

BAKER MICHAEL CORP
Form SC 13G/A
February 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934
Amendment No. 4

Michael Baker Corporation

(Name of Issuer)

Common Stock, \$1.00 par value

(Title of Class of Securities)

057149106

(CUSIP Number)

December 31, 2001

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

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CUSIP No. 057149106

13G

1. Name of Reporting Person
I.R.S. Identification No. of above Person

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Goldman Sachs Asset Management, a separate operating unit of
Goldman, Sachs & Co.

2. Check the Appropriate Box if a Member of a Group

(a)

(b)

3. SEC Use Only

4. Citizenship or Place of Organization

New York

5. Sole Voting Power

Number of 561,500

Shares

Beneficially

6. Shared Voting Power

0

Owned by

Each

7. Sole Dispositive Power

Reporting 561,500

Person

With:

8. Shared Dispositive Power

0

9. Aggregate Amount Beneficially Owned by Each Reporting Person

561,500

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares

11. Percent of Class Represented by Amount in Row (9)

8.0%

12. Type of Reporting Person

IA

- Item 4. Ownership.*
- (a). Amount beneficially owned:
See the response(s) to Item 9 on the attached cover page(s).
 - (b). Percent of Class:
See the response(s) to Item 11 on the attached cover page(s).
 - (c). Number of shares as to which such person has:
 - (i). Sole power to vote or to direct the vote: See the response(s) to Item 5 on the attached cover page(s).
 - (ii). Shared power to vote or to direct the vote: See the response(s) to Item 6 on the attached cover page(s).
 - (iii). Sole power to dispose or to direct the disposition of: See the response(s) to Item 7 on the attached cover page(s).
 - (iv). Shared power to dispose or to direct the disposition of: See the response(s) to Item 8 on the attached cover page(s).

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

* In accordance with Securities and Exchange Commission ("SEC") Release No. 34-39538 (January 12, 1998), this filing reflects the securities beneficially owned by the asset management unit of Goldman, Sachs & Co. (the "Asset Management Unit"). This filing does not reflect securities, if any, beneficially owned by any other operating unit of Goldman, Sachs & Co. The Asset Management Unit disclaims beneficial ownership of the securities beneficially owned by (i) any client accounts with respect to which it or its employees have voting or investment discretion, or both, and (ii) certain investment entities, of which its affiliate is the general partner, managing general partner or other manager, to the extent interests in such entities are held by persons other than the Asset Management Unit.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in

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this statement is true, complete and correct.

Date: February 14, 2002

GOLDMAN, SACHS & CO. on behalf of
Goldman Sachs Asset Management

By: /s/ Roger S. Begelman

Name: Roger S. Begelman
Title: Attorney-in-fact

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to those employees who, on or prior to December 31, 1999, had attained the age of 21 and had completed one thousand hours of service. A participant's annual retirement benefit under the Pension Plan at normal retirement age is calculated by multiplying the number of years of participation in the Pension Plan (not to exceed 35 years, and not including years after 1999 for highly compensated participants or years after 2004 for other participants) by the sum of one percent of the average Compensation (as defined below) paid during 60 consecutive calendar months chosen to produce the highest average through 1999 for highly compensated participants or through 2004 for other participants ("Average Compensation" for the purposes of this paragraph) plus an additional one-half of one percent of the Average Compensation in excess of the average Social Security wage base. Benefits payable cannot exceed 50% of the Average Compensation. Plan benefits are normally in the form of a life annuity or, if the retiree is married, a joint and survivor annuity. "Compensation" for the purpose of this paragraph generally consists of all remuneration paid by the employer to the employee for services rendered as reported or reportable on Form W-2 for federal income tax withholding purposes (including the amount of any year-end bonus paid), excluding reimbursements and other expense allowances, fringe benefits, moving expenses, deferred compensation and welfare benefits (such exclusions including, without limitation, severance pay, leadership retention payments, relocation allowance, gross-up pay to compensate for taxable reimbursements, hiring bonuses, cost of living differentials, special overseas premiums, compensation resulting from participation in, or cancellation of, stock option plans, contributions by the employer to the Pension Plan or any other benefits plan and imputed income resulting from the use of Company property or services). Compensation also includes employee elective contributions under a Section 401(k) plan maintained by the employer and salary reduction amounts under a Section 125 plan maintained by the employer. The funding of the Pension Plan is based on actuarial determinations. 18 Ancillary to the Pension Plan is a non-qualified plan for a select group of management and highly compensated employees that provides for benefits limited by the limits on benefits and compensation under the Code. "Compensation" and "Average Compensation" are defined in this ancillary plan the same way they are defined in the Pension Plan. Consequently, the accrual of all further benefits under the ancillary plan shall cease on and after December 31, 2004. Benefits payable under the ancillary plan are included in the table above. The maximum annual pension benefit payable under the Pension Plan for 2001 was \$140,000 (or, if greater, the participant's 1982 accrued benefit). Except for the accrual of certain non-qualified benefits as described herein, the Compensation included under the Pension Plan (including the ancillary non-qualified plan) generally corresponds with the annual compensation of the named executive officers in the Summary Compensation Table above. Includable Compensation for 2001 for Mss. Parish, Emplit and Traylor and Messrs. Marchioli, Green, Adamson, Hutchison, and Lyons was \$476,792, \$376,190, \$255,735, \$530,769, \$376,777, \$2,381,404, \$473,793 and \$392,528, respectively. As of December 31, 2001, the estimated credited years of service under the Advantica Pension Plan for Mss. Parish, Emplit and Traylor and Messrs. Marchioli, Green, Adamson, Hutchison and Lyons at normal retirement age was 6, 4, 5, 0, 4, 5, 5 and 4, respectively. Employees may retire as early as age 55 with five years of service. Employees with

age and service equaling or exceeding 85 and who are within five years of the normal retirement age will receive no reduction of accrued benefits. Employees who are at least 55 years of age with 15 years of service will receive a reduction of three percent in accrued benefits for the first five years prior to normal retirement date and six percent for the next five years. Accrued benefits for employees retiring with less than 15 years of service will be actuarially reduced. Retirement benefits are fully vested after a participant completes five years of service. EMPLOYMENT AGREEMENTS MARCHIOLI EMPLOYMENT AGREEMENT Mr. Marchioli and Advantica entered into an employment agreement (the "Marchioli Employment Agreement") effective February 5, 2001 (the "Agreement Effective Date") which provides that Advantica will employ Mr. Marchioli as President and Chief Executive Officer of Advantica and its wholly owned subsidiary Denny's, Inc. for a period of three (3) years from the Agreement Effective Date unless terminated earlier by reason of his death, permanent disability, voluntary termination or involuntary termination with or without cause. The Marchioli Employment Agreement prohibits Mr. Marchioli from soliciting for employment the employees of the Company or its affiliates and from engaging in certain competitive activities generally during his term of employment and for a period of one year after the later of the termination of his employment or the date on which the Company is no longer required to make certain termination benefits. The Marchioli Employment Agreement further prohibits Mr. Marchioli from using or disclosing certain "confidential" or "proprietary" information for purposes other than carrying out his duties with the Company. Under the Marchioli Employment Agreement, Mr. Marchioli is entitled to: (i) an annual base salary of \$600,000, (ii) an annual performance bonus at an annual rate of at least 75% of his annual base salary if the Company and Mr. Marchioli achieve budgeted financial and other performance targets which shall be established by the Compensation Committee, with the payment of the performance bonus for the year 2001 being guaranteed by the Company, (iii) a grant of an option (the "Marchioli Option") as of the Agreement Effective Date under the Advantica Stock Option Plan, to purchase, for a ten year period, 2,000,000 shares of the Common Stock (at an exercise price of \$1.03, the fair market value per share of the Common Stock on the Agreement Effective Date, with respect to 1,250,000 shares and \$2.00 per share with respect to the remaining 750,000 shares) which vests at a rate of 33 1/3% per year beginning on the first anniversary date of the grant and which becomes 100% vested in the event of (a) termination without cause in which case the option shall be exercisable for 36 months following the effective date of such termination, (b) a dissolution or liquidation of Advantica, (c) a sale of all or substantially all of Advantica's assets, (d) a merger or consolidation involving Advantica where Advantica is not a surviving corporation or where holders of the Common Stock receive securities or other property from another corporation, or (e) a tender offer for at least a majority of the outstanding Common Stock and (iv) a sign-on bonus within five 19 (5) days of the Agreement Effective Date in the amount of \$1,623,264. The Marchioli Employment Agreement entitles Mr. Marchioli to certain other privileges and benefits, including participation in all of the Company's benefit plans, generally applicable to the Company's executive officers. In addition to the compensation described above, under the terms of the Marchioli Employment Agreement the Company will pay or reimburse Mr. Marchioli for all normal and reasonable expenses he incurs during his employment term in connection with his responsibilities to the Company, including his travel expenses. Additionally, if Mr. Marchioli during his employment elects to relocate to Greenville/Spartanburg the Company will provide him with the full relocation benefits package applicable to Company executive officers, including the guaranteed buyout of his current primary residence in California. For the portion of his employment term which Mr. Marchioli elects not to relocate to Greenville/Spartanburg, he will be paid a \$25,000 annual travel allowance and a \$25,000 annual housing allowance, each of which will be grossed up at a combined rate for tax purposes which is necessary to provide a net amount to Mr. Marchioli of \$25,000 annually for each of said allowances. The Company further agreed under the terms of the Marchioli Employment Agreement to: (i) generally defend and indemnify Mr. Marchioli against any breach of contract claim made by his former employer ensuing from his acceptance of employment with the Company, provided Mr. Marchioli is in compliance with the notice of termination provision of his employment agreement with his previous employer, and (ii) to reimburse Mr. Marchioli for all reasonable legal, accounting and financial advisor fees and expenses incurred for the personal tax, financial and estate planning services in the negotiation and documentation of the Marchioli Employment Agreement. In the event of Mr. Marchioli's termination of employment during the term of the Marchioli Employment Agreement, the Company is required to make payments as follows based upon the cause of such termination (i) if by reason of death, Mr. Marchioli's surviving spouse is entitled to be paid an amount equal to Mr. Marchioli's base salary and annual bonus and his eligible family dependents are entitled to receive certain health and welfare benefits for a one-year period after his death; (ii) if by reason of

permanent disability, Mr. Marchioli is entitled to be paid one-half of his base salary and annual bonus and he and his eligible family dependents are entitled to receive certain health and welfare benefits for a period of two years after termination of employment; and (iii) if by the Company other than for cause, Mr. Marchioli is, in general, entitled to (a) a lump sum in an amount equal to the greater of the number of full and fractional years remaining in his employment term or one year of his then current annual base salary and annual bonus, (b) the immediate vesting of 100% of the Marchioli Option to be exercisable as of the date of termination for a period of 36 months after termination, and (c) continuation of certain benefits and other contract rights. Furthermore, in the event of termination for cause or voluntary termination, the Company shall pay Mr. Marchioli the portion of his annual base salary earned through his termination date and generally the benefits due him under the Company's benefit plans for his services rendered to the Company through his date of termination. ADAMSON EMPLOYMENT AGREEMENT Former Chief Executive Officer and Chairman, Mr. Adamson and Advantica entered into an employment agreement (as entered into effective January 23, 1995, amended on February 27, 1995 and December 31, 1996, amended and restated as of January 7, 1998, and further amended pursuant to addendum agreements effective January 1, 2000 and January 24, 2001, collectively, the "Adamson Employment Agreement") which provided that Advantica would employ Mr. Adamson as Chief Executive Officer and President of Advantica and Denny's until the earlier of January 1, 2002, his death or termination of employment by reason of permanent disability, voluntary termination of employment or involuntary termination with or without cause (as defined) and the Board would continue to nominate Mr. Adamson as a director of the Company and Mr. Adamson would serve as the Board's Chairman during his employment term. Additionally, under the Adamson Employment Agreement, the Company could not change Mr. Adamson's title, duties or responsibilities without Mr. Adamson's consent. On February 5, 2001, the Company with Mr. Adamson's consent, named Nelson J. Marchioli the President and Chief Executive Officer of Advantica and Denny's with Mr. Adamson continuing as the Chairman of the Board of Advantica. The Adamson Employment Agreement further prohibits Mr. Adamson from soliciting for employment the employees of the Company or its affiliates and from engaging in certain competitive activities generally during his term of employment and for a period of two years after the later of the termination of his employment or the date on which the Company is no longer required to make certain termination benefits. The Adamson Employment Agreement 20 further prohibits Mr. Adamson from using or disclosing certain "confidential" or "proprietary" information for purposes other than carrying out his duties with the Company. Under the Adamson Employment Agreement, Mr. Adamson was entitled to (i) an annual base salary as determined by the Board during Mr. Adamson's term of employment, but in no event less than \$1,100,000 unless the Company implemented a broad scale salary reduction initiative, (ii) during 2000 and 2001, success bonuses available to be earned in amounts totaling no less than \$7,405,750 (i.e., an amount equal to the sum of 200% of his annual target bonus plus 299% of his base salary and his targeted bonus) upon the successful completion of certain strategic initiatives such as the divestiture of Coco's and Carrows, achieving certain changes in the Company's capital structure necessary to execute the Company's business plan, CEO succession and the achievement of certain customer growth, service, refranchising, reimagining and financial health targets, (iii) a lump sum payment of \$1,500,000 for the purchase of Mr. Adamson's Greenville, SC residence to be paid within ten (10) business days after January 1, 2002 or earlier upon the occurrence of Mr. Adamson's termination without cause or the Company's relocation, (iv) cash payments of \$1 million, if, at anytime prior to January 1, 2002, the closing bid price for any consecutive thirty (30) day period equals or exceeds \$5 per share, and \$500,000 if the average closing bid price for Common Stock for the thirty (30) day period immediately prior to January 1, 2002 equals or exceeds \$5 per share and (v) life insurance coverage maintained by the Company with death benefits of at least \$3,250,000 in the aggregate. Such success bonuses, however, would not have been due or owing for the successful completion of any of the above referenced strategic initiatives on or after the commencement of a financial restructuring under Chapter 11 of the Bankruptcy Code or analogous law unless the distribution received per share under such proceeding by holders of Common Stock equals or exceeds the average of the closing bid and asked prices for such a share on the last trading day immediately preceding the commencement of the proceeding. Additionally, pursuant to the Adamson Employment Agreement, in 2000, Mr. Adamson received a cash payment of \$1,300,000, representing the purchase price of his Charleston, SC residence, which was paid from the proceeds received by the Company from the sale of Mr. Adamson's Charleston residence. The Adamson Employment Agreement also entitled Mr. Adamson to certain other privileges, reimbursements and benefits, including participation in all of the Company's benefit plans generally applicable to the Company's executive officers and reimbursement of certain professional fees and travel and relocation expenses.

120.90 Peer Group Index (2) 100 85.6 50.9 72.8 107.55 Advantica 100 53.4 17.5 5.0 5.7 ----- (1) A broad equity market index of 2,000 companies (including Advantica, through May 31, 2000). The average market capitalization of companies within the index was approximately \$580 million with the median market capitalization being approximately \$466 million. (2) This peer group index consists of the following six other leading public companies in the family-style restaurant category: Bob Evans Farms, Inc. (BOBE), CBRL Group, Inc. (CBRL), Friendly Ice Cream Corporation (FRND), IHOP Corp. (IHOP), Shoney's, Inc. (SHN) and VICORP Restaurants, Inc. (VRES) (which became privately held in May 2001).

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE Section 16(a) of the Exchange Act requires the Company's executive officers, directors and persons who own more than ten percent (10%) of the Company's Common Stock to file initial reports of ownership and changes in ownership with the SEC. Additionally, SEC regulations require that the Company identify any individuals for whom one of the referenced reports was not filed on a timely basis during the most recent fiscal year or prior fiscal years. To the Company's knowledge, based solely on review of reports furnished to it and written representations that no other reports were required during and with respect to the fiscal year ended December 26, 2001, with the exception of (1) Mr. Miller who, due to a clerical error, failed to file two reports on Form 4 with respect to two purchases of Common Stock and (2) Aspen Advisors LLC which inadvertently failed to file two reports (a Form 3 23 and Form 5) with respect to the transaction resulting in its becoming a 10% owner of Common Stock and Aspen Partners, Aspen Capital Partners, L.P. and Nikos Hecht, which inadvertently failed to file a report on Form 3 with respect to the transaction resulting in their becoming 10% owners of Common Stock and two reports on Form 4 with respect to two additional transactions. The foregoing transactions by Aspen Advisors LLC, Aspen Partners, Aspen Capital Partners, LP and Mr. Hecht were subsequently reported on a late Form 5, filed on February 12, 2002.

CERTAIN TRANSACTIONS During Advantica's last fiscal year, except as otherwise described herein, there were no transactions occurring or relationships that existed between the Company and its management that require disclosure under SEC regulations.

OTHER MATTERS EXPENSES OF SOLICITATION The Company will pay the costs of solicitation of proxies, including the cost of assembling and mailing this Proxy Statement and the material enclosed herewith. In addition to the use of the mails, proxies may be solicited personally, by telephone or telegraph or by corporate officers and employees of the Company without additional compensation. The Company intends to request brokers and banks holding stock in their names or in the names of nominees to solicit proxies from their customers who own such stock, where applicable, and will reimburse them for their reasonable expenses of mailing proxy materials to their customers.

DISCRETIONARY PROXY VOTING In the event that any matters other than those referred to in the accompanying notice should properly come before and be considered at the Annual Meeting, it is intended that proxies in the accompanying form will be voted thereon in accordance with the judgment of the person or persons voting such proxies.

2003 STOCKHOLDER PROPOSALS In order for stockholder proposals intended to be presented at the year 2003 Annual Meeting of Stockholders to be eligible for inclusion in Advantica's proxy statement and the form of proxy for such meeting, they must be received by Advantica at its principal offices in Spartanburg, South Carolina no later than December 9, 2002. Regarding stockholder proposals intended to be presented at the year 2002 Annual Meeting but not included in Advantica's Proxy Statement, pursuant to Advantica Bylaws, written notice of such proposals, to be timely, must be received by Advantica no more than 90 days and no less than 60 days prior to the meeting. However, in the event that less than 70 days public notice of the date of the meeting is given, notice of such a stockholder proposal, to be timely, must be received not later than the close of business on the 10th day following the day on which the public notice of meeting was made. All such proposals for which timely notice is not received in the manner described above will be ruled out of order at the meeting resulting in the proposal's underlying business not being eligible for transaction at the meeting.

ELECTRONIC ACCESS TO FUTURE PROXY MATERIALS AND ANNUAL REPORTS Most stockholders may elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. If you are a stockholder of record, you can choose this option for future proxy statements and annual reports by marking the appropriate box on your proxy card or by following the instructions provided for you if you vote over the Internet or by telephone. If you hold your Common Stock through a bank, broker or other holder of record, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet. If you choose to view future proxy statements and annual reports only over the Internet, next year you will receive a proxy card in the mail with instructions containing the Internet address of those materials. Your choice will remain in effect indefinitely until you give notification otherwise by following the instructions to be provided.

FORM

10-K A COPY OF THE COMPANY'S FORM 10-K AS FILED WITH THE SEC IS AVAILABLE, WITHOUT CHARGE, UPON WRITTEN REQUEST DIRECTED TO KENNETH E. JONES, VICE PRESIDENT AND TREASURER, AT THE CORPORATE ADDRESS SET FORTH ABOVE. 24 (ADVANTICA RESTAURANT GROUP LOGO) Notice of Annual Meeting and Proxy Statement Annual Meeting of Stockholders to be held May 22, 2002 APPENDIX I DENNY'S, INC. OMNIBUS INCENTIVE COMPENSATION PLAN FOR EXECUTIVES Advantica Restaurant Group Inc. Effective _____, 2002 CONTENTS

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COMPENSATION PLAN FOR EXECUTIVES ARTICLE 1. ESTABLISHMENT, OBJECTIVES, AND
DURATION 1.1 ESTABLISHMENT. Advantica Restaurant Group Inc, a Delaware corporation (hereinafter referred
to as the "Company"), hereby establishes an incentive compensation plan to be known as the Denny's, Inc. Omnibus
Incentive Compensation Plan for Executives" (hereinafter referred to as the "Plan"), as set forth in this document. The
Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted
Stock, Restricted Stock Units, Performance Shares, Performance Units, Stock Awards, Cash-Based Awards, and
Annual Incentive Awards. Subject to approval by the Company's stockholders, the Plan shall become effective as of
[EFFECTIVE DATE], 2002 (the "Effective Date") and shall remain in effect as provided in Section 1.3 hereof. 1.2
OBJECTIVES OF THE PLAN. The purpose of the Plan is to promote the interests of the Company and its
stockholders by strengthening the Company's ability to attract, motivate, and retain employees of the Company upon
whose judgment, initiative and efforts the financial success and growth of the business of the Company largely
depend, and to provide an additional incentive for such individuals through stock ownership and other rights that
promote and recognize the financial success and growth of the Company. 1.3 DURATION OF THE PLAN. The Plan
shall commence as of the Effective Date, as described in Section 1.1 hereof, and shall remain in effect, subject to the
right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article 17 hereof, until all
Shares subject to it shall have been purchased or acquired according to the Plan's provisions. ARTICLE 2.
DEFINITIONS Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the
meaning is intended, the initial letter of the word shall be capitalized: 2.1 "AFFILIATE" shall have the meaning
ascribed to such term in Rule 12b-2 of the General Rules and Regulations of the Exchange Act. 2.2 "ANNUAL
INCENTIVE AWARD" means an Award granted to a Participant as described in Article 12 herein. 2.3 "AWARD"
means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options,
Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units,
Cash-Based Awards, Stock Awards, or Annual Incentive Awards. 1 2.4 "AWARD AGREEMENT" means either (i)
an agreement entered into by the Company and each Participant setting forth the terms and provisions applicable to
Awards granted under this Plan, or (ii) a statement issued by the Company to a Participant describing the terms and
provisions of such Award. 2.5 "BENEFICIAL OWNER" or "BENEFICIAL OWNERSHIP" shall have the meaning
ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act. 2.6 "BOARD" or
"BOARD OF DIRECTORS" means the Board of Directors of the Company. 2.7 "CASH-BASED AWARD" means an
Award granted to a Participant as described in Article 10 herein. 2.8 "CHANGE IN CONTROL" of the Company
shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been
satisfied: (a) Any person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not
including in the securities beneficially owned by such Person any securities acquired directly from the Company or its
affiliates, other than in connection with the acquisition by the Company or its affiliates of a business) representing
thirty percent (30%) or more of either the then outstanding Shares or the combined voting power of the Company's
then outstanding securities; or (b) The following individuals cease for any reason to constitute at least two-thirds (2/3)
of the number of Directors of the Company then serving: individuals who, on the Effective Date hereof, constitute the
Board of the Company and any new Director (other than a Director whose initial assumption of office is in connection

with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of Directors of the Company (as such terms are used in Rule 14A-11 of the Exchange Act)) whose appointment or election by the Board of the Company or nomination of election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the Company's Directors then still in office who either were Directors on the Effective Date of the Plan, or whose appointment, election, or nomination for election was previously approved; or (c) The consummation of an agreement, including obtaining all necessary governmental approvals, in which the Company agrees to merge or consolidate with any other entity, other than (i) a merger or consolidation which would result in (A) the voting securities of the Company then outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, greater than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, and (B) individuals described in Section 2.7(b) above constitute more than one-half (1/2) of the members of the Board of Directors of the surviving entity or ultimate parent thereof; or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates, other than in connection with the acquisition by the Company or its Affiliates of a business) representing thirty percent (30%) or more of either the then outstanding Shares of the Company or the combined voting power of the Company's then outstanding securities; or (d) The consummation of (i) a plan of complete liquidation or dissolution of the Company; or (ii) an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, greater than fifty percent (50%) of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale or disposition; or (e) The adoption of a resolution by the Board to the effect that any Person has acquired effective control of the business and affairs of the Company. Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the voting securities of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions. Furthermore, notwithstanding the foregoing, a Change in Control will not be deemed to have occurred by reason of a distribution of the voting securities of any of the Company's Subsidiaries to the stockholders of the Company, or by means of an initial public offering of such securities. 2.9 "CODE" means the Internal Revenue Code of 1986, as amended from time to time. 2.10 "COMMITTEE" means any committee appointed by the Board to administer Awards to Employees, as specified in Article 3 herein. 2.11 "COMPANY" means Advantica Restaurant Group Inc., a Delaware corporation, and any successor thereto as provided in Article 19 herein. 2.12 "COVERED EMPLOYEE" means a Participant who, as of the anticipated date of vesting and/or payout of an Award, as applicable, is reasonably believed to be one of the group of "covered employees," as defined in Code Section 162(m), or any successor statute, and the regulations promulgated under Code Section 162(m). 2.13 "DIRECTOR" means any individual who is a member of the Board of Directors of the Company. 2.14 "DISABILITY" shall mean any physical or mental condition which would qualify a Participant for a disability benefit under the long-term disability plan maintained by the Company and applicable to that particular Participant, and if no such disability plan exists, then at the discretion of the Committee. 2.15 "EMPLOYEE" means any employee of the Company or any of its Subsidiaries or Affiliates provided such Subsidiary or Affiliate has been designated by the Board as eligible to receive Awards under the Plan. 2.16 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto. 2.17 "FAIR MARKET VALUE" means with respect to a Share as of a given date, the closing sales price of the Share on the NASDAQ Stock Market (or other national securities exchange with respect to where such Share is listed) on the date in question (or, if no sales of Shares were made on said exchange on such date, on the next preceding day on which sales were made on such exchange). 2.18 "FISCAL YEAR" means the year commencing on January 1 and ending December 31. 2.19 "FREESTANDING SAR" means an SAR that is granted independently of any Options as described in Article 7 herein. 2.20 "INCENTIVE STOCK OPTION" or "ISO" means an option to purchase Shares granted under Article 6

herein and that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422, or any successor provision. 2.21 "INSIDER" shall mean an individual who is, on the relevant date, an officer, director, or more than ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act. 2.22 "NONQUALIFIED STOCK OPTION" or "NQS" means an Option that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements. 2.23 "OPTION" means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6 herein. 2.24 "OPTION PRICE" means the price at which a Share may be purchased by a Participant pursuant to an Option. 2.25 "PARTICIPANT" means an Employee who has been selected to receive an Award or who has an outstanding Award granted under the Plan. 2.26 "PERFORMANCE-BASED AWARD" means an Award that qualifies as Performance-Based Compensation. 4 2.27 "PERFORMANCE-BASED COMPENSATION" means the Award is qualified as performance-based compensation under Code Section 162(m). 2.28 "PERFORMANCE MEASURES" means measures as described in Article 11, the attainment of which may determine the degree of payout and/or vesting with respect to Awards to Covered Employees that are designated to qualify as Performance Based Compensation. 2.29 "PERFORMANCE PERIOD" means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award. 2.30 "PERFORMANCE SHARE" means an Award granted to a Participant as described in Article 9 herein. 2.31 "PERFORMANCE UNIT" means an Award granted to a Participant as described in Article 9 herein. 2.32 "PERIOD OF RESTRICTION" means the period when the Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Board, at its discretion), as provided in Article 8 herein. 2.33 "PERSON" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof. 2.34 "RESTRICTED STOCK" means an Award granted to a Participant as described in Article 8 herein. 2.35 "RESTRICTED STOCK UNIT" means an Award granted to a Participant as described in Article 8 herein. 2.36 "RETIREMENT" means the voluntary termination of employment from the Company or any of its Subsidiaries for any reason other than a leave of absence, death or Disability on or after the attainment of the age of fifty-five (55). 2.37 "SHARES" means the common stock of the Company, \$.01 par value per share. 2.38 "STOCK APPRECIATION RIGHT" or "SAR" means an Award, granted alone or in connection with a related Option, designated as an SAR, pursuant to the terms of Article 7 herein. 2.39 "STOCK AWARD" means an Award granted to a Participant as described in Section 10.7 herein. 2.40 "SUBSIDIARY" means any corporation, partnership, joint venture, limited liability company, or other entity (other than the Company) in an unbroken chain of entities beginning with the Company if, at the time of the granting of an Award, each of the entities other than the last 5 entity in the unbroken chain owns at least fifty percent (50%) of the total combined voting power in one of the other entities in such chain. 2.41 "TANDEM SAR" means an SAR that is granted in connection with a related Option pursuant to Article 7 herein, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled). ARTICLE 3. ADMINISTRATION 3.1 GENERAL. Subject to the terms and conditions of the Plan, the Plan shall be administered by the Board or by the Committee. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. The Board may delegate to the Committee any or all of the administration of the Plan. To the extent that the Board has delegated to the Committee any authority and responsibility under the Plan, all applicable references to the Board in the Plan shall be to the Committee. 3.2 AUTHORITY OF THE BOARD. Except as limited by law or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions herein, the Board shall have full power to select Employees who shall participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; and, establish, amend, or waive rules and regulations for the Plan's administration. Further, the Board shall make all other determinations that may be necessary or advisable for the administration of the Plan. 3.3 DELEGATION. The Board may, by resolution, authorize one or more officers of the Company to do one or both of the following: (i) designate officers and Employees of the Company or any of its Subsidiaries to be recipients of Awards; and (ii) determine the size of the Award; provided, however, that the resolution providing such authorization sets forth the total number of rights and/or Options such officer or officers may Award. 3.4 DECISIONS BINDING. All determinations and decisions made by the Board pursuant to the

provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Directors, Employees, Participants, and their estates and beneficiaries. ARTICLE 4. SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS 4.1 NUMBER OF SHARES AVAILABLE FOR AWARDS. Subject to adjustment as provided in Section 4.2 herein, the number of Shares hereby reserved for issuance to Participants under the Plan shall be three million two hundred thousand (3,200,000), as well as any Shares available, as of the Effective Date of this Plan, under the Advantica Stock Option Plan. No more than one million (1,000,000) of the Shares may be granted in the form of Awards other than in the form of Options or SARs. The Board shall determine the appropriate methodology for calculating the number of Shares issued pursuant to the Plan. 6 Unless and until the Board determines that an Award to a Covered Employee shall not be designed to qualify as Performance Based Compensation, the following rules ("Award Limits") shall apply to grants of such Awards under the Plan: (a) OPTIONS: The maximum aggregate number of Shares that may be granted in the form of Options, pursuant to any Award granted in any one Fiscal Year to any one single Participant shall be one million five hundred thousand (1,500,000). (b) SARs: The maximum aggregate number of Shares that may be granted in the form of Stock Appreciation Rights, pursuant to any Award granted in any one Fiscal Year to any one single Participant shall be one million five hundred thousand (1,500,000). (c) RESTRICTED STOCK/UNITS: The maximum aggregate grant with respect to Awards of Restricted Stock or Restricted Stock Units granted in any one Fiscal Year to any one Participant shall be five hundred thousand (500,000 shares). (d) PERFORMANCE SHARES/PERFORMANCE UNITS: The maximum aggregate grant with respect to Awards of Performance Shares made in any one Fiscal Year to any one Participant shall be equal to the value of five hundred thousand (500,000) Shares determined as of the date of vesting or payout, as applicable. (e) CASH-BASED AWARDS: The maximum aggregate amount awarded or credited with respect to Cash-Based Awards to any one Participant in any one Fiscal Year may not exceed in value one million five hundred thousand dollars (\$1,500,000) determined as of the date of vesting or payout, as applicable. (f) STOCK AWARDS. The maximum aggregate grant with respect to Awards of Stock Awards granted in any one Fiscal Year to any one Participant shall be two hundred fifty thousand (250,000 shares). 4.2 ADJUSTMENTS IN AUTHORIZED SHARES. In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of shares, exchange of shares, dividend in kind or other like change in capital structure or distribution (other than normal cash dividends) to stockholders of the Company, the Board, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall substitute or adjust, in an equitable manner, as applicable, the number and kind of Shares that may be issued under the Plan, the number and kind of Shares subject to outstanding Awards, the exercise price applicable to outstanding Awards, the Award Limits, the Fair Market Value of the Shares, and other value determinations applicable to outstanding Awards. Appropriate adjustments may also be made by the Board in the terms of any Awards under the Plan to reflect such changes or distributions and to modify any other terms of outstanding Awards on an equitable basis, including modifications of performance targets and changes in the length of Performance Periods. 7 In addition, other than with respect to Options, Stock Appreciation Rights, and other Awards intended to constitute Performance-Based Awards, the Board is authorized to make adjustments to the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations, or accounting principles. The determination of the Board as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan. ARTICLE 5. ELIGIBILITY AND PARTICIPATION 5.1 ELIGIBILITY. Persons eligible to participate in this Plan include all Employees. 5.2 ACTUAL PARTICIPATION. Subject to the provisions of the Plan, the Board may, from time to time, select from all eligible Employees, those to whom Awards shall be granted and shall determine the nature and amount of each Award. ARTICLE 6. STOCK OPTIONS 6.1 GRANT OF OPTIONS. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Board. 6.2 AWARD AGREEMENT. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Board shall determine which are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be

an ISO, or an NQSO. 6.3 OPTION PRICE. The Option Price for each grant of an Option under this Plan shall be as determined by the Board; provided, however, the Option Price shall no be less than one hundred percent (100%) of the Fair Market Value of the Shares on the date the Option is granted. 6.4 DURATION OF OPTIONS. Each Option granted to a Participant shall expire at such time as the Board shall determine at the time of grant; provided, however, no NQSO shall be exercisable later than the tenth (10th) anniversary date of its grant. 6.5 EXERCISE OF OPTIONS. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Board shall in each instance approve, which need not be the same for each grant or for each Participant. 6.6 PAYMENT. Options granted under this Article 6 shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares. The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent; (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares that are tendered must have been held by the Participant for at least six (6) months prior to their tender to 8 satisfy the Option Price or have been purchased on the open market); (c) by a combination of (a) and (b); or (d) any other method approved by the Board in its sole discretion at the time of grant and as set forth in the Award Agreement. The Board also may allow cashless exercise as permitted under the Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Board determines to be consistent with the Plan's purpose and applicable law. Subject to any governing rules or regulations, as soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s). Unless otherwise determined by the Board, all payments under all of the methods indicated above shall be paid in United States dollars. 6.7 RESTRICTIONS ON SHARE TRANSFERABILITY. The Board may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares. 6.8 TERMINATION OF EMPLOYMENT. Each Participant's Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment with the Company. Such provisions shall be determined in the sole discretion of the Board, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination. 6.9 TRANSFERABILITY OF OPTIONS. (a) INCENTIVE STOCK OPTIONS. No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. (b) NONQUALIFIED STOCK OPTIONS. Except as otherwise provided in a Participant's Award Agreement, no NQSO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all NQSOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant. 6.10 NOTIFICATION OF DISQUALIFYING DISPOSITION. If any Participant shall make any disposition of Shares issued pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof. 9 ARTICLE 7. STOCK APPRECIATION RIGHTS 7.1 GRANT OF SARS. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Board. The Board may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SAR. Subject to the terms and conditions of the Plan, the Board shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs. The grant price of a Freestanding SAR shall be no less than the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem SARs shall equal the Option Price of the related Option. 7.2 SAR AGREEMENT. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Board shall determine. 7.3 TERM OF SARS. The term of an SAR granted under the Plan shall be determined by the Board, in its sole discretion; provided, however, that no SAR shall be exercisable later than the tenth (10th) anniversary date of its grant. 7.4 EXERCISE OF FREESTANDING SARS.

Freestanding SARs may be exercised upon whatever terms and conditions the Board, in its sole discretion, imposes upon them. 7.5 EXERCISE OF TANDEM SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable. 7.6 PAYMENT OF SAR AMOUNT. Upon the exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying: (a) The difference between the Fair Market Value of a Share on the date of exercise over the grant price; by (b) The number of Shares with respect to which the SAR is exercised. At the discretion of the Board, the payment upon SAR exercise may be in cash, in Shares of equivalent value, in some combination thereof, or in any other manner approved by the Board at its sole discretion. The Board's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR. 7.7 TERMINATION OF EMPLOYMENT. Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with the Company, its Affiliates, and/or its subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Board, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination. 10 7.8 NONTRANSFERABILITY OF SARs. Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant. ARTICLE 8. RESTRICTED STOCK AND RESTRICTED STOCK UNITS 8.1 GRANT OF RESTRICTED STOCK/UNITS. Subject to the terms and provisions of the Plan, the Board, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Board shall determine. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Participant on the date of grant. 8.2 RESTRICTED STOCK AGREEMENT. Each Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock (or the number of Restricted Stock Units) granted, and such other provisions as the Board shall determine. 8.3 TRANSFERABILITY. Except as provided in this Article 8, the Shares of Restricted Stock and/or Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Board and specified in the Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Board in its sole discretion and set forth in the Award Agreement. All rights with respect to the Restricted Stock and/or Restricted Stock Units granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant. 8.4 OTHER RESTRICTIONS. The Board shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals or Performance Measures, time-based restrictions, and/or restrictions under applicable federal or state securities laws. To the extent deemed appropriate by the Board, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse. Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse, and Restricted Stock Units shall be paid in cash, Shares, or a combination of cash and Shares as the Board, in its sole discretion, shall determine. 8.5 VOTING RIGHTS. To the extent permitted, or required by law, as determined by the Board, Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise 11 full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder. 8.6 DIVIDENDS AND OTHER DISTRIBUTIONS. During the Period of Restriction, Participants holding Shares of Restricted Stock or Restricted Stock Units granted hereunder may, if the Board so determines, be credited with dividends paid with respect to the underlying Shares or dividend equivalents while they are so held in a manner determined by the Board in its sole discretion. The Board may apply any restrictions to the dividends that the Board

deems appropriate. The Board, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, Shares, Restricted Stock, or Restricted Stock Units.

8.7 TERMINATION OF EMPLOYMENT. Each Award Agreement shall set forth the extent to which the Participant shall have the right to receive unvested Restricted Stock and/or Restricted Stock Units following termination of the Participant's employment with the Company. Such provisions shall be determined in the sole discretion of the Board, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock or Restricted Stock Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

8.8 SECTION 83(B) ELECTION. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to promptly file a copy of such election with the Company.

ARTICLE 9. PERFORMANCE UNITS/PERFORMANCE SHARES

9.1 GRANT OF PERFORMANCE UNITS/SHARES. Subject to the terms of the Plan, Performance Units and/or Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Board.

9.2 VALUE OF PERFORMANCE UNITS/SHARES. Each Performance Unit shall have an initial value that is established by the Board at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Board shall set performance goals or Performance Measures in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units/Shares that will be paid out to the Participant.

9.3 EARNING OF PERFORMANCE UNITS/SHARES. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units/Shares shall be entitled to receive payout on the number and value of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals or Performance Measures have been achieved.

9.4 FORM AND TIMING OF PAYMENT OF PERFORMANCE UNITS/SHARES. Payment of earned Performance Units/Shares shall be as determined by the Board and as evidenced in the Award Agreement. Subject to the terms of the Plan the Board, in its sole discretion, may pay earned Performance Units/Shares in the form of cash or in Shares (or in a combination thereof) equal 12 to the value of the earned Performance Units/Shares at the close of the applicable Performance Period. Any Shares may be granted subject to any restrictions deemed appropriate by the Board. The determination of the Board with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

9.5 DIVIDENDS AND OTHER DISTRIBUTIONS. At the discretion of the Board, Participants holding Performance Units/Shares may be entitled to receive dividend equivalents with respect to dividends declared with respect to the Shares. Such dividends may be subject to the accrual, forfeiture, or payout restrictions as determined by the Board in its sole discretion.

9.6 TERMINATION OF EMPLOYMENT. In the event the employment terminates for any reason, including by reason of death, Disability, or Retirement, all Performance Units/Shares shall be forfeited by the Participant to the Company unless determined otherwise by the Board, as set forth in the Participant's Award Agreement.

9.7 NONTRANSFERABILITY. Except as otherwise provided in a Participant's Award Agreement, Performance Units/Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant.

ARTICLE 10. CASH-BASED AWARDS AND STOCK AWARDS

10.1 GRANT OF CASH-BASED AWARDS. Subject to the terms of the Plan, Cash-Based Awards may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Board.

10.2 VALUE OF CASH-BASED AWARDS. Each Cash-Based Award shall have a value as may be determined by the Board. The Board shall set performance goals or Performance Measures in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Cash-Based Awards that will be paid out to the Participant.

10.3 EARNING OF CASH-BASED AWARDS. Subject to the terms of this Plan, the holder of Cash-Based Awards shall be entitled to receive payout on the number and value of Cash-Based Awards earned by the Participant, to be determined by the Board.

10.4 FORM AND TIMING OF PAYMENT OF CASH-BASED AWARDS. Payment of earned Cash-Based Awards shall be as determined by the Board and as evidenced in the Award Agreement. Subject to the terms of the Plan, the Board, in its sole discretion, may pay earned Cash-Based Awards in the form of cash or in Shares (or in a combination thereof) that have an aggregate Fair Market

Value equal to the value of the earned Cash-Based Awards. Such Shares may be granted subject to any restrictions deemed appropriate by the Board. The determination of the Board with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award. 10.5 TERMINATION OF EMPLOYMENT. In the event the employment terminates for any reason, including by reason of death, Disability, or Retirement, all Cash-Based Awards and Stock Awards shall be forfeited by the Participant to the Company unless determined otherwise by the Board, as set forth in the Participant's Award Agreement. 10.6 NONTRANSFERABILITY. Except as otherwise provided in a Participant's Award Agreement, Cash-Based Awards may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant. 10.7 STOCK AWARDS. The Board may grant other types of equity-based or equity-related Awards (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, as the Board shall determine. Such Awards may entail the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States. ARTICLE 11. PERFORMANCE MEASURES Performance measures: (a) Net earnings; (b) Earnings per share; (c) Net sales growth; (d) Net income (before or after taxes); (e) Net operating profit; (f) Return measures (including, but not limited to, return on assets, capital, equity, or sales); (g) Cash flow (including, but not limited to, operating cash flow and free cash flow); (h) Cash flow return on investments, which equals net cash flows divided by owner's equity; (i) Earnings before or after taxes, interest, depreciation and/or amortization; (j) Internal rate of return or increase in net present value; (k) Dividend payments to parent; (l) Gross margins; (m) Gross margins minus expenses; (n) Operating margin; (o) Share price (including, but not limited to, growth measures and total shareholder return); (p) Expense targets; (q) Working capital targets relating to inventory and/or accounts receivable; (r) Planning accuracy (as measured by comparing planned results to actual results); (s) Comparisons to various stock market indices; (t) Comparisons to the performance of other companies; (u) Same-store sales; (v) Customer counts; (w) Customer satisfaction; and (x) EVA(R). For purposes of this Plan, EVA means the positive or negative value determined by net operating profits after taxes over a charge for capital, or any other financial measure, as determined by the Board in its sole discretion. (EVA is a registered trademark of Stern Stewart & Co.). 14 Any Performance measures may be used to measure the performance of the Company as a whole or any business unit of the Company. The Board may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occurs during a Performance Period: (a) asset write-downs; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year; (f) acquisitions or divestitures; and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility. Awards that are designed to qualify as Performance-Based Compensation, and that are held by Covered Employees, may not be adjusted upward (the Board shall retain the discretion to adjust such Awards downward). In the event that applicable tax and/or securities laws change to permit Board discretion to alter the governing Performance Measures without obtaining stockholder approval of such changes, the Board shall have sole discretion to make such changes without obtaining stockholder approval. In addition, in the event that the Board determines that it is advisable to grant Awards that shall not qualify as Performance Based Compensation, the Board may make such grants without satisfying the requirements of Code Section 162(m). ARTICLE 12. ANNUAL INCENTIVE AWARDS The Board may designate Company executive officers who are eligible to receive a monetary payment in any calendar year based on a percentage of an incentive pool equal to five percent (5%) of the company's consolidated operating earnings for the calendar year. The Board shall allocate an incentive pool percentage to each designated Participant for each calendar year. In no event may the incentive pool percentage for any one Participant exceed thirty percent (30%) of the total pool. Consolidated operating earnings shall mean the consolidated earnings before income taxes of the Company, computed in accordance with generally accepted accounting principles, but shall exclude the effects of Extraordinary Items. For purposes of this Article 12, "Extraordinary Items" shall mean (i) extraordinary, unusual and/or nonrecurring

items of gain or loss, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, or (iv) the effect of a merger or acquisition, all of which must be identified in the audited financial statements, including footnotes, or Management Discussion and Analysis section of the Company's annual report. As soon as possible after the determination of the incentive pool for a Plan year, the Board shall calculate the Participant's allocated portion of the incentive pool based upon the percentage established at the beginning of the calendar year. The Participant's incentive award then shall be determined by the Board based on the Participant's allocated portion of the incentive pool subject to adjustment in the sole discretion of the Board. In no event may the portion of the incentive pool allocated to a participant who is a Covered Employee be increased in any way, including as a result of the reduction of any other Participant's allocated portion.

15 ARTICLE 13. DEFERRALS The Board may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock/Units, or the satisfaction of any requirements or goals with respect to Performance Units/Shares, Cash-Based Awards, and Stock Awards. If any such deferral election is required or permitted, the Board shall, in its sole discretion, establish rules and procedures for such payment deferrals.

ARTICLE 14. RIGHTS OF EMPLOYEES

14.1 EMPLOYMENT. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company. Neither an Award nor any benefits arising under this Plan shall constitute part of an employment contract with the Company or any Subsidiary or Affiliate, and, accordingly, subject to Sections 16.1, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Board without giving rise to liability on the part of the Company or any Subsidiary or Affiliate for severance payments.

14.2 PARTICIPATION. No Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

14.3 RIGHTS AS A STOCKHOLDER. A Participant shall have none of the rights of a stockholder with respect to Shares covered by any Award until the Participant becomes the record holder of such shares.

SECTION 15. CHANGE IN CONTROL Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges, or unless the Board shall determine otherwise in the Award Agreement: (a) With respect to Options, SARs, and time-vested Restricted Stock and Restricted Stock Units, in the event of any merger, consolidation, or reorganization of the Company with or into another corporation, other than a merger, consolidation, or reorganization in which the Company is the continuing corporation and which does not result in the outstanding Shares being converted into or exchanged for different securities, cash, or other property, or any combination thereof, there shall be substituted on an equitable basis as determined by the Committee in its discretion, for each Share then subject to an Award granted under the Plan, the number and kind of shares of stock, other securities, cash, or other property to which holders of Shares will be entitled pursuant to the transaction; provided however, that with respect to unvested Awards, if the conversion or exchange is for cash or other nonmarketable securities or property, then such Awards shall be cashed out for the Spread Value of such outstanding unvested Awards; for purposes of the immediately preceding sentence, the "Spread Value" shall be 16 equal to the value of a Share as set forth in the merger agreement and the exercise price of the Award multiplied by the number of outstanding unvested Awards. Further, as pertains to Options and SARs, the Committee in its discretion shall make any other equitable adjustments (including, but not limited to, the exercise price) to preserve the economic value of the Awards. If a Participant's employment is involuntarily terminated within twenty-four (24) months of a Change in Control, then such Participant's outstanding Options, SARs, and time vested Restricted Stock and Restricted Stock Units shall immediately vest; furthermore, with respect to Options and SARs, once vested they shall become exercisable, and shall continue to be exercisable until the earlier to occur of: (i) sixty (60) months after the termination of employment; or (ii) the expiration of the Option Term or SAR Term, as the case may be; (b) Annual Incentive Awards shall be paid out based on the consolidated operating earnings of the immediately preceding year or such other method of payment as may be determined by the Board at the time of the Award or thereafter but prior to the Change in Control; and (c) The target payout opportunities attainable under all outstanding Awards of performance-based Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, and Cash-Based Awards shall be deemed to have been fully earned as of the effective date of the Change in Control. The vesting of all Awards shall be accelerated as of the effective date of the Change in Control, and there shall be pro rata payout to Participants within thirty (30) days following the effective date of the Change in Control based upon an assumed

achievement of all relevant targeted performance goals or Performance Measures and upon the length of time within the Performance Period that has elapsed prior to the Change in Control. ARTICLE 16. AMENDMENT, MODIFICATION, SUSPENSION, AND TERMINATION 16.1 AMENDMENT, MODIFICATION, SUSPENSION, AND TERMINATION. Subject to the terms of the Plan, the Board may at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan in whole or in part. Notwithstanding anything herein to the contrary, without the prior approval of the Company's stockholders, Options issued under the Plan will not be repriced, replaced, or regranted through cancellation, or by lowering the exercise price of a previously granted Option. 16.2 ADJUSTMENT OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS. The Board may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.2 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Board determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. 16.3 AWARDS PREVIOUSLY GRANTED. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan shall adversely affect 17 in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award. ARTICLE 17. WITHHOLDING 17.1 TAX WITHHOLDING. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum statutory amount to satisfy Federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan. 17.2 SHARE WITHHOLDING. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, or upon any other taxable event arising as a result of Awards granted hereunder, Participants may elect, subject to the approval of the Board, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction. All such elections shall be irrevocable, made in writing and signed by the Participant, and shall be subject to any restrictions or limitations that the Board, in its sole discretion, deems appropriate. ARTICLE 18. INDEMNIFICATION Each person who is or shall have been a member of the Committee, or of the Board, or an officer of the Company to whom authority was delegated in accordance with Article 3 shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgement in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or except as expressly provided by Statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless. ARTICLE 19. SUCCESSORS All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company. ARTICLE 20. GENERAL PROVISIONS 20.1 FORFEITURE EVENTS. The Committee may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, 18 cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company or Affiliate policies, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company or any Affiliate. 20.2 LEGEND. The Board may require each person receiving Shares pursuant to an Award under this Plan to represent to and agree with the Company in writing that the Participant is acquiring the Shares without a view to distribution thereof. In addition, to any legend

required by this Plan, the certificates for such Shares may include any legend which the Board deems appropriate to reflect any restrictions on transfer of such Shares. 20.3 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural. 20.4 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included. 20.5 REQUIREMENTS OF LAW. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The Company shall receive the consideration required by law for the issuance of Awards under the Plan. 20.6 SECURITIES LAW COMPLIANCE. With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successor under the Exchange Act, unless determined otherwise by the Board. To the extent any provision of the Plan or action by the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board. 20.7 LISTING. The Company may use reasonable endeavors to register Shares allotted pursuant to the exercise of an Award with the United States Securities and Exchange Commission or to effect compliance with the registration, qualification, and listing requirements of any national securities laws, stock exchange, or automated quotation system. 20.8 DELIVERY OF TITLE. The Company shall have no obligation to issue or deliver evidence of title for shares of Shares under the Plan prior to: (a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and (b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable. 19 20.9 INABILITY TO OBTAIN AUTHORITY. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained. 20.10 INVESTMENT REPRESENTATIONS. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required. 20.11 EMPLOYEES BASED OUTSIDE OF THE UNITED STATES. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company, its Affiliates, and its Subsidiaries operate or have Employees, the Board, in their sole discretion, shall have the power and authority to: (a) Determine which Affiliates and Subsidiaries shall be covered by the Plan; (b) Determine which Employees outside the United States are eligible to participate in the Plan; (c) Modify the terms and conditions of any Award granted to Employees outside the United States to comply with applicable foreign laws; (d) Establish subplans and modify exercise procedures, and other terms and procedures to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 20.11 by the Board shall be attached to this Plan document as Appendices; and (e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals. Notwithstanding the above, the Board may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law or governing statute or any other applicable law. 20.12 UNCERTIFICATED SHARES. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange. 20.13 UNFUNDED PLAN. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not intended to be subject to ERISA. 20.14 NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The

Board shall determine whether cash, or Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated. 20.15 GOVERNING LAW. The Plan and each Award Agreement shall be governed by the laws of the state of Delaware excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Delaware, county of New Castle, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement. 21 PROXY BY MAIL THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS ADVANTICA RESTAURANT GROUP, INC. The undersigned hereby appoints Charles F. Moran and Nelson J. Marchioli as Proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and to vote, as designated on the other side, all the shares of the Common Stock of Advantica Restaurant Group, Inc. ("Advantica") held of record by the undersigned on March 26, 2002 at the Annual Meeting of Stockholders to be held on May 22, 2002 or any adjournment thereof. (Continued, and to be marked, dated and signed on the other side.)

----- FOLD AND DETACH HERE AND READ THE

REVERSE SIDE - Access to Advantica stockholder account information and other stockholder services are now available on the Internet! Visit Continental Stock Transfer's website at www.continentalstock.com for their new Internet Stockholder Service - ContinentaLink Through this new service, stockholders can select a Personal Identification Number or "PIN" to secure access to personal stockholder records. With a PIN, stockholders can change addresses, receive electronic forms, and view account transaction history and dividend history. To access this new service, visit the website listed above. From the home page, select ContinentaLink Full Service. From there, you can either Test Drive the service (choose "Test Drive" button) or you can Sign-Up (choose "Sign-Up" button). If you choose to sign-up, enter your taxpayer identification number or social security number as your ID Number. Your personal Security Code can be found on the reverse side of this card in the bottom left corner. Enter any four alphanumeric characters you would like to use for your PIN. Re-enter the same PIN in the PIN Verification field. Your PIN will be activated overnight, and you will be able to access your stockholder records the following day.

PROXY BY MAIL Please mark ADVANTICA RESTAURANT GROUP, INC. your votes [X] 203 East Main Street like this Spartanburg, SC 29319 THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS THIS PROXY WILL BE VOTED AS DIRECTED, OR IF NO DIRECTION IS INDICATED, WILL BE VOTED "FOR" PROPOSALS 1, 2, 3 and 4. The Board of Directors recommends a vote FOR Items 1, 2, 3 and 4. 1. To elect seven (7) directors WITHHELD Nominees: FOR FOR ALL 01 Vera K. Farris 05 Charles F. Moran [] [] 02 Nelson J. Marchioli 06 Elizabeth A. Sanders 03 Robert E. Marks 07 Donald R. Shepherd 04 Lloyd I. Miller, III WITHHELD FOR: (Write that nominee's name in the space provided below).

_____ FOR AGAINST ABSTAIN 2.

A proposal to ratify the Board of Directors' selection [] [] [] of Deloitte & Touche LLP as the principal independent auditors of Advantica and its subsidiaries (collectively, the "Company") for the year 2002. 3. A proposal to approve Advantica's 2002 Incentive [] [] [] Program for employees. 4. A proposal to approve the Denny's, Inc. Omnibus [] [] [] Incentive Compensation Plan for Executives. 5. To transact such other business as may properly come before the meeting. I agree to access future proxy statements and annual YES NO reports over the Internet. [] [] IF YOU WISH TO VOTE ELECTRONICALLY PLEASE READ THE INSTRUCTIONS BELOW. COMPANY NUMBER:

PROXY NUMBER: ACCOUNT NUMBER:

Signature _____ Signature _____ Date _____ NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. -----

FOLD AND DETACH HERE AND READ THE REVERSE SIDE - VOTE BY TELEPHONE OR INTERNET QUICK *** EASY *** IMMEDIATE [ADVANTICA LOGO] - You can now vote your shares electronically through the Internet or the telephone. - This eliminates the need to return the proxy card. - Your electronic vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned the proxy card. TO VOTE YOUR PROXY BY INTERNET www.continentalstock.com Have your proxy card in hand when you access the above website. You will be prompted to enter the company number, proxy number and account number to create an electronic ballot. Follow the prompts to vote your shares. TO VOTE YOUR PROXY BY MAIL Mark, sign and date your proxy card above, detach it and return it in the postage-paid envelope provided. TO VOTE YOUR

PROXY BY PHONE 1-800-293-8533 Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call. You will be prompted to enter the company number, proxy number and account number. Follow the voting instructions to vote your shares. PLEASE DO NOT RETURN THE ABOVE CARD IF VOTED ELECTRONICALLY SECURITY CODE PROXY BY MAIL THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS ADVANTICA RESTAURANT GROUP, INC. The undersigned hereby appoints Charles F. Moran and Nelson J. Marchioli as Proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and to vote, as designated on the other side, all the shares of the Common Stock of Advantica Restaurant Group, Inc. ("Advantica") held of record by the undersigned on March 26, 2002 at the Annual Meeting of Stockholders to be held on May 22, 2002 or any adjournment thereof. (Continued, and to be marked, dated and signed on the other side.) ----- - FOLD AND DETACH HERE AND READ THE REVERSE SIDE - THIS AREA INTENTIONALLY LEFT BLANK PROXY BY MAIL Please mark ADVANTICA RESTAURANT GROUP, INC. your votes [X] 203 East Main Street like this Spartanburg, SC 29319 THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS YOUR SHARES WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS INDICATED OR IF YOUR PROXY IS NOT PROPERLY COMPLETED AND RECEIVED BY MAY 17, 2002, YOUR SHARES WILL BE VOTED BY THE PLAN TRUSTEE "FOR" PROPOSALS 1, 2, 3 and 4. The Board of Directors recommends a vote FOR Items 1, 2, 3 and 4. 1. To elect seven (7) directors WITHHELD Nominees: FOR FOR ALL 01 Vera K. Farris 05 Charles F. Moran [] [] 02 Nelson J. Marchioli 06 Elizabeth A. Sanders 03 Robert E. Marks 07 Donald R. Shepherd 04 Lloyd I. Miller, III WITHHELD FOR: (Write that nominee's name in the space provided below).

FOR AGAINST ABSTAIN 2. A proposal to ratify the Board of Directors' selection [] [] [] of Deloitte & Touche LLP as the principal independent auditors of Advantica and its subsidiaries (collectively, the "Company") for the year 2002. 3. A proposal to approve Advantica's 2002 Incentive [] [] [] Program for employees. 4. A proposal to approve the Denny's, Inc. Omnibus [] [] [] Incentive Compensation Plan for Executives. 5. To transact such other business as may properly come before the meeting. I agree to access future proxy statements and annual YES NO reports over the Internet. [] [] IF YOU WISH TO VOTE ELECTRONICALLY PLEASE READ THE INSTRUCTIONS BELOW. COMPANY NUMBER: PROXY NUMBER: ACCOUNT NUMBER:

Signature _____ Signature _____ Date _____ NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. -----

FOLD AND DETACH HERE AND READ THE REVERSE SIDE - VOTE BY TELEPHONE OR INTERNET QUICK *** EASY *** IMMEDIATE [ADVANTICA LOGO] - You can now vote your shares electronically through the Internet or the telephone. - This eliminates the need to return the proxy card. - Your electronic vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned the proxy card. TO VOTE YOUR PROXY BY INTERNET www.continentalstock.com Have your proxy card in hand when you access the above website. You will be prompted to enter the company number, proxy number and account number to create an electronic ballot. Follow the prompts to vote your shares. TO VOTE YOUR PROXY BY MAIL Mark, sign and date your proxy card above, detach it and return it in the postage-paid envelope provided. TO VOTE YOUR PROXY BY PHONE 1-800-293-8533 Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call. You will be prompted to enter the company number, proxy number and account number. Follow the voting instructions to vote your shares. PLEASE DO NOT RETURN THE ABOVE CARD IF VOTED ELECTRONICALLY