for the proposed site or the Franchisee has executed the site release as required by Article 10.3 of this Agreement. The Franchisor may require the Franchisee to provide site information relating to, among other things, accessibility, visibility, potential and actual traffic flows, population trends, household income and financial statistics, lease terms and other demographic information. The review of the site conducted by the Franchisor will not be deemed to be a warranty, representation or guaranty by the Franchisor that if the Franchisee's Big Boy Restaurant is opened and operated at that site, it will be a financial success. The Franchisor will have the right to require that the Franchisee obtain, at the Franchisee's expense, an economic feasibility and demographics study for the proposed site of the Franchised Location. Any feasibility and demographics study required by the Franchisor will be completed by a real estate or marketing expert mutually agreed upon in writing by the Franchisor and the Franchisee.

10.3 Site Release.

Within 30 days after completing its review of a proposed site for the Franchised Location, the Franchisor will provide written notice to the Franchisee stating that the Franchisor has no objections to the proposed site, or listing the objections which the Franchisor has to the proposed site. The decision to locate the Franchised Location at the proposed site is solely that of the Franchisee. However, if the Franchisee chooses to locate the Franchised Location at a proposed site that the Franchisor has objected to, then the Franchisee must execute a release, in the form prescribed by the Franchisor, releasing the Franchisor and its officers, directors, shareholders, agents and employees, in their corporate and individual capacities, from any and all claims arising from, in connection with, or as a result of developing the Franchised Location at the site proposed by the Franchisee, or relating in any way to the Franchisor's review of the proposed site. The Franchisee will not sign any lease, purchase agreement or obtain any related rights to possession, occupancy or ownership to any site, or premises located on any site, to which the Franchisor has objected unless and until the Franchisee has executed the release required pursuant to this provision.

10.4 Floor Plans and Layout; Construction Plans.

The Franchisor will, at its expense, provide the Franchisee with its prototypical floor plan and a layout for a free standing Big Boy Restaurant, including the layout for the kitchen, customer seating, refrigeration, ovens, burners, preparation lines, bussing stations, dry storage, point-of-sale system, and individual cash registers. The Franchisee will, at its cost, retain a licensed architect and will be responsible for the preparation of working drawings, construction plans and architectural plans and specifications for the construction, renovation or remodeling of the Franchisee's Big Boy Restaurant. The Franchisee will not have the right to use any working drawing, construction plans, or architectural plans and specifications for the construction of the Franchisee's Restaurant until they have been approved by the Franchisor in writing. The Franchisee will be responsible for the accuracy of all drawings, plans and specifications used for the construction, renovation or remodeling of the Franchisee's Restaurant.

10.5 Construction and Remodeling Costs.

The Franchisee will, at its expense, be solely responsible for all costs and expenses incurred for the construction, renovation or remodeling of the Franchisee's Big Boy Restaurant at the Franchised Location including, but not limited to, all costs for architectural plans and specifications, all modifications to the floor plans and layouts necessitated by the structure, construction or layout of the Franchised Location, building permits, site preparation, demolition, construction of the parking lot, landscaping, heating,

ventilation and air conditioning, interior decorations, FF&E, leasehold improvements, labor, architectural and engineering fees, electricians, plumbers, general contractors and subcontractors.

10.6 Compliance with Specifications.

The Franchised Location and the Franchisee's Restaurant will conform to all specifications for decor, FF&E, exterior and interior decorating designs and color schemes established by the Franchisor. The Franchisee will obtain and pay for the FF&E, inventory and supplies specified by the Operations Manual or otherwise in writing by the Franchisor used by the Franchisee for the operation of its Big Boy Restaurant. The FF&E used in the Franchisee's Big Boy Restaurant must be installed and located in accordance with the floor plans approved by the Franchisor and must conform to the quality standards and uniformity requirements established by the Franchisor.

10.7 Inspection during Construction or Renovation.

The Franchisee will be solely responsible for inspecting the Franchised Location during construction or renovation to confirm that the Franchised Location is being constructed or renovated in a workmanlike manner and according to the specifications established by the Franchisor. The Franchisee will be solely responsible for complying with all applicable local, state and federal laws, ordinances, statutes and building codes, and for acquiring all licenses and building and other permits required by all federal, state, city, municipal and local laws in connection with the construction or renovation of the Franchisee's business premises at the Franchised Location. The Franchisor will have no responsibility to the Franchisee or any other party if the Franchised Location is not constructed or renovated by the Franchisee or its architect or contractor: (a) according to the standard specifications established by the Franchisor; (b) in compliance with all applicable federal, state or local laws or ordinances; or (c) in a workmanlike manner. The Franchisee will not open the Restaurant for business without the Franchisor's prior written approval.

ARTICLE 11
SIGNS

11.1 Approved Signs.

The Franchisee will purchase or lease all of the Signs specified by the Franchisor for the Franchisee's Restaurant and the Franchised Location. All Signs at the Franchised Location must comply with the standard sign plans and specifications established by the Franchisor. The Franchisor will provide the Franchisee with a copy of the standard sign plans and specifications and the Franchisee will, at its expense, prepare or cause the preparation of complete and detailed plans and specifications for the Signs and will submit such plans and specifications to the Franchisor for its written approval. The Franchisor will have the absolute right to inspect, examine, videotape and photograph the Signs for any reason at any time during the Term of this Agreement.

11.2 Payment of Costs and Expenses.

The Franchisee will, at its expense, be responsible for any and all installation costs, sign costs, architectural fees, engineering costs, construction costs, permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies in connection with the construction, erection, maintenance or use of the Signs including, if applicable, all electrical work, construction of the base and foundation, relocation of power lines and all required soil preparation work. The Franchisee will comply with all federal, state and local laws, regulations, building codes and ordinances relating to the construction, erection, maintenance and use of the Signs.

11.3 Modifications; Inspection.

The Franchisee may not alter, remove, change, modify, or redesign the Signs unless approved by the Franchisor in writing. The Franchisor will have the unequivocal and unilateral right to redesign the plans

and specifications for the Signs during the Term of this Agreement without the approval or consent of the Franchisee. Within 30 days after receipt of written notice from the Franchisor, the Franchisee must, at its expense, either modify or replace the Signs so that the Signs displayed at the Franchised Location will comply with the redesigned plans and specifications as issued by the Franchisor. The Franchisee will not be required to modify or replace the Signs more than once every five years.

11.4 Interior Signs.

The Franchisee will purchase and install in accordance with the Franchisor's written specifications all interior signs specified in writing from time to time by the Franchisor for use in the Franchisee's Big Boy Restaurant. The Franchisee will not, without the prior written consent of the Franchisor, install or display any sign, menu board, poster, display or advertisement, whether functional or decorative, other than those items specified in writing by the Franchisor.

ARTICLE 12 **OFFICE EQUIPMENT; COMPUTER HARDWARE AND SOFTWARE**

12.1 Office and Telecommunications Equipment; Telephone Lines.

The Franchisee will, at its sole expense, obtain and maintain at all times during the Term of this Agreement, electronic telephone facsimile ("fax") equipment, and other telecommunications equipment for use in the operation of the Franchisee's Big Boy Restaurant as specified in the Operations Manual, and, all telecommunications and fax equipment must be in operation to send and receive information 24 hours a day.

12.2 Computer Equipment and Software.

The Franchisee will, at its sole expense, purchase, lease, or acquire all of the Computer Equipment and Computer Software required for the operation of the Franchisee's Restaurant specified in the Operations Manual including, but not limited to, the Computer Equipment and Computer Software for: (a) the point-of-sale cash register system (the "POS System"), (b) the accounting system, (c) the processing of credit cards and bank debit cards, (d) the processing of Big Boy gift cards, and (e) the on-line inventory ordering system. The Franchisee will, upon written notice from the Franchisor, update and upgrade the Computer Equipment and Computer Software as deemed necessary by the Franchisor from time to time for the efficient operation of the Restaurant. The POS System must provide the information and functions (including payroll and employee timekeeping) described in the Operations Manual. The Franchisor will have the right to directly access and download all Financial Records, Financial Statements and other information contained in the POS System according to the protocol set forth in the Operations Manual.

12.3 Other Equipment.

The Franchisee will purchase and pay for all other electronic and other equipment, including Computer Equipment and Computer Software, described in the Operations Manual or otherwise in writing by the Franchisee, to electronically process credit cards, bank debit cards, gift certificates, gift cards, coupons and customer loyalty cards as specified in the Operations Manual.

12.4 Internet Provider.

The Franchisee will, at all times during the Term of this Agreement, at the Franchisee's expense, have access to the Internet through the Microsoft Network, America On-Line, Prodigy, CompuServe or other Internet access provider approved by the Franchisor.

12.5 E-Mail Address.

The Franchisee will, at all times during the Term of this Agreement, maintain an e-mail address on the Internet. The Franchisee's e-mail address will be provided to the Franchisor and will be used as a method for the Franchisee and the Franchisor to communicate with each other and to transmit documents and

other information. The Franchisee will not use the words "Big Boy," "Big" and "Boy" as any part of its e-mail address or its domain name if a Home Page is maintained by the Franchisee on the Internet. The Franchisee will review its e-mail at least once a day and will respond to all e-mails from the Franchisor and others within 24 hours, except for weekend e-mails, which may be answered every Monday.

12.6 Internet Website.

The Franchisee will not establish a website or Home Page on the Internet to advertise or promote its Big Boy Restaurant without the prior written consent of the Franchisor. All features of any proposed Home Page, including the domain name, content, format, and links to other websites, must be approved by the Franchisor prior to the activation of the Home Page by the Franchisee. The Franchisee's Home Page must advertise only the Franchisee's Big Boy Restaurant, and all content and information maintained by the Franchisee on the Home Page will at all times be subject to the Operations Manual and this Agreement including, without limitation, the provisions of this Agreement relating to trademark usage, the Franchisee's business, advertising approval, confidentiality, and product and service limitations. The Franchisee will not link its Home Page to any Internet site or to the Franchisor's Internet home page without the Franchisor prior written approval.

ARTICLE 13 INSURANCE

13.1 General Liability Insurance.

The Franchisee will purchase and maintain, at its sole cost and expense, a general liability insurance policy with coverage of at least \$1,000,000 per occurrence and \$2,000,000 aggregate coverage insuring the Franchisee and the Franchisor, and their respective officers, directors, agents and employees from and against any and all loss, liability, claim, damage or expense of any kind whatsoever, including bodily injury, personal injury, food poisoning or other sickness, death, property damage, products liability and all other occurrences, resulting from the condition, operation, use, business or occupancy of the Franchisee's Restaurant and the Franchised Location, including the surrounding area, the parking area and the sidewalks.

13.2 Liquor Liability Insurance.

If the Franchisee serves alcoholic beverages of any type at its Big Boy Restaurant, then the Franchisee will purchase and maintain, at its sole cost and expense, liquor liability insurance with minimum coverage of \$1,000,000 per occurrence insuring the Franchisee and the Franchisor, and their respective officers, directors, agents and employees from any and all loss, liability, claim, damage, or expense of any kind whatsoever, including bodily injury, personal injury, death, and property damage, resulting from the sale or service of liquor by the Franchisee or any of the Franchisee's employees at or from the Franchisee's Restaurant.

13.3 Vehicle Insurance.

The Franchisee will purchase and maintain, at its sole cost and expense, vehicle liability insurance with minimum coverage of \$500,000 per occurrence insuring the Franchisee and the Franchisor, and their respective officers, directors, agents and employees from any and all loss, liability, claim, damage, or expense of any kind whatsoever, including bodily injury, personal injury, death, and property damage, resulting from the use, operation or maintenance of any automobiles, trucks or vehicles owned by the Franchisee or used by the Franchisee or any of the Franchisee's employees (including automobiles, trucks and other vehicles used in the Franchisee's Restaurant that are owned or leased by any employee or agent of the Franchisee).

13.4 Business Property Insurance.

The Franchisee will purchase and maintain, at its sole cost and expense, special peril property insurance coverage, which will include fire and extended coverage, for the inventory, machinery, equipment, furniture, fixtures and furnishings owned or leased by the Franchisee and used by the Franchisee at the Franchised Location. The Franchisee's property insurance policy (including fire and extended coverage) must have minimum coverage limits equal to at least actual "replacement" cost.

13.5 Business Interruption Insurance.

The Franchisee will purchase and maintain, at its sole cost and expense, business interruption insurance with coverage of at least \$300,000 per occurrence insuring the Franchisee for and against all losses and damages resulting from an interruption in the operation of the Franchisee's Big Boy Restaurant.

13.6 Building Insurance.

If the Franchisee, or any of the Franchisee's Owners, owns, either directly or indirectly, the building or the business premises at the Franchised Location, then the Franchisee will insure the building or the business premises for and against all risk, loss and damages in an amount equal to at least actual "replacement" cost. If the Franchised Location is either partially or completely destroyed by fire or any other catastrophe, then the Franchisee will use the insurance proceeds to repair or reconstruct the Franchised Location and recommence business as soon as reasonably possible.

13.7 Umbrella Liability.

The Franchisee will, at its sole cost and expense, purchase and maintain umbrella liability insurance in the minimum amount of \$1,000,000 that will provide liability insurance coverage for any liability incurred by the Franchisee and the Franchisor in excess of the primary liability insurance coverage carried by the Franchisee under this Article.

13.8 Other Insurance.

The Franchisee will, at its sole cost and expense, purchase and maintain all other insurance required by applicable state and federal laws including if applicable, workers' compensation insurance for its employees. The Franchisee will also purchase such other insurance that may be reasonably requested by the Franchisor. The insurance required by this Article is the minimum coverage for the Franchisee's Restaurant. The Franchisee will be responsible for determining and purchasing all other insurance for its Restaurant utilizing good business practices, and for determining whether the insurance required under this Article is sufficient in coverage and amount.

13.9 Insurance Companies; Evidence of Coverage.

All insurance companies providing coverage to the Franchisee must be acceptable to and approved by the Franchisor, and must be licensed in the state where coverage is provided. The Franchisee will provide the Franchisor with certificates of insurance evidencing the insurance coverage required of the Franchisee pursuant to this Article no later than the date the Franchisee opens for business, and the Franchisee will immediately provide, upon expiration, change or cancellation, a new certificate of insurance to the Franchisor.

13.10 Defense of Claims.

All liability and other insurance policies purchased and maintained by the Franchisee in connection with the Franchisee's Restaurant will provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against the Franchisee and the Franchisor, and their respective officers, directors, agents and employees.

13.11 Rights of Franchisor.

All insurance policies purchased and maintained by the Franchisee pursuant to this Article will name the Franchisor, its sole member and affiliates ("Additional Insureds") as an additional named insured, will contain endorsements by the insurance companies waiving all rights of subrogation against the Additional Insureds, and will stipulate that the Franchisor will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least 30 days prior to the effective date.

ARTICLE 14
LICENSING OF MARKS AND RESTAURANT SYSTEM

14.1 Right to License Marks.

The Franchisor warrants that, except as otherwise provided for herein, it has the right to grant the Franchise and to license the Marks and the Restaurant System to the Franchisee. Any and all improvements made by the Franchisee to the Marks or the Restaurant System will be the sole and absolute property of the Franchisor, which will have the exclusive right to register and protect all such improvements in its name in accordance with applicable law. The Franchisee's right to use and identify with the Marks and the Restaurant System will exist concurrently with the Term of this Agreement and such use by the Franchisee will inure exclusively to the benefit of the Franchisor.

14.2 Conditions to License of Marks.

The Franchisor hereby grants to the Franchisee the nonexclusive personal right to use the Marks and the Restaurant System in accordance with the provisions of this Agreement. The Franchisee's nonexclusive personal right to use "Big Boy®" as the name of the Franchisee's Restaurant and its right to use the Marks and the Restaurant System applies only to the Franchisee's Restaurant at the Franchised Location and such rights will exist only so long as the Franchisee fully performs and complies with all of the conditions, terms and covenants of this Agreement. The Franchisee will only have the right to use the Marks in connection with the operation of the Restaurant and will not use the Marks in any way or in any other manner except as approved in writing by the Franchisor. "Nonexclusive," for the purposes of this Article, will mean that the Franchisor has or will grant franchises to other franchisees authorizing such franchisees to operate Big Boy Restaurants in conformity with the Restaurant System using the name "Big Boy®" and the other Marks, and that the Franchisor, its affiliates and/or subsidiaries will own, manage and operate Big Boy Restaurants.

14.3 Franchisee's Authorized Use.

The Franchisee will only use the Marks designated by the Franchisor and only in the manner authorized and permitted by the Franchisor. The Franchisee's right to use the Marks is limited to the uses set forth in this Agreement and any unauthorized use will constitute an infringement of the rights of the Franchisor under this Agreement and under the Lanham Act (15 U.S.C. §1051, et seq.). The Franchisee will not have or acquire any rights in any of the Marks or the Restaurant System other than the right of use as provided herein. The Franchisee will have the right to use the Marks and the Restaurant System only in the manner prescribed, directed and approved by the Franchisor in writing and will not have the right to use the Marks in connection with the sale of any products or services other than the Big Boy Products and Services. If in the judgment of the Franchisor, any acts of the Franchisee demean the goodwill, uniformity, quality or business standing associated with the Marks or the Restaurant System, then the Franchisee will, upon written notice from the Franchisor, immediately modify its use of the Marks or the Restaurant System in the manner prescribed by the Franchisor in writing.

14.4 Adverse Claims to Marks.

If there are any claims by any third party that its rights to any or all of the Marks are superior to those of the Franchisor and if the attorneys for the Franchisor are of the opinion that such claim by a third party is legally meritorious, or if there is an adjudication by a court of competent jurisdiction that any party's

rights to the Marks are superior to those of the Franchisor, then upon receiving written notice from the Franchisor, the Franchisee will, at its sole expense, immediately adopt, implement and use the changes and amendments to the Marks that are specified by the Franchisor. If required, the Franchisee will immediately cease using the Marks specified by the Franchisor, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs and commercial symbols designated by the Franchisor in writing at the Franchised Location in connection with the operations, advertising, marketing and promotion of the Franchisee's Restaurant. The Franchisee will not make any changes or amendments whatsoever to the Marks or the Restaurant System unless specified or approved in advance by the Franchisor in writing.

14.5 Defense or Enforcement of Rights to Marks.

The Franchisee will have no right to and will not defend or enforce any rights associated with the Marks or the Restaurant System in any court or other proceedings for or against imitation, infringement, prior use or for any other claim or allegation. The Franchisee will give the Franchisor immediate written notice of any and all claims or complaints made against or associated with the Marks and the Restaurant System and will, without compensation for its time and at its expense, cooperate in all respects with the Franchisor in any lawsuits or other proceedings involving the Marks and the Restaurant System. The Franchisor will have the sole and absolute right to determine whether it will commence or defend any litigation involving the Marks and/or the Restaurant System, and the cost and expense of all litigation incurred by the Franchisor, including attorneys' fees, specifically relating to the Marks or the Restaurant System will be paid by the Franchisor.

14.6 Tender of Defense.

If the Franchisee is named as a defendant or party in any action involving the Marks or the Restaurant System solely because the plaintiff or claimant is alleging that the Franchisee does not have the right to use the Marks or the Restaurant System licensed by the Franchisor to the Franchisee at the Franchised Location pursuant to this Agreement, then the Franchisee may tender the defense of the action to the Franchisor and the Franchisor will, at its expense, defend the Franchisee in the action provided that the Franchisee has tendered defense of the action to the Franchisor within seven days after receiving service of the pleadings or the Summons and Complaint relating to the action. The Franchisor will indemnify and hold the Franchisee harmless from any damages assessed against the Franchisee in any actions resulting solely from the Franchisee's proper and authorized use of the Marks and the Restaurant System at the Franchised Location if the Franchisee has timely tendered defense of the action to the Franchisor.

14.7 Franchisee's Right to Participate in Litigation.

The Franchisee may, at its expense, retain an attorney to represent it individually in all litigation and court proceedings involving the Marks or the Restaurant System, and may do so with respect to matters involving only the Franchisee (i.e., not involving the Franchisor or its interests); however, the Franchisor and its attorneys will control and conduct all litigation involving the Marks or the Restaurant System and the rights of the Franchisor. Except as expressly provided for herein, the Franchisor will have no liability to the Franchisee for any costs that the Franchisee may incur in any litigation involving the Marks or the Restaurant System, and the Franchisee will pay for all costs, including attorneys' fees, that it may incur in any litigation or proceeding arising as a result of matters referred to under this Article, unless it tenders the defense to the Franchisor in a timely manner pursuant to and in accordance with Article 14.6.

ARTICLE 15
TRAINING PROGRAM; OPENING ASSISTANCE

15.1 Training Program.

The Franchisor will provide a training program for the Franchisee, the Franchisee's General Manager and two Assistant Managers (the "Management Team") in Warren, Michigan, or at another approved training

site designated by the Franchisor, to educate, familiarize and acquaint them with the Restaurant System and the operations of the Big Boy Restaurant. The training program will include classroom and on-the-job training and instruction on hiring and training of employees, scheduling, financial reporting, computer operations, marketing, advertising, promotion, purchasing procedures, food preparation, food safety, food presentation, food quality, food portions, liquor service, food and beverage inventory and cost control, customer service, customer relations, equipment operation and maintenance, general maintenance and other topics selected by the Franchisor. The Franchisee and its Management Team must attend and successfully complete the training program and be certified in writing by the Franchisor prior to commencing the business operations of the Franchisee's Restaurant, except as provided otherwise in this Agreement.

15.2 Training Schedule.

The training program will be scheduled by the Franchisor in its sole discretion and will be for a minimum of eight Weeks. The Franchisee and the Franchisee's General Manager and Assistant Managers must begin training at a date that will result in their completion of training at least one month prior to the scheduled opening of the Restaurant. If the Franchisee and the Franchisee's General Manager and Assistant Managers do not attend each required training session at the training site designated by the Franchisor, then the Franchisor will have the right to conduct the uncompleted training at the Franchised Location in accordance with a schedule to be determined by the Franchisor. In that event, the Franchisee will pay the Franchisor the then-current per day on-site Training Fee for each trainer conducting the training and will reimburse the Franchisor for each trainer's Travel Expenses. If the Franchisee and the Franchisee's Management Team do not successfully complete the required training program prior to the scheduled opening date of the Franchisee's Restaurant, then such person(s) will not be permitted or authorized to participate in the operations of the Franchisee's Restaurant.

15.3 Changes in Personnel.

The Franchisee must at all times employ a General Manager and at least two Assistant Managers who have successfully completed the prescribed training program and have been certified in writing by the Franchisor. The Franchisee will immediately notify the Franchisor in writing of any personnel changes in the positions of General Manager or Assistant Manager at the Franchisee's Restaurant. If the Franchisee hires a new General Manager or Assistant Manager who has not successfully completed the Franchisor's required training program, then that person must begin the training program within 30 days after the date of hire by the Franchisee, and must attend and successfully complete the required training program. If, in the judgment of the Franchisor, the new General Manager or Assistant Manager does not successfully complete the required training program, then the Franchisee will not permit that person to continue to participate in the operation of the Franchisee's Restaurant.

15.4 Training of New Personnel.

The training program for a new General Manager or Assistant Manager required by Article 15.3 of this Agreement will be conducted by the Franchisor at the Franchised Location, at the Franchisor's training site in Warren, Michigan, or at another approved training site designated by the Franchisor, at the sole discretion of the Franchisor. If the Franchisor provides the training program at the Franchised Location, then the Franchisee will pay the Franchisor the then-current per day on-site Training Fee for each trainer conducting the training and will reimburse the Franchisor for each trainer's Travel Expenses. If the training program is provided at the Franchisor's headquarters, then the Franchisee will pay the Franchisor the then-current per day Training Fee.

15.5 Payment of Salaries and Expenses.

The Franchisee will pay the Salaries, unemployment compensation, workers' compensation insurance, Travel Expenses and all other expenses for all persons who attend the Franchisor's training program on behalf of the Franchisee. The persons attending the Franchisor's training program will not be employees

of the Franchisor, and the Franchisor will not have any obligation to pay the persons attending training for the time they spend for on the job training at an existing Big Boy Restaurant or the time spend in classroom training.

15.6 New Store Opening Assistance.

After the Franchisee and the Management Team have successfully completed the Franchisor's training program and the Franchisee has scheduled an opening date for its Restaurant, the Franchisor will provide an Opening Team who will work at the Franchised Location for a minimum of two Weeks before the opening of the Franchisee's Restaurant and two Weeks after the opening (a total of four Weeks) to provide opening assistance to the Franchisee. During the first Week and the last Week, a minimum of three people from the Opening Team will work at the Franchisee's Restaurant, and during the second and third Weeks, a minimum of six people from the Opening Team will work at the Franchisee's Restaurant. Franchisor reserves the right, in its sole discretion, to increase the number of people in the Opening Team. The opening assistance provided by the Opening Team will include implementing internal controls, assistance with training employees, purchasing food, beverages, and supplies, implementing accounting procedures, implementing the Restaurant System and evaluating the Franchisee's initial business operations. The Franchisee will, upon receiving an invoice, reimburse the Franchisor for the Travel Expenses incurred by each member of the Opening Team.

15.7 Hiring and Training of Employees by Franchisee.

The Franchisee will hire all employees of the Restaurant, will determine the terms of their employment and compensation, and will implement a training program for employees of the Restaurant in compliance with the Operations Manual. The Franchisee will at all times maintain a staff of trained employees sufficient to efficiently operate the Restaurant in compliance with the standards of quality and service established by the Franchisor.

15.8 Conventions.

The Franchisee and, upon the written request of the Franchisor, the Franchisee's General Manager will attend each convention held by the Franchisor for the franchisees of Big Boy Restaurants. The date and location of all conventions will be at the sole discretion of the Franchisor. The Franchisee will pay, when registering for the convention, the then-current fee charged by the Franchisor to attend the convention. The Franchisee will pay the Salaries, unemployment compensation taxes, workers' compensation insurance, Travel Expenses and all other expenses related to the attendance of the Franchisee and all other employees and individuals attending the convention on the Franchisee's behalf.

ARTICLE 16
OTHER OBLIGATIONS OF BIG BOY

Consistent with the Franchisor's uniformity requirements and quality standards, the Franchisor or its authorized representative will: (a) provide the Franchisee with a written schedule of all Products and Services for sale or use by Big Boy Restaurants, and the FF&E, Signs, supplies and inventory necessary and required for the operation of the Franchisee's Restaurant; (b) provide the Franchisee with a list of the Designated Suppliers, Approved Suppliers and other suppliers for the Products and Services necessary and required for the Franchisee's Restaurant; (c) make available to the Franchisee financial reporting formats for use by the Franchisee in its Restaurant; (d) make advertising and marketing recommendations to the Franchisee; (e) visit and review the Franchisee's Restaurant as often as the Franchisor deems necessary and render written reports to the Franchisee as deemed appropriate by the Franchisor; (f) protect, police and, when appropriate, enforce the Marks for the benefit of all Big Boy franchisees in the manner deemed appropriate by the Franchisor; (g) develop and, if applicable, register additional trademarks, trade names, service marks, tag lines, logos or commercial symbols for use in connection with the Restaurant System as deemed appropriate by the Franchisor; (h) upon the reasonable written