FRANCHISE AGREEMENT

BETWEEN

FRIENDLY'S RESTAURANTS FRANCHISE, INC.

1855 Boston Road

Wilbraham, MA 01095

AND

FRIENDCO RESTAURANTS, INC.

1657 Crofton Boulevard

Crofton, Maryland 21114

DATED

July \_\_\_\_\_ , 1997

FOR

[RESTAURANT STREET ADDRESS]

[STATE, CITY]

<PAGE>

TABLE OF CONTENTS

Section Page

------- ----

1. INTRODUCTION AND GRANT OF FRANCHISE 1

A. Introduction 1

B. Grant of Franchise 2

C. Rights Reserved by Company 4

2. TRAINING 5

3. GUIDANCE 6

A. Guidance and Assistance 6

B. Operations Manual 7

4. MARKS 8

A. Goodwill and Ownership of Marks 8

B. Limitations on Licensee's Use of Marks 9

C. Notification of Infringements and Claims 10

D. Discontinuance of Use of Marks 10

E. Indemnification of Franchisee 11

5. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION 11

A. Independent Contractors 11

B. No Liability for Acts of Other Party 12

C. Taxes 13

D. Indemnification 13

<PAGE>

6. CONFIDENTIAL INFORMATION 14

7. FEES 17

A. Initial Franchise Fee 17

B. Royalty Fee 18

C. Definition of Gross Sales 18

D. Interest on Late Payments 19

E. Application of Payments 19

8. RESTAURANT OPERATING STANDARDS 20

A. Condition, Appearance and Operation of the

Restaurant 20

B. Restaurant Menu 21

C. Approved Products, Distributors and Suppliers 22

D. Specifications, Standards and Procedures 25

E. Compliance with Laws and Good Business Practices 26

F. Management and Personnel of the Restaurant 27

G. Insurance 27

9. MARKETING 29

A. By Company 29

B. By Licensee 32

C. By Cooperative 33

10.REPORTS, FINANCIAL STATEMENTS AND FINANCIAL CONDITION 33

11. INSPECTIONS AND AUDITS 35

A. Company's Right to Inspect the Restaurant 35

B. Company's Right to Audit 36

FRANCHISE AGREEMENT

THIS FRANCHISE (the "Agreement") is made and entered into as of \_\_\_\_\_,

19\_\_\_ (the "Agreement Date"), by and between FRIENDLY'S RESTAURANTS,

FRANCHISE, INC., a Delaware corporation, whose principal address is 1855

Boston Road, Wilbraham, MA 01095 and FRIENDCO RESTAURANTS, INC. whose

principal address is 1657 Crofton Boulevard, Crofton, Maryland 21114. For

purposes of simplicity, we will sometimes refer to Friendly's as "us", "we"

or the "Company," and we will sometimes refer to you as "you" or "Franchisee."

1. INTRODUCTION AND GRANT OF FRANCHISE

A. Introduction

Through expenditure of considerable time, skill, effort and money, we

have developed a system for establishing, operating and franchising

distinctive, high quality restaurants ("Friendly's Restaurants") serving the

public under the name "Friendly's." A Friendly's Restaurant consists of all

structures, facilities, appurtenances, grounds, landscaping, signs,

furniture, fixtures, equipment and entry, exit, parking and other areas

commonly associated with such a restaurant. The approved food, beverage and

other products served and sold by Friendly's Restaurants (the "Products") for

consumer consumption and not for resale are prepared in accordance with our

standards, specifications and secret recipes. Friendly's Restaurants are

established pursuant to our plans and specifications for construction,

conversion, remodeling, decorating, equipment and layout, and are operated in

accordance

<PAGE>

with our distinctive business formats, construction plans, inspection and

consultation programs, signs, equipment, layouts, methods, specifications,

standards, recipes (including ice cream and other frozen dessert and related

toppings recipes), confidential information, trade secrets, operating

procedures, training programs and materials, guidance, policy statements and

related materials, designs, advertising, publicity, and marketing programs

and other materials (which we may modify from time to time) (collectively,

the "System"). We own, use, promote and license certain trade names,

trademarks, service marks and other commercial symbols, and applications

related thereto, including but not limited to "Friendly's" and "Friendly's

Restaurants" (collectively, the "Marks"), and the confidential information,

copyrights, and business format and related property rights which comprise

the System. We may change, modify or improve the System from time to time to

enhance the operations of Friendly's Restaurants. All improvements and

additions you, we or anyone else makes to the System, whenever made or used

in connection with the system, will inure to us and become our sole property.

We grant, to qualified persons, franchises to own and operate Friendly's

Restaurants pursuant to the System selling the Products and services we

authorize and approve.

B. Grant of Franchise

(1) Grant. You have applied for a franchise to own and operate a

Friendly's Restaurant (the "Restaurant") at, and only at, the location known

as: (the "Premises") and we have approved your application in reliance upon

all of the

<PAGE>

representations and warranties you have made to us in connection with this

Agreement, including but not limited to the information contained in your

application for a franchise and, if the Restaurant is newly constructed and

equipped, the representations and warranties you made to us in the Commitment

Agreement between you and us dated \_\_\_\_\_\_\_\_\_\_\_\_, 19 \_\_ . Subject to the

provisions of the Agreement, and in reliance on such representations and

warranties, we hereby grant to you, effective upon the execution of this

Agreement, a franchise (the "Franchise") to operate a Friendly's Restaurant

at the Premises, and to use the System and the Marks in operating the

Restaurant, for a term of twenty (20) years, beginning on the date of

completion, expiration or termination of the Development Agreement between

you and us dated July 10, 1997, unless this Agreement is sooner terminated as

provided in Section 14 of this Agreement. Termination or expiration of this

Agreement will constitute a termination or expiration of the Franchise.

Except as otherwise provided in the Development Agreement, you may not

conduct your business pursuant to this Agreement from any location other than

the Premises except upon our approval of your application for change of

location, and the payment of the then current change of location fee.

(2) Best Efforts. You agree that you will at all times faithfully,

honestly and diligently perform your obligations under this Agreement and

that you will continuously exert, during the full term of this Agreement,

your best reasonable efforts

<PAGE>

to promote and enhance the business of the Restaurant and the goodwill of the

Marks and the System.

(3) Operation. You agree that you will continuously, from the date you

open the Restaurant for business to the public, operate, occupy and do

business in the Restaurant, 7 days a week, 365 days a year during the hours

of 6:00 a.m. to 11:00 p.m. weekdays, and to 12:00 midnight on weekends (it

being understood that the Restaurant may be closed for business while any

repairs or refurbishments are being undertaken and that different hours of

operation may be approved by the Vice President of Operations of the Company)

and to operate the Restaurant in a manner reasonably calculated to produce

the maximum volume of gross sales (as defined in Section 7C of this

Agreement) and to help establish and maintain a high reputation for the

Restaurant, unless the Restaurant is in the process of being replaced

pursuant to the provisions of any applicable Development Agreement.

C. Rights Reserved by Company

We retain the right, subject to the exercise of good faith, in our sole

and absolute discretion, to: (1) operate and grant to others the right to

operate, Friendly's Restaurants or other restaurants using the System or the

Marks at such locations which may include locations within the Trade Area (as

defined in Section 16A, unless an exclusive territory has been granted

pursuant to a Development Agreement, in which case the terms of the

<PAGE>

Development Agreement will apply) and on such terms and conditions as we deem

appropriate; (2) operate, and grant to others the right to operate

restaurants under other trade names, trademarks, service marks and commercial

symbols different from the Marks, notwithstanding the fact that such

restaurants may be the same as or similar to a Friendly's Restaurant; and (3)

sell the Products or other products identified by the Marks or by other

trademarks in any channel of distribution.

2. TRAINING

Prior to the execution of this Agreement, we have furnished you and your

Restaurant Managers (each as hereinafter defined) training in the operation

of a Friendly's Restaurant. We will require similar training for all

successors to such persons. No person shall be permitted to supervise the

Restaurant until the training has been completed. The training program will

include classroom instruction and field training and will be furnished at our

training facility and/or at a Friendly's Restaurant, and will last for such

duration as we determine to be necessary.

Your Restaurant Managers must complete the training program to our

reasonable satisfaction. If we, in our sole discretion, determine that any

of such persons are unable to complete the training program satisfactorily,

upon our request you agree to hire, as soon as practicable, a replacement who

must complete our training program to our reasonable satisfaction. We may

also offer such refresher or supplemental training programs to you and such

persons as we, from time to time, deem appropriate at such places as we

designate.

<PAGE>

By giving you prior written notice, we will have the right to require

attendance at any refresher or supplemental training program by you or any of

such persons.

No tuition charge will be made for required initial training programs.

You will be responsible for the travel, local transportation, lodging and

meal expenses, and compensation of yourself and your Restaurant Managers

incurred while attending the training program and any refresher or

supplemental training programs we offer to you or require you or such persons

to attend. Reasonable charges may be made by us for training materials and

we may require you to purchase certain equipment to be used in such training.

3. GUIDANCE

A. Guidance and Assistance

We will furnish guidance to you with respect to:

(1)preparation, packaging, sale and delivery of Products authorized for

sale at Friendly's Restaurants;

(2)development, preparation and packaging of new Products we develop for

sale at Friendly's Restaurants;

(3)specifications, standards and operating procedures utilized by

Friendly's Restaurants, and any modification thereof;

(4)approved equipment, furniture, furnishings, signs, food products,

operating materials and supplies;

(5)development and implementation of local advertising and promotional

programs; and

<PAGE>

(6)general operating and management procedures of Friendly's Restaurants.

In our discretion, we will furnish this guidance and assistance to you in the

form of our confidential operations manual, bulletins, written reports and

recommendations, electronic mail or other written or electronic materials

(all of which are hereinafter referred to as the "Operations Manual"),

inspection reports for the Restaurant, refresher training programs and/or

telephonic consultations at our offices or at the Restaurant. If you

request, we will furnish additional guidance and assistance relative to the

operation of the Restaurant at per diem fees and charges we establish from

time to time. If special training of Restaurant personnel or other

assistance in operating the Restaurant is requested by you, and must take

place at the Restaurant, all our expenses for such training, including a per

diem charge and travel, local transportation, lodging and meal expenses for

our personnel, must be paid by you.

B. Operations Manual

We will loan to you during the term of the Franchise one (1) copy of the

Operations Manual which may consist of multiple parts and/or volumes. The

Operations Manual will contain mandatory and suggested specifications,

standards and operating procedures that we prescribe from time to time for

Friendly's Restaurants and information relative to your obligations under

this Agreement and in the operation of a Friendly's Restaurant. We may

modify the Operations Manual from time to time to reflect changes in the

specifications, standards and operating procedures of Friendly's Restaurants,

to disclose information

<PAGE>

concerning new Products and services which we may develop for sale at

Friendly's Restaurants, to specify types, brands and models of equipment

which you must utilize to produce and sell such new Products and services,

and to specify changes in the decor, format, image, Products, services and

operation of a Friendly's Restaurant. You must keep your copy of the

Operations Manual current by immediately inserting all modified pages we

furnish to you and destroying the then obsolete pages. In the event of a

dispute relative to the contents of the Operations Manual, the master copies

we maintain at our principal office will be controlling. You may not at any

time copy any part of the Operations Manual, disclose any part of it to

employees or others not having a need to know its contents for purposes of

operating the Restaurant, or permit its removal from the Restaurant without

our prior approval. In the event a new version of the Operations Manual is

provided to you, you must immediately return the then obsolete version to us.

To the extent the Operations Manual contains any specification, standard or

operating procedure concerning the operation of the Restaurant, such

provision shall be deemed to be incorporated into this Agreement, unless such

provision conflicts with applicable laws or ordinances.

4. MARKS

A. Goodwill and Ownership of Marks

You acknowledge that we have the right to license the Marks, that the

Marks are represented to be valid, and that your right to use the Marks is

derived solely from this Agreement (and the Trademark License Agreement if

applicable) and is limited to your operation of the Restaurant pursuant to

and in compliance with this Agreement and all

<PAGE>

applicable standards, specifications and operating procedures we prescribe

from time to time during the term of the Franchise. Any unauthorized use of

the Marks by you will constitute a breach of this Agreement and may

constitute an infringement of our rights in and to the Marks. You

acknowledge and agree that all of your usage of the Marks and any goodwill

established by your use of the Marks will inure to our exclusive benefit, and

that this Agreement does not confer any goodwill or other interests in the

Marks upon you (other than the right to operate a Friendly's Restaurant in

compliance with this Agreement). All provisions of this Agreement applicable

to the Marks will apply to any other trademarks, service marks and commercial

symbols we later develop, authorize and license you to use.

B. Limitations on Franchisee's Use of Marks

You agree to use the Marks as the sole trade identification of the

Restaurant. You must also identify yourself as the independent owner of the

Restaurant in the manner we reasonably prescribe. You must not use any Mark

as part of any corporate or trade name or with any prefix, suffix or other

modifying words, terms, designs or symbols (other than logos and additional

trade and service marks we license to you under this Agreement), or in any

modified form, nor may you use any Mark in connection with the performance or

sale of any unauthorized services or products or in any other manner we have

not expressly authorized in writing. You must prominently display the Marks

in the manner we reasonably prescribe at the Restaurant, on menus and in

connection with advertising and marketing materials. You must not employ any

of the Marks in signing contracts, applications for licenses or permits, or

in any manner that may imply our responsibility for,

<PAGE>

or result in our liability for, any of your indebtedness or obligations, nor

may you use the Marks in any way not authorized herein. You further agree to

give such notices of trade and service mark registrations as we specify, and

you must obtain such fictitious or assumed name registrations as may be

required under applicable law.

C. Notification or Infringements and Claims

You agree to immediately notify us of any apparent infringement of or

challenge to your use of any Mark, or claim by any person of any rights in

any mark. You agree not to communicate with any person other than us, your

counsel and our counsel in connection with any such infringement, challenge

or claim. We will have sole discretion to take such action as we deem

appropriate in connection with any infringement, challenge or claim, and the

right to exclusively control any settlement, litigation or U.S. Patent and

Trademark Office or other proceeding arising out of the alleged infringement,

challenge or claim or otherwise relating to any Mark. You agree to execute

any and all instruments and documents, render such assistance and do such

acts and things as may, in the opinion of our counsel, be necessary or

advisable to protect and maintain our interest in any litigation or other

proceeding or to otherwise protect and maintain our interest in the Marks.

D. Discontinuance of Use of Marks

If it becomes advisable at any time in our reasonable judgment to modify

or discontinue use of any Mark and/or for the Restaurant to use one (1) or

more additional or substitute trade or service marks, you agree, at your

expense, to comply with our directions

<PAGE>

to modify or otherwise discontinue the use of such Mark, and/or use one (1) or

more additional or substitute trade or service marks, within a reasonable time

after we give you notice.

E. Indemnification of Franchisee

We agree to indemnify you against, and to reimburse you for, and to our

option, to defend you against, all damages for which you are held liable in

any proceeding arising out of your use of the marks "Friendly's" and

"Friendly's Restaurant", pursuant to and in compliance with this Agreement,

and for all costs you reasonably incur in the defense of any such claim

brought against you or in any such proceeding in which you are named as a

party, including reasonable attorney's fees, provided that you have timely

notified us of such claim or proceeding and you have otherwise substantially

complied with this Agreement. We have the right to approve any counsel

employed by you in the defense of any such claim, and in the event we elect

to defend any such claim, the fees and expenses of any separate counsel

employed by you shall not be reimbursable.

5. RELATIONSHIP OF PARTIES/INDEMNIFICATION

A. Independent Contractors

It is understood and agreed that this Agreement does not create a

fiduciary relationship between you and us, that we and you are and shall be

independent contractors, and that nothing in this Agreement is intended to

make either you or us a general or special agent, legal representative,

joint venturer, partner or employee of the other for any purpose

<PAGE>

or to grant either you or us the right to direct or supervise the daily

affairs of the other. You agree to identify yourself conspicuously in all

dealings with customers, suppliers, public officials, Restaurant personnel

and others as the owner of the Restaurant under a franchise granted by us.

You also agree to place such other notices of independent ownership on forms,

business cards, stationery, advertising and other materials as we may require

from time to time. You acknowledge that no agreement we make with any third

party is for your benefit. Neither we nor you will interfere with each

other's contractual relations.

B. No Liability for Acts of Other Party

You agree that you will not employ any of the Marks in signing any

contract, check, legal obligation, application for any license or permit, or

in a manner that may imply that we are responsible, or which may result in

liability to us for, any of your indebtedness or obligations. You further

agree not to use the Marks in any way not expressly authorized by this

Agreement. Except as expressly authorized in writing, neither we nor you may

make any express or implied agreements, warranties, guarantees or

representations, or incur any debt in the name of or on behalf of the other,

or represent that our relationship is other than franchisor and franchisee,

and neither we nor you will be obligated by or have any liability under any

agreement or representations made by the other that are not expressly

authorized in writing. We will not be obligated for any damages to any person

or property directly or indirectly arising out of the operation of the

Restaurant or your business.

<PAGE>

C. Taxes

You agree that except for taxes which we are required to collect from you

in connection with items you purchase from us, we will have no liability for

any sales, use, service, occupation, excise, gross receipts, income, property

or other taxes, whether levied upon you, the Restaurant, your property, use

or the royalty fees which you pay to us, in connection with the sales made or

business conducted by you. Payment of all such taxes will be your

responsibility.

D. Indemnification

You agree, during and after the term of the Agreement, to indemnify,

defend and hold us, our affiliated entities, and their and our shareholders,

directors, partners, officers, employees, agents, representatives, successors

and assignees harmless against and reimburse the Indemnities for all claims,

obligations and damages descried in Section 5B, any and all claims arising

out of the use of the Marks in any manner not in accordance with this

Agreement and all losses, liabilities, claims, taxes, demands, damages,

causes of action, governmental inquiries and investigations, costs and

expenses, including reasonable attorneys' and accountants' fees,

consequently, directly and indirectly incurred, arising from, as a result of,

or in connection with the operation of the Restaurant or any of your actions,

errors, omissions, breaches or defaults under this Agreement or any acts or

omissions alleged or proven to be a result of your negligence or willful

misconduct. Except as provided above, Friendly's and you shall indemnify,

defend and hold each other harmless from laims, demands and causes of action

asserted against the indemnitee by any person for personal

<PAGE>

injury or death or for loss of or damage to property and resulting from the

indemnitor's active or passive negligence or willful misconduct. Where such

injury, death, loss or damage is the result of joint active or passive

negligence or willful misconduct, the duty of indemnification shall be in

proportion to the allocable share of the joint active or passive negligence

or willful misconduct. For purposes of this indemnification, "claims" shall

mean and include all obligations, actual and consequential damages, expenses,

losses, costs and other liabilities reasonably incurred in the defense of any

claim against the Indemnities, including without limitation reasonable

accountants', attorneys' and expert witness fees, costs of investigation and

proof of facts, court costs, other litigation expenses and travel, lodging

and meal expenses incurred in litigation or preparation for litigation,

whether or not litigation is filed. If the indemnities reasonably conclude

that their interests are not being adequately represented by your counsel,

the indemnities will have the right to employ their own attorneys to defend

any claim against them in the manner they deem appropriate or desirable in

their sole discretion, and the indemnification hereunder shall apply to and

include the costs incurred in any such defense. The obligation to indemnify

the indemnities will continue in full force and effect subsequent to and

notwithstanding the expiration or termination of this Agreement.

6. CONFIDENTIAL INFORMATION

We possess certain confidential and proprietary information and trade

secrets consisting of, but not limited to, the following categories of

information, methods,

<PAGE>

techniques, procedures and knowledge we have developed (collectively, the

"Confidential Information"):

(1)methods and procedures related to the development and operation of

Friendly's Restaurants, whether contained in the Operations Manual or otherwise;

(2)secret recipes of ice cream and other frozen desserts and related

toppings, menu analysis and methods of preparation of Products and services

offered in Friendly's Restaurants;

(3)methods, procedures and techniques for preparing, packaging, marketing,

selling and delivering Products and services offered in Friendly's Restaurants;

(4)knowledge of test programs, concepts and results relating to the

planning, development and testing of the System and Products and services

offered in Friendly's Restaurants;

(5)sources of purchase of food, beverages and other ingredients used by

Friendly's Restaurants;

(6) marketing programs and image; and

(7)methods, techniques, specifications, procedures, information, systems

and knowledge of and experience in the development, licensing and operation of

Friendly's Restaurants.

We will disclose the Confidential Information to you during training, in

the Operations Manual and training manuals, and in guidance and assistance

furnished to you during the term of this Agreement. You may also learn

additional Confidential Information and trade secrets of ours during the term

of this Agreement. You acknowledge and agree that you will not acquire any

interest in the Confidential Information, other than the right to utilize it

in the operation of the Restaurant, and that the use of the Confidential

Information in any other business, or the disclosure of the Confidential

Information to any

<PAGE>

other person or entity, would constitute an unfair method of competition with

us and other Friendly's Restaurant licensees.

We claim that the Confidential Information, which we have invested a

substantial amount of money and time in developing, is a valuable asset of

ours, includes trade secrets of ours, and will be disclosed to you solely on

the condition that you agree, and you do hereby agree, that you:

(1)will not use the Confidential Information in any other business or

capacity;

(2)will maintain the absolute secrecy and confidentiality of the

Confidential Information during and after the term of this Agreement (except

as authorized by this Agreement);

(3)will not make unauthorized copies of any portion of the Confidential

Information which is in written, audio, video or other reproducible form; and

(4)will adopt and implement all reasonable procedures we prescribe from

time to time to prevent unauthorized use or disclosure of the Confidential

Information, including requiring your Restaurant Manages and other employees

who have access to the Confidential Information to execute confidential

agreements in the form we approve or prescribe prior to or during their

employment. Furthermore, other than for consumption in the Restaurant or

approved carry-out or retail sales programs, you agree not to sell or provide

to any person or entity other than us or our designee, for use, testing or

any other purpose, any mixes or formulations for preparation of Products you

purchase from us or our designees.

Notwithstanding anything to the contrary contained in this Agreement, the

restrictions on your disclosure and use of Confidential Information will not

apply to the following: (i)

<PAGE>

information, processes or techniques which are or become generally known in

the restaurant industry, other than through disclosure (whether deliberate or

inadvertent) by you; and (ii) disclosure of Confidential Information in

judicial or administrative proceedings to the extent that you are legally

compelled to disclose such information, provided that you have used your best

reasonable efforts, and have afforded us the opportunity, to obtain an

appropriate protective order or other assurance satisfactory to us of

confidential treatment of the information required to be so disclosed.

You will fully and promptly disclose to us, all ideas, concepts,

formulas, recipes methods and techniques relating to the development and/or

operation of the Restaurant, conceived or developed by you and/or your

employees during the term of this Agreement. You acknowledge that such

ideas, concepts, formulas, recipes, methods and techniques shall be our sole

property, and you shall not be entitled to any compensation whatsoever for

the same.

7. FEES

A. Initial Franchise Fee

The initial franchise fee for your first franchise and second franchise

is thirty thousand dollars ($30,000.00) each and the franchise fee for any

additional franchises is twenty-five thousand dollars ($25,000.00)

(collectively referred to as the "Fee"). The Fee is paid as follows:

<PAGE>

Five thousand dollars ($5,000.00) upon submissions of an application for a

franchise. If the application is approved, that portion of the Fee becomes

non-refundable. If the application is withdrawn prior to a decision by

Friendly's, or if the application is denied, the Fee (less Friendly's costs

and expenses in processing the application) is refunded without interest.

Twenty-five thousand dollars ($25,000.00) (or twenty thousand dollars

($20,000.00) in the case of the third or additional franchises) upon your

execution of a Commitment Agreement ("Commitment Agreement").

B. Royalty Fee

You agree to pay to us a royalty fee equal to four percent (4%) of the

Gross Sales (as defined in Subsection C of this Section) of the Restaurant.

The royalty fee shall be payable by electronic funds transfer not later than

the 21st day after the end of each calendar month, based on Gross Sales for

the prior month. Upon the installation of an upgraded processing system by

Franchisee, we may require that the royalty fee be payable by electronic

funds transfer not later than the 14th day after the end of each calendar

month. In any event, no default may be declared for late payment of the

royalty or marketing fees unless and until seven (7) days have elapsed from

the date the payment was due.

C. Definition of Gross Sales

As used in this Agreement, the term "Gross Sales" shall mean gross sales

of all food, beverage, other menu items, merchandise, and goods and other

services sold or performed by or for you or the Restaurant, in, upon, or from

the Premises, or through or by means of the business conducted at the

Restaurant or the Premises, whether for cash or credit. Sales and service

taxes collected from customers and paid to the appropriate taxing authority,

all

<PAGE>

management or employee meals, and sale of cigars, cigarettes and newspapers

as well as income from pay telephones shall not be included in Gross Sales.

The discounted portion of menu prices whether by way of coupons, promotions

or otherwise shall not be included in Gross Sales.

D. Interest on Late Payments

All royalty fees, Marketing Fund contributions (as described in Section 9

of this Agreement), amounts due for your purchases from us or our

subsidiaries or affiliates, and other amounts which you owe to us or our

subsidiaries or affiliates will bear interest beginning on the date due at

the highest applicable legal rate for open account business credit, not to

exceed one and one-half percent (1.5%) per month. This Section 7D does not

constitute an agreement on our part to accept payments from you after the

payments are due or our commitment to extend credit to, or otherwise finance

your operation of, the Restaurant. Further, you acknowledge that your

failure to pay all amounts when due may constitute grounds for termination of

this Agreement, as provided in Section 14 of this Agreement, notwithstanding

the provisions of this Section 7D.

E. Application of Payments

Notwithstanding your designation, we will have sole discretion to apply

any of your payments to any of your past due indebtedness for initial or

royalty fees, Marketing Fund contributions, purchases from us or our

subsidiaries or affiliates, interest or any other outstanding indebtedness in

such order and amounts as we may elect. The acceptance of

<PAGE>

a partial or late payment will not constitute a waiver of any of our rights

or remedies contained in this Agreement.

8. RESTAURANT OPERATING STANDARDS

A. Condition, Appearance and Operation

Of the Restaurant

You agree that :

(1)neither the Restaurant nor the Premises will be used for any purpose

other than the operation of a Friendly's Restaurant in compliance with this

Agreement, unless and until restaurant operations are appropriately

discontinued on the site (pursuant to this Agreement or the terms of a

Development Agreement);

(2)you will maintain the condition and appearance of the Restaurant, its

equipment, furniture, furnishings, signs and the Premises in accordance with

our specifications and standards as in effect from time to time and

consistent with the image of a Friendly's Restaurant as an efficiently

operated business offering high quality food service and observing the

highest standards of cleanliness and sanitation; and will, upon our

reasonable request, add or alter such equipment in the Restaurant so as to

efficiently and hygienically prepare and serve any new menu items approved

for sale throughout the Friendly's Restaurant system;

(3)you will perform all periodic maintenance with respect to the decor,

equipment, furniture, furnishings and signs of the Restaurant and thePremises

that is required from time to time to maintain such condition, appearance and

efficient operation, including, without limitation:

(a)thorough cleaning, repainting and redecorating of the interior

and exterior of the Premises at reasonable intervals;

(b) interior and exterior repair of the Premises; and

(c)repair or replacement of damaged, worn out or obsolete equipment,

furniture, furnishings and signs.

<PAGE>

(4)you will not make any material alterations to the Premises, or to the

appearance of the Restaurant as originally developed, except as required by

applicable real estate codes, local authorities or landlords, without our

prior written approval, which approval shall not be unreasonably withheld;

(5)we have the right to require that you remodel, redecorate, re-equip,

modernize and refurnish in a non-structural manner the Premises and the

Restaurant not more than once in any five (5) year period and only after fifty

percent (50%) of the Company-operated restaurants in the Friendly's Restaurant

system have been so remodeled, redecorated, re-equipped or modernized, to

reflect any changes in Friendly's Restaurants that we prescribe as our

then-current standards and specifications. You understand that such remodeling,

redecorating, re-equipping, modernization or refurnishing may require a

substantial investment on your part and that we cannot make any guarantee of any

particular return on that investment. We have the right to approve the layouts,

designs, and new equipment, furniture and furnishings you use in any remodeling,

redecorating and re-equipping, such approval not to be unreasonably withheld;

and

(6)you will place or display at the Premises (interior and exterior) only

such signs, emblems, lettering, logos and display and advertising materials that

we from time to time approve, such approval not to be unreasonably withheld.

B. Restaurant Menu

You agree that the Restaurant will offer for sale all food and beverage

products and services that we from time to time require. You agree that the

Restaurant will sell only products that we have approved. You agree that the

Restaurant will not sell any Products to any person for resale to any third

person. The Restaurant must not offer for sale or sell at the Premises or any

other location any unapproved products, or use the Premises for any purpose

other than the operation of the Restaurant.

<PAGE>

We have the right to approve the Restaurant's offering of Products or

services on a test basis, which approval we may condition in any reasonable

manner. We will have the right to stop the test at any time after its

commencement, upon reasonable notice.

C. Approved Products, Distributors and Suppliers

The reputation and goodwill of Friendly's Restaurants is based upon, and

can be maintained only by, the sale of distinctive, high quality food products

and beverages and the presentation, packaging, service and delivery of such

products in an efficient and appealing manner. We have developed various

proprietary products which are prepared by or for us according to our

proprietary and secret recipes and formulas. We have developed standards and

specifications for food products, ingredients, seasonings, mixes, beverages,

materials and supplies incorporated in or used in the preparation, cooking,

serving, packaging and delivery of prepared food products authorized for sale at

Friendly's Restaurants. We have and will periodically approve suppliers and

distributors of the foregoing products that meet our standards and requirements,

including, without limitation, standards and requirements relating to product

quality, prices, consistency, reliability, financial capability, labor relations

and customer relations. You agree that for use in the Restaurant you will:

(1)purchase our proprietary ice cream, frozen yogurt and other frozen

desserts and related toppings, muffin and other mixes and batters, and other

products developed by us from time to time pursuant to secret recipes or

formulas, only from us or a third party licensed by us to prepare and sell such

products; and

<PAGE>

(2)purchase all other food products, ingredients, seasonings, mixes,

beverages, materials and supplies used in the preparation of Products; menus,

paper, glassware, china and plastic products; packaging or other materials,

utensils and uniforms that meet our standards and specifications from suppliers

we have approved.

You must at all times maintain an inventory of approved food products,

beverages, ingredients and other products sufficient in quantity and variety to

realize the full potential of the Restaurant.

We may approve a single distributor or other supplier for any Product and

may approve a distributor or other supplier only as to certain of the Products.

We may concentrate purchases with one (1) or more distributors or suppliers to

obtain lower prices and/or the best advertising support and/or services for any

group of Friendly's Restaurants we license and/or operate. Approval of a

distributor or other supplier may be conditioned on requirements relating to the

frequency and delivery, standards of service, including prompt attention to

complaints or other criteria, and concentration of purchases, as set forth

above, and may be temporary, pending our further evaluation of such distributor

or other supplier.

Notwithstanding the above, you have the right to request our approval of

alternative suppliers or distributors and we will consider alternative suppliers

and distributors. Our evaluation of prospective suppliers and/or distributors

will be conditioned upon payment of our reasonable evaluation costs of their

products and/or services. You agree to notify us and submit to us all

information, specifications and samples that we request if you propose

<PAGE>

to purchase any food products, mixes, seasonings, beverages, menus, paper,

glassware, china or plastic products, packaging, uniforms or other materials or

utensils from a distributor or other supplier who has not been previously

approved by us. We will notify you within a reasonable time whether you are

authorized to purchase such products from such distributor or other supplier.

We may, from time to time, conduct market research and testing to determine

consumer trends and the marketability of new food products and services. You

agree to cooperate and assist us by participating in our consumer surveys and

market research programs, test marketing new food products and services in the

Restaurant and providing us with timely reports and other relevant information

regarding such customer surveys and market research.

You may from time to time conduct your own market research and testing to

determine consumer trends and the marketability in your Trade Area of new food

products or services. Prior to undertaking such market research or testing, you

agree to provide us with written notice no less than thirty (30) days prior to

the commencement of such research or testing for our approval of such research

or testing, which approval shall not be unreasonably withheld.

<PAGE>

D. Specifications, Standards and Procedures

You acknowledge that the operation of the Restaurant in compliance with our

high standards is important to us and all other Friendly's Restaurant licensees.

You agree to cooperate with us by maintaining our high standards in the

operation of the Restaurant. You further agree to comply with all mandatory

specifications, standards and operating procedures relating to appearance,

function, cleanliness, sanitation, safety, business hours, delivery services,

new Products, purchasing or leasing new or different equipment for preparation

and sale of new Products, compliance with the decor, format and image, including

equipment, furniture, fixtures and signage, of a Friendly's Restaurant.

Mandatory specifications, standards and operating procedures we prescribe

from time to time in the Operations Manual, or otherwise communicate to you in

writing, will constitute provisions of this Agreement as if fully set forth in

this Agreement unless such provisions conflict with applicable laws or local

ordinances. All references to this Agreement include all such mandatory

specifications, standards and operating procedures. You agree that the

Restaurant will conduct business in the ordinary course seven days a week

(excluding holidays we specify if any) and 17 hours a day, except as we may

otherwise authorize in writing. You acknowledge that approved restaurant hours

may vary from one location to another depending on conditions in the market

where the restaurant is located.

<PAGE>

E. Compliance with Laws and Good Business Practices

You agree to secure and maintain in force in your name all required

licenses, permits and certificates relating to the operation of the Restaurant.

You further agree to operate the Restaurant in full compliance with all

applicable laws, ordinances and regulations, including, without limitation, all

government regulations relating to health and sanitation, workers' compensation

insurance, unemployment insurance and withholding and payment of federal, state

and local income taxes, social security taxes and sales taxes. All of your

advertising must conform to applicable legal standards, be in good taste in our

reasonable judgment and conform to the highest standards of ethical advertising.

You agree that in all dealings with us, your customers, suppliers and public

officials, you will adhere to the highest standards of honesty, integrity, fair

dealing and ethical conduct. You agree to refrain from any business or

advertising practice which may be injurious to our business or to the goodwill

associated with the Marks and other Friendly's Restaurants.

You agree to notify us, by telephone within seventy-two (72) hours followed

within five (5) days by written notification, including copies of any pleadings

or process received of: (i) the commencement of any action, suit or proceeding

relative to the Restaurant; (ii) the issuance of any order, writ, injunction,

award or decree of any court, agency or other governmental instrumentality which

may adversely affect the operation or financial condition of the Restaurant; and

(iii) any notice of violation of any law, ordinance or regulation relating to

health or safety. You agree that you will not accept service of process for us

and on our behalf.

<PAGE>

F. Management and Personnel of the Restaurant

You agree that at all times you will (i) employ on terms reasonably

satisfactory to us a General Manager who shall have principal operational

responsibility for the Restaurant and who shall have such qualifications

and experience as we shall reasonably require and who shall have completed our

training program and (ii) employ on a full-time basis a Manager and an Assistant

Manager, each of whom has completed our training program (collectively, the

General Manager and Manager and Assistant Manager are referred to as "Restaurant

Managers"). The Restaurant shall during all business hours be under the direct

on-premises supervision of a Restaurant Manager. You agree to hire all

employees to maintain a neat and clean appearance and to conform to the

standards of dress and/or uniforms that we specify from time to time for

Friendly's Restaurants. You shall not recruit or hire any of our employees or

any employees of any Friendly's Restaurant operated by us or by a Friendly

Restaurant licensee without obtaining our prior written permission or the prior

written permission of the other licensee unless six months have expired since

such employee's termination of employment with us or the licensee.

G. Insurance

During the term of the Franchise, you agree to comply with all insurance

requirements related to the Restaurant's lease or mortgage and to maintain in

force at all times, under policies of insurance issued by carriers we have

approved:

(1)employer's liability and workers' compensation insurance as prescribed

by applicable law;

<PAGE>

(2)comprehensive general liability insurance (with products, completed

operations and contractual liability and independent contractors and escalators

coverage) and comprehensive motor vehicle liability insurance (for owned and

non-owned vehicles) against claims for bodily and personal injury, death and

property damage caused by or occurring in conjunction with the operation of the

Restaurant (or otherwise in conjunction with your conduct of business pursuant

to this Franchise) under one (1) or more policies of insurance, each on an

occurrence basis, with single-limit coverage for personal and bodily injury,

death and property damage of at least one million dollars ($1,000,000.00) (or

such other amount as we may reasonably require), with no less than a five

million dollar ($5,000,000.00) umbrella liability policy in force;

(3)All-risk building and contents insurance including flood and earthquake,

vandalism and theft insurance for the replacement value of the Restaurant and

its contents;

(4)business interruption insurance for a period adequate to reestablish

normal business operations; and

(5)builders' risk insurance on a completed value non-reporting basis during

the period of any remodeling of the Restaurant.

We may periodically increase the amounts of insurance you will be required

to maintain, and we may require different or additional kinds of insurance at

any time, including excess liability insurance, to reflect inflation,

identification of new risks, changes in law or standards of liability, higher

damage awards, or other relevant changes in circumstances. Each insurance

policy must name us as an additional insured and must provide for thirty (30)

days' prior written notice to us of any material modification, cancellation,

termination or expiration of such policy.

<PAGE>

Prior to the expiration of the term of each insurance policy, you agree to

furnish us with a certificate of insurance or with a certified copy of each

renewal or replacement insurance policy you will maintain for the immediately

following term and evidence of the payment of the premium for the insurance

policy. If you fail or refuse to maintain required insurance coverage, or to

furnish satisfactory evidence of required insurance coverage and payment of the

premiums we, at our option and in addition to our other rights and remedies

under this Agreement, may obtain the required insurance coverage on your behalf.

You must cooperate fully with us in our effort to obtain such insurance

policies, promptly execute all forms or instruments required to obtain or

maintain such insurance and pay to us, on demand any costs and premiums we

incur.

Your obligations to maintain insurance coverage as described above will not

be affected in any manner by reason of any separate insurance we maintain, nor

will the maintenance of insurance relieve you of any obligation under Section 5

of this Agreement.

9. MARKETING

A. By Company

You agree that because of the value of advertising to the goodwill and

public image of Friendly's Restaurants, we may maintain and administer a

marketing fund (the "Marketing Fund") for the marketing program that we

deem necessary or appropriate, in our sole discretion. You agree to contribute

to the Marketing Fund three percent (3%) of Gross Sales

<PAGE>

of the Restaurant calculated in the same manner as, and payable monthly together

with, the royalty fees due under this Agreement.

You agree that we will direct all marketing programs financed by the

Marketing Fund, and we will have sole discretion over the creative concepts,

materials and endorsements used in the programs, and the geographic, market and

media placement and allocation of the programs. You agree that the Marketing

Fund may be used to pay the costs of preparing and producing video, audio and

written advertising materials; administering multi-regional advertising

programs, including, without limitation, purchasing direct mail and other media

advertising, and employing advertising agencies to assist therewith; supporting

public relations, market research, and menu development; and other advertising

and marketing activities that we, in our sole discretion, deem appropriate.

The Marketing Fund will be accounted for separately from our other funds

and will not be used to defray any of our general operating expenses, except for

such reasonable salaries, administrative costs and overhead as we may incur in

activities reasonably related to the administration of the Marketing Fund and

its marketing programs including, without limitations, conducting market

research and menu development, preparing advertising and marketing materials,

and collecting and accounting for contributions to the Marketing Fund

(including, but not limited to, attorneys' and accountants' fees and other

expenses of litigation). You agree that we may spend in any fiscal year an

amount greater or less than the aggregate contribution of all Friendly's

Restaurants to the Marketing Fund in that year

<PAGE>

and the Marketing Fund may borrow from us or from other lenders to cover

deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus

for future use by the Marketing Fund. You authorize us to collect for the

Marketing Fund any advertising or promotional monies or credits offered by any

supplier based upon your purchases. All interest earned on monies contributed

to the Marketing Fund will be used to pay the expenses of the Marketing Fund

incurred in advertising and promotion, including the reasonable administrative

expenses related thereto before other assets of the Marketing Fund are expended.

We will prepare an annual statement of monies collected and costs incurred by

the Marketing Fund within one hundred twenty (120) days after the end of our

fiscal year and will furnish this statement to you upon your written request.

We have the right to cause the Marketing Fund to be incorporated or operated

through a separate entity at such time as we deem appropriate, and if we do so,

that entity will have all of our rights and duties pursuant to this Section 9A.

You understand and acknowledge that the Marketing Fund is intended to

enhance recognition of the Marks and patronage of Friendly's Restaurants and

Friendly's proprietary branded products. Although we will endeavor to utilize

the Marketing Fund to develop advertising and marketing materials and programs,

and to place advertising that will benefit all Friendly's Restaurants, we

undertake no obligation to ensure that expenditures by the Marketing Fund in or

affecting any geographic area are proportionate or equivalent to the

contributions to the Marketing Fund by Friendly's Restaurants operating in that

geographic area or that any Friendly's Restaurant will benefit directly or in

proportion to the

<PAGE>

contributions to the Marketing Fund from the development of advertising and

marketing materials or the placement of advertising. Except as expressly

provided in this Section 9A, we assume no direct or indirect liability or

obligation to you with respect to our maintenance, direction or administration

of the Marketing Fund. You acknowledge that we have the right, and you hereby

authorize us, to settle or otherwise compromise all disputes with regard to the

Marketing Fund.

B. By Franchisee

Until such time as a Cooperative Marketing Fund is established and funded,

you agree we may expend the marketing contribution less administrative expenses

not to exceed one-half percent (1/2%) required in Section 9A in your DMA in

accordance with marketing plans reviewed and approved by Friendly's. Samples of

any advertising and promotional material we have not prepared or previously

approved must be submitted to us for approval prior to your use. You may not

use any advertising or promotional materials that we have not approved or which

we have disapproved. You agree to cooperate in the development of a Cooperative

Marketing Fund and to coordinate any local or DMA advertising with Friendly's.

Local advertising programs approved by Friendly's will be paid for or credited

against the three percent (3%) marketing expenditure required hereunder at the

option of Friendly's.

<PAGE>

C. By Cooperative

Unless your franchise is granted pursuant to a Development Agreement for an

exclusive territory covering an entire DMA, Friendly's reserves the right to

form and you agree to join a cooperative marketing fund organized on a regional

basis. Each franchisee within the affected region may contribute up to two

percent (2%) of its Gross Sales to the cooperative marketing fund in addition to

the marketing and advertising expense obligations under Section 9A and 9B of

this Agreement. Each company operated restaurant within the region of the

cooperative marketing fund shall likewise be required to contribute to the

cooperative fund on a per restaurant basis equal to the franchisee's percentage

of the Gross Sales contribution. Each franchised and company operated

restaurant contributing to the cooperative shall have one (1) vote per

restaurant in determining how the cooperative will apply the funds of such

cooperative.

10. REPORTS, FINANCIAL STATEMENTS AND FINANCIAL CONDITION

Unless otherwise agreed to by us in writing, you agree to adopt the

Company's financial and operational reporting chart of accounts format, as set

forth in the Operations Manual or otherwise furnished to you, which may be

amended from time to time. You also agree to maintain accurate books of

account, governmental reports, register tapes, guest checks, daily reports and

complete copies of all federal and state income tax returns, property and sales

and use tax returns. Such records, reports and returns must be preserved

<PAGE>

for such periods of time as are reasonably specified by us from time to time in

the Operations Manual or otherwise but not less than the minimum time prescribed

by applicable law.

With respect to the operation and financial condition of the Restaurant,

you agree to furnish us, in the form we from time to time prescribe:

(1)by the tenth (10th) day of each month for the preceding calendar month,

a report of the Gross Sales of the Restaurant, other revenues generated at the

Restaurant and other information which we may reasonably request that may be

useful in connection with our marketing and other legitimate functions. This

report must also include a statement computing amounts then due for royalty fees

and Marketing Fund contributions and be certified by you or by your chief

executive or financial officer;

(2)by the twentieth (20th) day of each month for the preceding calendar

month, a profit and loss statement for the Restaurant and be certified by you or

by your chief executive or financial officer;

(3)upon our request, such other data, information and supporting records

for such periods as we from time to time reasonably require; and

(4)within one hundred twenty (120) days after the end of your fiscal year,

a fiscal year-end balance sheet, income statement and statement of changes in

financial position (cash flow) of the Restaurant for such fiscal year,

reflecting all year-end adjustments (audited if available) and a statement of

annual Gross Sales certifying that your Gross Sales for the immediately

preceding fiscal year have been calculated and reported in compliance with the

terms of this Agreement, each of which shall be certified by you or by your

chief executive or financial officer.

If at any time you are delinquent in the payment of any amount owed to us

or our affiliates, you agree: (1) upon our request, to furnish us income

statements and balance sheets for such periods and as of such dates and all in

such detail as we may request, for

<PAGE>

you and each entity affiliated with you, whether or not such entity conducts any

business with the Restaurant, (2) that we may directly contact any lender,

lessor, supplier or vendor for the purpose of obtaining information relating to

the Restaurant and any lease or financial arrangements and you hereby authorize

such persons to disclose all such information to us and, if you are an entity,

you agree that we may contact any of your officers, directors, shareholders or

partners for any purpose reasonably related to your undertakings contained in

this Agreement and (3) to furnish, at our request, books of account,

governmental reports, register tapes, guest checks, daily reports and complete

copies of federal and state income tax returns, property and sales and use tax

returns.

11. INSPECTIONS AND AUDITS

A. Company's Rights to Inspect the Restaurant

To determine whether you and the Restaurant are complying with this

Agreement, and with specifications, standards and operating procedures we

prescribe for the operation of Friendly's Restaurants, we or our agents will

have the right, at any reasonable time, to:

(1)inspect the Restaurant and the Premises;

(2)observe and video tape the operations of the Restaurant for such

consecutive or intermittent periods as we deem necessary;

(3)remove, in reasonable quantities, samples of any food and beverage

product, material or other products for testing and analysis;

(4)interview personnel of the Restaurant;

(5) interview customers of the Restaurant; and

(6)inspect and copy any books, records and documents relating to the

operation of the Restaurant.

<PAGE>

You agree to fully cooperate with us in connection with any such

inspections, observations, video taping, product removal and interviews. You

agree to present to your customers any evaluation forms we periodically

prescribe and to participate and/or request your customers to participate in any

surveys performed by us or on our behalf.

B. Company's Right to Audit

We have the right at any time during the business hours, and without prior

notice to you, to inspect and audit, or cause to be inspected and audited, the

business records of the Restaurant and the books and records and tax returns of

any entity which holds the Franchise granted under this Agreement. You must

fully cooperate with our representatives and any independent accountants that we

hire to conduct any such inspection or audit. If any such inspection or audit

discloses an understatement of the Gross Sales of the Restaurant, you agree to

pay to us, within fifteen (15) days after receipt of the inspection or audit

report, the royalty fees and Marketing Fund contributions due on the amount of

such understatement, plus interest (at the rate and on the terms provided in

Section 7D of this Agreement) from the date originally due until the date of

payment. Further, in the event such inspection or audit is made necessary

due to your failure to furnish us with reports, supporting records, other

information or financial statements, as required by this Agreement, or to

furnish such reports, records, information or financial statements on a timely

basis, or if an understatement of Gross Sales for the period of any audit is

determined by any such audit or inspection to be greater that two percent

(2%), you agree to reimburse us promptly upon notice for the cost of the

inspection or audit, including, without limitation, the charges

<PAGE>

of attorneys and independent accountants, and the reasonable travel, lodging and

meal expenses and applicable per diem charges for our employees. The forgoing

rights will be in addition to all other remedies and rights that we may have

under this Agreement or under applicable law.

12. TRANSFER OF FRANCHISE

A. By Company

This Agreement is fully transferable by us and will inure to the benefit of

any transferee or other legal successor to our interests in this Agreement.

B. Franchisee May Not Transfer Without Approval of Company

The rights and duties created by this Agreement are personal to you. We

have granted the Franchise to you in reliance upon the individual and collective

character, skill, aptitude, attitude, and business ability of the persons who

will be engaged in the ownership and management of the Restaurant, your

financial capacity and the representations and warranties made to us in the

application and the Commitment Agreement, if applicable, and the

representations, warranties and covenants contained in this Agreement.

Accordingly, neither this Agreement nor the Franchise (or any interest therein),

nor any part or all of the ownership of Franchisee (if an entity) or the

Restaurant (or any interest therein), may be transferred, directly or

indirectly, except by operation of legal merger with your corporate parent or

other affiliate (subject to the successor merged entity having a net worth equal

to the net worth of the Franchisee and corporate parent on the effective date

hereof) without

<PAGE>

our prior written approval, and any attempted transfer without our prior written

approval will constitute a breach of this Agreement and convey no rights to or

interests in this Agreement or the Franchise. As used in this Agreement the

term "transfer" means and includes the voluntary, involuntary, direct or

indirect assignment, sale, gift, pledge, grant of security interest or other

transfer by you of any interest in: (i) this Agreement or any related agreement

between you and us; (ii) the Franchise; (iii) the Franchisee; (iv) the

Restaurant or (v) the Premises. This Section 12B shall not apply to any

interest in the Restaurant or the Premises conditionally transferred to any bona

fide lender as collateral security for any loans to you or to any financing or

refinancing structured as a sale-leaseback, provided that upon the sale of the

Restaurant, it is simultaneously leased back pursuant to a Lease Agreement which

is subject to our rights under this Agreement.

C. Right of First Refusal

If at any time during the term of this Agreement and for a period of one

(1) year thereafter, any interest in this Agreement or the Franchise is proposed

to be sold, the seller shall obtain a bona fide, executed, written offer from a

responsible and fully disclosed purchaser and shall submit an exact copy of such

offer to us along with any other information that we may reasonably request to

evaluate the offer and the identity of the proposed purchaser shall be disclosed

to us. We shall have the right, exercisable by written notice delivered to you

within thirty (30) days after the date of delivery of an exact copy of such

offer and all requested information to us, to purchase such interest for the

price and on the terms and conditions contained in such offer. Regardless of

the terms of the offer,

<PAGE>

we may, in our discretion, structure the transaction as an asset purchase,

rather than a stock purchase and to substitute cash for securities or other

property as consideration. If less than the entire interest in this Agreement

or the Franchise is proposed to be sold, we shall have the right to purchase the

entire interest for a price equal to the proposed price plus a pro-rata

increase based on the value of the interest to be purchased. Our credit shall

be deemed equal to the credit of any proposed purchaser and we shall have not

less than ninety (90) days to prepare for closing. We shall be entitled to all

representations and warranties given by the seller to the proposed buyer. We

shall not be obligated to pay any finder's or broker's fee or commission.

If we do not exercise our right of first refusal, the sale or other

transfer may be completed pursuant to and on the terms of such offer, subject to

our approval of the transfer as otherwise provided in this Agreement; provided,

however, that if the proposed sale or other transfer is not completed within one

hundred eighty (180) days after delivery of such offer to us, or if there is

any change in the terms of the proposed transaction, we shall have an additional

right of first refusal for an additional thirty (30) days.

Our right of first refusal shall not apply to the sale or transfer of an

interest in this Agreement or the Franchise, to a member of Franchisee's

immediate family or, if Franchisee is an entity, between or among the owners of

Franchisee or their affiliates provided that such transfer is otherwise

permissible under this Agreement.

<PAGE>

D. Conditions for Approval of Transfer

The proposed transferee and its owners (if the proposed transferee is an

entity) must meet our then applicable standards for Friendly's Restaurant

licensees. In addition, if the transfer is one of a series of transfers which

in the aggregate constitute the transfer of the Franchise, all of the following

conditions must also be met prior to, or concurrently with, the effective date

of the transfer:

(1)the transferee must have sufficient business experience, aptitude and

financial resources to operate the Restaurant;

(2)prior to the effective date of the transfer, you or the transferee must

pay all royalty fees, Marketing Fund contributions and all other amounts owed to

us or our subsidiaries and affiliates, which are then due and unpaid, and cure

all defaults under this Agreement or any other agreement between you and us to

our satisfaction (or make provision for their cure satisfactory to us);

(3)the transferee and its management personnel must have completed our

training program to our satisfaction;

(4)the transferee must apply for a new license agreement in accordance with

our then current standards for a term equal to the remaining term of this

Agreement or for a full term. If the application is approved, we and the

transferee will enter into a commitment agreement to govern the operation of the

Restaurant until commencement of the new license agreement, provided that the

transferee upgrades and modernizes the Restaurant to our then-current standards

and meets the other requirements of the commitment agreement;

(5)you or the transferee must pay us the then current transfer fee to

defray expenses incurred by us in connection with the transfer;

(6)you, and if you are an entity (and have signed the Entity Addendum (the

"Entity Addendum")), your owners, officers and directors must execute a general

release, in a form satisfactory to us, of any and all existing claims against

us, our subsidiaries and affiliates, and our and their officers, directors,

partners, employees and agents;

<PAGE>

(7)we must approve the material terms and conditions of such transfer,

including, without limitation, our determination that the price and terms of

payment are not so burdensome as to adversely affect the subsequent operation or

financial results of the Restaurant;

(8)you and any guarantors must execute a non-competition covenant in favor

of us and the transferee, containing the terms contained in Section 16A;

(9)the lessor and lender, if any, of the Premises must give you its or

their advance written consent to the transfer of the Premises, if required, and

you must provide us with a copy of such consent; and

(10)you and any guarantors must guarantee the transferee's financial

obligations to us in its commitment agreement and license agreement for two

years from the date of transfer.

If the proposed transfer is to or among owners of you, subsection (5) of

the above requirements shall not apply.

E. Transfer to a Wholly-owned Entity

If you are in full compliance with this Agreement, we will not unreasonably

withhold our approval of a transfer to an entity which conducts no business

other than the Restaurant (or other Friendly's Restaurants), which is actually

managed by you and in which you maintain management control and own and control

one hundred percent (100%) of the equity and voting power of all issued and

outstanding securities, provided that you (i) guarantee, in accordance with our

then current form, the performance of such transferee's obligations under this

Agreement, and (ii) execute our current form of Entity Addendum. Transfers of

interests in such entity will be subject to the other provisions of this Section

12.

<PAGE>

F. Effect of Consent to Transfer

Our consent to a transfer of this Agreement, the Franchise, the Restaurant

or an interest in you will not constitute a waiver of any claims we may have

against you (or your owners if you are an entity), nor shall it be deemed a

waiver of our right to demand exact compliance with any of the terms or

conditions of this Agreement by the transferee.

13. CONDEMNATION AND CASUALTY

You must give us immediate notice in writing of any proposed taking of the

Restaurant or the Premises by eminent domain. If we agree that the Restaurant

or the Premises (or substantial parts thereof) will be taken, we will give due

and prompt consideration to transferring the License to a nearby location which

you select within two (2) months of the taking. If we approve the location and

authorize the transfer, and if you open a new restaurant at such location in

accordance with our specifications within eighteen (18) months if the new

restaurant does not have a drive-thru, or if the new restaurant does have a

drive-thru, within two (2) years of the closing of the Restaurant, the new

restaurant will henceforth be deemed to be the Restaurant under this Agreement.

If a condemnation takes place and the new restaurant does not, for whatever

reason, become the Restaurant under this Agreement in strict accordance with

this Section 13 (or if it is reasonably evident that such will be the case), the

Franchise and this Agreement will terminate as provided for in Section 14.

<PAGE>

If the Restaurant is damaged by fire or other casualty, you will

expeditiously repair the damage. If the damage or repair requires closing the

Restaurant, you will immediately notify us, will repair or rebuild the

Restaurant in accordance with our standards, will commence reconstruction within

four (4) months after closing, and will reopen the Restaurant for continuous

business operations as soon as practicable but in no event later than twelve

(12) months after closing of the Restaurant, giving us ample advance written

notice of the date of reopening. If the Restaurant is not reopened in

accordance with this Section 13, the Franchise and this Agreement will terminate

as prescribed in Section 14.

Nothing in this Section 13 will extend the term of this Agreement but you

will not be required to pay us any royalty fee or Marketing Fund contribution

payments for periods during which the Restaurant is closed by reason of

condemnation or casualty.

14. TERMINATION OF THE FRANCHISE

A. Unless cured to our satisfaction, this Agreement shall terminate 30

days from the date notice is given to you in accordance with Section 19, if you

or any guarantor:

(1)fail to report accurately the Gross Sales of the Restaurant or fail to

make payments of any amounts due to us for royalty fees, Marketing Fund

contributions, or any other amounts due to us, our affiliates or our

subsidiaries;

(2)fail to comply with any other provision of this Agreement or any

mandatory specification, standard or operating procedure we prescribe, unless

such failure cannot reasonably be corrected within such thirty (30) day period

and you undertake within ten (10) days after such written notice is delivered to

you, and continue, efforts to bring the

<PAGE>

Restaurant and the Premises into full compliance, and furnish proof acceptable

to us of such efforts and the date by which full compliance will be achieved;

(3)you or any person controlling you, controlled by you, or under common

control with you is in default of any other agreement with us (for purposes of

this clause control means the ownership by a person or entity, directly or

indirectly, of ten percent (10%) or more of another person or entity or the

power to affect the policies of another person or entity);

(4)in our good faith reasonable judgment, fail to use your reasonable

efforts employ on a full time basis qualified Restaurant Managers with

qualifications and experience acceptable to us.

(5)if you violate the Continuous Operation covenant set forth in Section

1B(3) of this Agreement, or there are three (3) or more breaches of any duration

during any twelve-month period.

B. Unless we have notified you in writing to the contrary after

discovering the relevant facts, this Agreement will terminate automatically and

immediately without further action by us or notice to you, if you:

(1)become insolvent or are unable to pay your or their debts as they mature

or make an assignment for the benefit of creditors or an admission of inability

to pay obligations as they become due or file a voluntary petition in bankruptcy

or any pleading seeking any reorganization, liquidation, dissolution or

composition or other settlement with creditors under any law, or admit or fail

to contest the material allegations of any such pleading filed against you, or

are adjudicated a bankrupt or insolvent or a receiver or other custodian is

appointed for a substantial part of your assets or the Restaurant or a final

judgment remains unsatisfied or of record for ninety (90) days or longer (unless

a supersedeas bond is filed), or if execution is levied against any substantial

part of your assets or a tax levy is made, or suit to foreclose any lien or

mortgage against you or the Restaurant is instituted and is not dismissed within

ninety (90) days, or if a substantial part of your real or personal property is

sold after levy of judgment thereupon by any sheriff, marshal or constable, or

the claims of your creditors are abated or subject to a moratorium under any

law;

<PAGE>

(2)except as provided in Section 13, discontinue operating the Restaurant

as a Friendly's Restaurant, or abandon, surrender or transfer control of the

Restaurant without our prior approval;

(3)have made any material misrepresentation or omission in the application

for the Franchise or in the Commitment Agreement or in this Agreement or in any

other material submitted to us on which we have relied in determining whether to

grant you the Franchise.

(4)are, or are discovered to have been, convicted of or plead no contest to

a felony, or other crime or offense that is likely to have a material adverse

effect on your reputation or the reputation of the Company, the System, or the

Restaurant;

(5)make or attempt to make an unauthorized transfer in violation of Section

12;

(6)make any unauthorized use or disclosure of any Confidential Information

or any portion of the Operations Manual;

(7)lose the right to possession of the Premises or a substantial part

thereof, whether or not due to your fault, except as otherwise provided in

Section 13 of this Agreement regarding condemnation and casualty;

(8)take action toward dissolving or liquidating the entity owning the

Franchise, or any such action is taken against you, without providing us advance

written notice or complying with Section 12 of this Agreement;

(9)deny our representatives the right to enter and inspect the Restaurant

or to examine or audit its books and records pursuant to Section 11B of this

Agreement;

(10)make any unauthorized use of the Marks or contest in any court or

proceeding our ownership of the Marks or the System or any part thereof;

(11)fail on three (3) or more separate occasions, for which notices of

default were given, within any period of twelve (12) consecutive months to

comply with this Agreement whether or not such failures to comply are corrected

after notice of default is given, or fail on two (2) or more separate occasions,

for which notices of default were given,

<PAGE>

within any period of twelve (12) consecutive months to comply with the same

obligation under this Agreement whether or not such failures to comply are

corrected after notice of default is given;

(12)you breach a material obligation, representation or warranty contained

in this Agreement and such breach by its nature cannot be cured; or

(13)have made any material misrepresentation to us regarding your

organizational or financial structure of financial condition.

In any judicial proceeding in which the validity of termination is at

issue, we will not be limited to relying on the reasons for termination which

are set forth in any notice sent to you in accordance with this Section 14.

C. You may terminate this Agreement at any time by giving us at least

twelve (12) but not more than fifteen (15) months written notice.

D. Our rights to terminate this Agreement are in addition to all rights

or remedies available at law or in equity in case of any breach, failure or

default, or threatened breach, failure or default, all of which rights and

remedies shall be cumulative and not alternative.

15. DAMAGES

Except as otherwise provided in this Agreement, if this Agreement and the

Franchise granted hereby terminate under any of the provisions of Section 14 of

this Agreement, you agree to promptly pay us (as liquidated damages for the loss

of the benefit bargained for in this Agreement due to premature termination

only, and not as a penalty or as damages for breaching this Agreement or in lieu

of any other payment) a lump sum equal to the royalty

<PAGE>

fees and Marketing Fund contributions payable to us during the thirty-six (36)

calendar months immediately preceding the termination. In the event the

Restaurant shall not have been open for thirty-six (36) months prior to

termination, the monthly average of such payments during such shorter period

shall be multiplied by thirty-six (36) for purposes of this section.

In the event there are fewer than thirty-six (36) months remaining in the term

hereof, the amount that you agree to pay shall be equal to the number of months

remaining in the term of this Agreement multiplied by the average monthly

royalty fees and Marketing Fund contributions payable to us during the

thirty-six (36) months immediately preceding termination. In no event shall the

damages for the termination of this Agreement, if any, exceed the greater of the

liquidated damages set forth above or the actual damages proven by Friendly's.

If we are unable to determine the amount payable to us by you by reason of

your failure to submit some or all of your Gross Sales reports as required

pursuant to Section 10 of this Agreement, you agree that we may estimate the

Gross Sales of your Restaurant for the applicable periods described above for

the purpose of computing the amount payable to us by you under this Section 15.

<PAGE>

16.COVENANT NOT TO COMPETE; RIGHTS AND OBLIGATIONS OF COMPANY AND LICENSE UPON

TERMINATION OR EXPIRATION OF THE LICENSE

A. Covenant Not to Compete

You acknowledge and agree that we have invested a substantial amount of

time and money in developing the System, the Marks, and the Confidential

Information and that we would be unable to protect our System, the Marks,

Confidential Information and trade secrets against unauthorized use or

disclosure and would be unable to encourage a free exchange of ideas and

information among us or our licensees if prospective licensees or licensees were

permitted to hold interests in or perform services for any competing business

and that the following restrictions are reasonably required in order to protect

our information, marketing strategies, operating policies and other elements of

the System from unauthorized appropriation. Therefore, you agree that during

the term of this Agreement, you will not have any direct or indirect or

beneficial interest or perform services as an officer, director, manager,

employee or consultant or otherwise for or in any business which owns, operates,

licenses, franchises or develops any restaurant concept which both (i) has sit

down, table service, and (ii) is a mid-scale priced, family style restaurant,

coffee shop or ice cream/frozen yogurt shoppe (as defined by CREST operators

list as of June 1, 1997) including but not limited to Denny's Shoney's Big Boy,

Country Kitchen, Bob Evans, Cracker Barrel, IHOP, Village Inn, Waffle House,

Dairy Queen, Swensen's, Carvel, Baskin Robbins, TCBY or similar.

Notwithstanding the above, a restaurant concept which is a mid-scale priced

family style restaurant will be deemed competitive if frozen deserts comprise

five percent (5%) or more of the sales mix as measured on any six (6) month

basis. You further

<PAGE>

agree that for a period of two (2) years after the termination or expiration of

this Agreement, you and all of such persons will be subject to the same

restriction on competing activities within the trade area (the "Trade Area") of

the Restaurant or within the trade area (as reasonably determined by us) of any

Friendly's Restaurant operated currently by us or any other licensee of ours,

but in no event within a radius of three (3) miles from any such restaurant.

You and all of such persons also agree during such periods of time not to offer

to employ or employ any person who is then employed by us, our affiliates or any

other licensee. You acknowledge and agree that the Trade Area is an area equal

to a three (3) mile radius with its epicenter at the Restaurant.

You acknowledge that the determination of the Trade Area is based on many

factors, some of which are subjective, and that the Trade Area as described in

this Agreement is reasonable under the circumstances. The restrictions of this

Section shall not be applicable to the ownership of a Friendly's Restaurant

operated pursuant to a License Agreement with us, to the ownership of shares of

a class of securities listed on a stock exchange or traded on the

over-the-counter market that represent five percent (5%) or less of the number

of shares of that class of securities issued and outstanding, or to the

ownership or operation of any restaurant franchised by Wendy's International to

your corporate parent or affiliate.

<PAGE>

You further acknowledge that this Agreement does not confer any rights of

exclusivity on you with respect to your operation of a Friendly's Restaurant

within the Trade Area and will not prevent us from placing another Friendly's

Restaurant or other food service establishment within the Trade Area.

B. Payment of Amounts Owed to Company

You must pay to us within fifteen (15) days after the effective date of

termination or expiration of this Agreement, or such later date that the amounts

due to us are determined, all royalty fees, Marketing Fund contributions,

amounts owed for your purchases from us or our subsidiaries and affiliates,

predecessors, successors and assigns, interest due on any of the foregoing,

and all other amounts owed to us or our subsidiaries and affiliates under this

Agreement or otherwise.

C. Marks and System

You agree that immediately after the termination or expiration of this

Agreement, you will:

(1)not directly or indirectly at any time or in any manner identify

yourself or any business as a current or former Friendly's Restaurant, or as a

franchisee or licensee of, or as otherwise associated with us, or use any Mark

or any colorable imitation thereof in any manner or for any purpose, or utilize

for any purpose any trade name, trade or service mark or other commercial symbol

that suggests or indicates a connection or association with us;

(2)remove from the Premises, discontinue using for any purpose and return

to us (or with our consent, destroy) any and all signs, menus, fixtures,

furniture, furnishings, equipment, advertising, materials,

<PAGE>

stationary supplies, forms or other articles that display or contain any Mark or

that otherwise identify or relate to a Friendly's Restaurant;

(3)remove all Marks that are affixed to uniforms and/or, at our direction,

cease to use all uniforms that have been used in the Restaurant;

(4)take such action as may be required to cancel all fictitious or assumed

name or equivalent registrations relating to your use of any Mark;

(5)change the telephone number of the Restaurant and instruct all telephone

directory publishers to modify all telephone directory listings of the

Restaurant associated with any Marks when the directories are next published;

(6)take such action to alter the physical interior and exterior decor of

the Restaurant as will effectively de-identify and distinguish the Premises from

the System; and

(7)furnish to us, within thirty (30) days after the effective date of

termination or expiration, evidence satisfactory to us of your compliance with

the foregoing obligations.

In the event that you fail to take such actions as required above to our

satisfaction within the thirty (30) days to termination or expiration of this

Agreement, you grant us the right to enter the Premises to remove all items

bearing the Marks and take such actions as we deem necessary to de-identify the

Restaurant from the System without committing any trespass or incurring any

liability for such actions. You acknowledge and agree that you will be

responsible for all costs and expenses that we incur in taking such actions.

D. Confidential Information

You agree that upon termination or expiration of this Agreement, you will

immediately cease to use in any business or otherwise any of our Confidential

Information disclosed to, or otherwise learned or acquired by you, and that you

will return to us all

<PAGE>

copies of the Operations Manual and all other Confidential Information which we

have loaned or made available to you or which is otherwise in your possession.

You must also provide us with any and all supplies of our proprietary frozen

desserts and toppings for which you will be compensated at the lower of their

costs or market value.

E. Continuing Obligations

All obligations of the Company and Licensee which expressly or by their

nature survive the expiration or termination of this Agreement shall continue in

full force and effect subsequent to and notwithstanding its expiration or

termination and until they are satisfied in full or by their nature expire.

17. RENEWAL OF FRANCHISE

You understand that you have the conditional right to renew this Agreement

one time to operate the Restaurant in the System for twenty (20) years beyond

the expiration date provided for in this Agreement. However, if you desire to

obtain a new license upon the expiration of this Agreement, you must apply to us

for a new license agreement at least ninety (90) days, but not more than twelve

(12) months, before expiration of the term of this Agreement. Upon payment of a

renewal fee, which will not exceed our then standard initial license fee, we

will process your application in good faith and in accordance with our

procedures, criteria and requirements regarding upgrading of facilities, credit,

market feasibility and related criteria then being applied by us in issuing new

licenses to use the System. If you fulfill our upgrading and other

then-current requirements, we will grant you

<PAGE>

a new license in the form of agreement then in use by us. If you are granted a

new license, you (and if you are an entity, your owners) will be required to

execute a general release, in a form satisfactory to us, of any and all claims

against us and our subsidiaries, affiliates, partners, agents, employees,

representatives and servants, including claims arising under this Agreement and

federal, state and local laws, rules and regulations. If you are not granted a

new license, we will return the renewal fee less expenses incurred in processing

your application.

During the pendency of your application for the issuance of a new license,

royalty fees and Marketing Fund contributions will be paid at the rate specified

in this Agreement. Upon issuance of the new license agreement, fees must be

paid at the rates specified in the new license agreement, which may be greater

than the rates specified in this Agreement.

18. ENFORCEMENT

A. Severability and Substitution of Valid Provisions

Except as expressly provided to the contrary, each section, paragraph, term

and provision of this Agreement, and any portion thereof, shall be considered

severable and if, for any reason, any such provision of this Agreement is held

to be invalid, contrary to, or in conflict with any applicable present or future

law or regulation in a final, unappealable ruling issued by any court, agency or

tribunal with competent jurisdiction in a proceeding to which we are a party,

that ruling shall not impair the operation of, or have any other effect upon,

such other portions of this Agreement as may remain otherwise enforceable, all

<PAGE>

of which shall continue to be given full force and effect and bind the parties

to this Agreement, although any portion held to be invalid shall be deemed not

to be a part of this Agreement from the date the time for appeal expires, if you

are a party thereto, or otherwise upon your receipt of a notice of

non-enforcement thereof from us. To the extent that any provision of Section

12D(8) or Section 16A is deemed unenforceable by virtue of its scope in terms of

area, business activity prohibited and/or length of time, but could be made

enforceable by reducing any or all thereof, you and we agree that such

provisions shall be enforced to the fullest extent permissible under the laws

and public policies applied in the jurisdiction in which enforcement is sought.

If any applicable and binding law or rule of any jurisdiction requires a greater

prior notice of the termination of or refusal to renew this Agreement, than is

required in this Agreement, or if under any applicable and binding law or rule

of any jurisdiction, any provision of this Agreement or any specification,

standard or operating procedure we prescribe is invalid or unenforceable, the

prior notice and/or other action required by such law or rule shall be

substituted for the comparable provisions of this Agreement, and we will have

the right, in our sole discretion, to modify such invalid or unenforceable

provision, specification, standard or operating procedure to the extent required

to be valid and enforceable. You agree to be bound by any promise or covenant

imposing the maximum duty permitted by law which is contained within the terms

of any provision of this Agreement, as though it were separately articulated in

and made a part of this Agreement, that may result from striking from any of the

provisions of this Agreement, or any specification, standard or operating

procedure that we prescribe, any portion or portions which a court may hold to

be unenforceable in a final decision to which we are

<PAGE>

a party, or from reducing the scope of any promise or covenant to the extent

required to comply with such a court order. Such modifications to this

Agreement shall be effective only in such jurisdiction, unless we elect to give

them greater applicability, and shall be enforced as originally made and entered

into in all other jurisdictions.

B. Waiver of Obligations

You and we may by written instrument unilaterally waive or reduce any

obligation of or restriction upon the other under this Agreement, effective upon

delivery of written notice thereof to the other or such other effective date

stated in the notice of waiver. Any waiver granted by us shall be without

prejudice to any other rights we may have, will be subject to continuing review

by us, and may be revoked, in the good faith exercise of our sole discretion, at

any time and for any reason, effective upon delivery to you of ten (10) days'

prior written notice. You and we shall not be deemed to have waived or impaired

any right, power or option reserved by this Agreement (including, without

limitation, the right to demand strict compliance with every term, condition,

and covenant herein, or to declare any breach thereof to be default and to

terminate the License prior to the expiration of its term), by virtue of any

custom or practice of the parties at variance with the terms hereof; any

failure, refusal, or neglect by you or us to exercise any right under this

Agreement or to insist upon exact compliance by the other with its obligations

hereunder, including, without limitation, any mandatory specification, standard,

or operating procedure; any waiver, forbearance, delay, failure, or omission by

us to exercise any right, power, or

<PAGE>

option, whether of the same, similar or different nature, with respect to any

other Friendly's Restaurant; or the acceptance by us of any payments from you

after any breach by you of this Agreement.

C. Force Majeure

Neither you nor we shall be liable for loss or damage or deemed to be in

breach of this Agreement if a failure to perform particular obligations results

from: (i) transportation shortages, inadequate supply or unavailability from

the manufacturers or suppliers of equipment, merchandise, supplies, labor,

material, or energy, or the voluntary surrender of the right to acquire or

use any of the foregoing in order to accommodate or comply with the orders,

requests, regulations, recommendations, or instructions or any federal, state or

municipal government or any department or agency thereof; (ii) compliance with

any law, ruling, order, regulation, requirement or instruction of any federal,

state or municipal government or any department or agency thereof; (iii) acts

of God; (iv) fire, strikes, embargos, war or riot; or (v) any other similar

event or cause.

Any delay resulting from any of such causes shall extend the time for

performance or excuse performance, in whole or in party, as may be reasonable,

except that such causes shall not excuse payments of amounts owed at the time of

such occurrence or payment of any amounts due thereafter.

<PAGE>

D. Injunctive Relief

You agree that we will have the right to preliminary injunctive relief

to restrain any conduct by you in the development or operation of the Restaurant

that could materially damage the goodwill associated with the System, the Marks

and Friendly's Restaurants. You further agree that we will not be required to

post a bond to obtain injunctive relief.

E. Rights of Parties Are Cumulative

Your and our rights under this Agreement are cumulative and no exercise or

enforcement by you or us of any right or remedy hereunder shall preclude the

exercise or enforcement by you or either of us of any right or remedy hereunder

or which you or we are entitled by law to enforce.

F. Costs and Attorneys' Fees

In any proceeding by either party to enforce or interpret any provision of

this Agreement, or appeal thereof, the party prevailing in such proceeding shall

be entitled to reimbursement of its costs and expenses, including but not

limited to, reasonable accounting and attorneys' fees. Attorneys' fees shall

include, without limitation, reasonable legal and expert witness fees, cost of

investigation and proof of facts, court costs, other litigation expenses and

travel and living expenses, whether incurred prior to or in preparation for or

in contemplation of the filing of any written demand or claim, action, hearing

or proceeding. In any such proceeding involving more than one (1) allegation,

issue or provision of this

<PAGE>

Agreement under circumstances where neither party prevails on all allegations

or issues, the presiding court or other body may apportion costs and expenses

between the parties.

G. Governing Law

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 OR

OTHER FEDERAL LAW, THIS AGREEMENT AND THE LICENSE SHALL BE GOVERNED BY THE LAWS

OF THE STATE OF DELAWARE WITHOUT REGARD TO CONFLICT OF LAWS RULES.

H. Waiver of Punitive/Exemplary Damages:

Limitations of Actions

THE PARTIES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT

OR CLAIM TO ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT

IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF

ANY ACTUAL DAMAGES SUSTAINED. ANY AND ALL CLAIMS, EXCEPT CLAIMS FOR MONIES DUE

US OR OUR AFFILIATES, ARISING FROM OR RELATING TO THIS AGREEMENT OR THE

RELATIONSHIP AMONG THE PARTIES SHALL BE BARRED UNLESS AN ACTION OR LEGAL

PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE THE CLAIMANT KNEW OR

SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO SUCH CLAIMS.

<PAGE>

I. Venue and Jurisdiction

YOU AGREE THAT WE MAY INSTITUTE ANY ACTION AGAINST YOU TO ENFORCE THE

PROVISIONS OF THIS AGREEMENT IN ANY STATE OR FEDERAL COURT OF COMPETENT

JURISDICTION IN THE STATE OF DELAWARE AND YOU IRREVOCABLY SUBMIT TO THE

JURISDICTION AND VENUE OF SUCH COURTS AND WAIVE ANY OBJECTION YOU MAY HAVE TO

EITHER THE JURISDICTION OR VENUE OF SUCH COURTS. YOU AGREE THAT ANY ACTION

BROUGHT BY YOU TO ENFORCE ANY PROVISION OF THIS AGREEMENT WILL BE BROUGHT AND

MAINTAINED ONLY IN A STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE

STATE OF DELAWARE.

J. Waiver of Jury Trial

THE PARTIES HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION,

PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF

THEM.

K. Binding Effect

This Agreement is binding upon the parties hereto and their respective

executors, administrators, heirs, assigns and successors in interest, and shall

not be modified except by written agreement signed by both you and us.

<PAGE>

L. Interpretation

The preambles and exhibits are a part of this Agreement, which together

with the Commitment Agreement and the Development Agreement, if any, constitutes

the entire agreement of the parties, and there are no other oral or written

understandings or agreements between the Company and the Franchisee relating to

the subject matter of this Agreement except for the Commitment Agreement,

certain portions of which survive the execution and delivery of this Agreement.

In the event of a conflict between this Agreement and the Commitment Agreement

(if applicable), the provisions of this Agreement shall control. In the event

of a conflict between this Agreement and the Purchase and Sale Agreement or the

Development Agreement, the provisions of the Purchase and Sale Agreement shall

first control the interpretation, with the Development Agreement also

superseding this Agreement. This Agreement may be modified only by a writing

signed by both you and us. Nothing in this Agreement is intended, nor shall be

deemed, to confer any rights or remedies upon any person or legal entity not a

party hereto. Except where this Agreement expressly obligates the Company to

reasonably approve or not unreasonably withhold its approval of any action or

request of the Franchisee, the Company has the absolute right to refuse any

request by the Franchisee or to withhold its approval of any action or omission

by the Franchisee. The headings of the several sections and paragraphs hereof

are for convenience only and do not define, limit or construe the contents of

such sections or paragraphs. The term "attorneys' fees" shall include, without

limitation, reasonable legal fees, whether incurred prior to, in preparation

for or in contemplation of the filing of any written demand or claim, action,

hearing or proceeding, including appellate

<PAGE>

proceedings, to enforce the obligations of this Agreement. The term "family

member" as used herein refers to parents, spouses, offspring and siblings, and

the spouses of parents and siblings. The term "affiliate" as used herein means

any person or entity that directly or indirectly owns or controls, or is owned

or controlled by, or is under common ownership or control with, another person

or entity. References to a "controlling interest" in the Franchisee means

fifty-one (51%) or such lesser percentage that may have the power to control the

management and affairs of the Restaurant or the Licensee. The term "Franchisee"

as used herein is applicable to one (1) or more persons, a corporation or a

partnership or other entity, as the case may be, and the singular usage includes

the plural and the masculine and neuter usages include the other and the

feminine. If two or more persons are at any time the Franchisee hereunder,

whether or not as partners or joint venturers, their obligations and liabilities

to the Company shall be joint and several. This Agreement may be executed in

counterparts, each of which shall be deemed an original.

M. Time

Time is of the essence of this Agreement

19. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered

hereunder shall be deemed so delivered at the time delivered by hand, the day of

transmission by facsimile or other electronic system, one (1) business day after

being placed in the hands of a commercial courier service for overnight

delivery, or three (3) business days after placement

<PAGE>

in the United States Mail by Registered or Certified Mail, Return Receipt

Requested, postage prepaid and addressed to the party to be notified at its most

current principal business address of which the notifying party has been

notified. All payments and reports required by this Agreement shall be directed

to the Company at the address notified to the Franchisee from time to time, or

to such other persons and places as the Company may direct from time to time.

Any required payment or report not actually received by the Company during

regular business hours on the date due (or postmarked by postal authorities at

least two (2) days prior thereto) shall be deemed delinquent.

20. ACKNOWLEDGEMENTS

Contemporaneously with the execution of this Agreement, you have carefully

reviewed and executed the Disclosure Acknowledgement Statement attached and

incorporated into this Agreement as Exhibit A.

You acknowledge that, due to the length of time we have been granting

licenses to operate Friendly's Restaurants or other food service concepts using

the Marks, there is more than one form of license agreement in effect between us

and our various licensees and that such agreements contain provisions that may

be materially different from the provisions contained in this Agreement and that

you are not entitled to rely on any provision of any other such agreement,

whether to establish course of dealing, waiver, estoppel or for any other

purpose.

<PAGE>

IN WITNESS WHEREOF the parties hereto have executed and delivered this

Agreement as of the Agreement Date.

FRIENDLY'S RESTAURANTS FRANCHISEE:

FRANCHISE, INC.

By:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ By:

Its:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Its:

Business Contracts

[Asset Purchase](https://contracts.onecle.com/type/19.shtml)