DENNYS CORP

FORM S-1/A
(Securities Registration Statement)

Filed 4/21/1998

Address	203 E MAIN ST
	SPARTANBURG, South Carolina 29319
Telephone	864-597-8000
CIK	0000852772
Industry	Restaurants
Sector	Services
Fiscal Year	12/03

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As Filed with the Securities and Exchange Commission on April 20, 1998

Registration No. 333-45811

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-1

REGISTRATION STATEMENT
UNDER THE

SECURITIES ACT OF 1933 # Advantica Restaurant Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	5812	13-3487402
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

203 East Main Street
Spartanburg, South Carolina 29319-9966
(864) 597-8000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Rhonda J. Parish, Esq. Executive Vice President and General Counsel Advantica Restaurant Group, Inc. 203 East Main Street Spartanburg, South Carolina 29319-9966 (864) 597-8000

(Name, address, including zip code, and telephone number, including area code, of agent for service) Copy to:

Gary C. Ivey, Esq.
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2500 Charlotte Plaza
Charlotte, North Carolina 28244
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Approximate date of commencement of proposed sale of the securities to the public:
From time to time after this Registration Statement becomes effective.
If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. [X]
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]
If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]
If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (1)
Common Stock, $.01 par value	9,301,820	Not Applicable	Not Applicable	Not Applicable

(1) A registration fee of $27,401 was paid with the initial filing of this Registration Statement on February 6, 1998. The fee was computed pursuant to Rule 457(c) based upon the 9,526,775 shares initially registered and the last reported sales price for the Common Stock on The NASDAQ Stock MarketSM on February 2, 1998.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED APRIL 20, 1998

PROSPECTUS

Advantica Restaurant Group, Inc.

9,301,820 Shares of Common Stock

This Prospectus relates to the offering from time to time (the "Offering") by a certain selling shareholder (the "Selling Stockholder") of shares of common stock, $.01 par value (the "Common Stock"), of Advantica Restaurant Group, Inc. (formerly Flagstar Companies, Inc.), a Delaware corporation ("Advantica"). The shares of Common Stock being registered hereunder were issued by Advantica under the Joint Plan of Reorganization, as amended (the "Plan of Reorganization"), of Flagstar Companies, Inc., a Delaware corporation ("FCI"), and Flagstar Corporation, a Delaware corporation and a wholly-owned subsidiary of FCI ("Flagstar"), under Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code"). The Plan of Reorganization was confirmed by the United States Bankruptcy Court for the District of South Carolina (the "Bankruptcy Court") by order entered by such court as of November 12, 1997 and became effective on January 7, 1998 (the "Effective Date"). See "The Company -- The 1997 Restructuring."

All shares of Common Stock being offered for resale hereby are being so offered for the account of the Selling Stockholder. Advantica will not receive any proceeds from any resale of the Common Stock offered or sold pursuant hereto.

The Common Stock is currently listed for trading as a NASDAQ National Market security on The NASDAQ Stock MarketSM under the trading symbol "DINE."

SEE "RISK FACTORS" BEGINNING ON PAGE 8 FOR A DISCUSSION OF CERTAIN MATERIAL FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SECURITIES OFFERED HEREBY.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Selling Stockholder directly, through agents designated from time to time, or through dealers or underwriters to be designated, may sell the Common Stock from time to time on terms to be determined at the time of sale. To the extent required, the specific amount of Common Stock to be sold, the purchase price and public offering price, the names of any resale agent, dealer or underwriter, and the terms of any amount of any applicable commission or discount with respect to a particular offer will be set forth in a Prospectus Supplement and/or post-effective amendment to the Registration Statement of which this Prospectus constitutes a part. See "Plan of Distribution."

Advantica has agreed to bear all expenses of registration of the Common Stock under federal and state securities laws and to indemnify the Selling Stockholder against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act") and, in lieu thereof, to contribute to payments required to be made by the Selling Stockholders. See "Plan of Distribution."

The Selling Stockholder and any broker-dealers, agents or underwriters that participate with the Selling Stockholder in the distribution of the Common Stock may be deemed to be "underwriters" within the meaning of the Securities Act, and any commissions received by them and any profit on the resale of the Common Stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

The date of this Prospectus is , 1998.

AVAILABLE INFORMATION

Advantica has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (the "Registration Statement", which term shall encompass any amendments, exhibits and schedules thereto) under the Securities Act with respect to the Common Stock offered for resale hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to Advantica and the Common Stock, reference is hereby made to such Registration Statement, exhibits and schedules. Statements contained in this Prospectus, which constitutes part of the Registration Statement, as to the contents of any agreement, instrument or other document are not necessarily complete, and, in each instance, reference is made to the copy of such agreement, instrument or document filed as an exhibit to the Registration Statement, each such statement being qualified in its entirety by such reference.

Advantica is subject to the informational and reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files periodic reports, proxy statements and other information with the Commission. The Registration Statement, including all exhibits and schedules thereto, as well as such reports, statements and other information, may be inspected and copied at the Public Reference Section of the Commission at its principal office located at 450 Fifth Street, N.W., Washington, D.C. 20549, the New York Regional Office, located at 7 World Trade Center, Suite 1300, New York, New York 10048, and the Chicago Regional Office, located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained from any such office at prescribed rates. Such material may also be accessed electronically by means of the Commission's home page on the Internet at http://www.sec.gov.

FORWARD-LOOKING STATEMENTS

The forward-looking statements included in the "Risk Factors", "Business", "Legal Proceedings" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this Prospectus, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Words such as "expects", "anticipates", "believes", "intends", and "hopes", variations of such words and similar expressions are intended to identify such forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to, the factors discussed in such sections and those set forth in the cautionary statements contained in Exhibit 99 to the Registration Statement. (See Exhibit 99 -- Safe Harbor Under the Private Securities Litigation Reform Act of 1995). Forward-looking information set forth in such sections are provided by Advantica pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors.

PROSPECTUS SUMMARY

This summary is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Prospectus. Unless the context otherwise requires, the term "Company," as used in this Prospectus, refers to Advantica, including its predecessors, FCI and Flagstar, and its subsidiaries on a consolidated basis. As described elsewhere herein, as of April 1, 1998, the Company consummated the sale (the "FEI Sale") of Flagstar Enterprises, Inc. ("FEI"), its wholly-owned subsidiary which had operated the Company's Hardee's restaurants under licenses with Hardee's Food Systems, Inc. ("HFS"). Nevertheless, unless otherwise expressly stated, the information set forth in this Prospectus continues to reflect the Company's Hardee's operations since such operations are included in the historical financial statements contained elsewhere in this Prospectus.

The Company

Advantica, through its wholly-owned subsidiaries, is one of the largest restaurant companies in the United States, operating (directly and through franchisees and including its just sold Hardee's operation) approximately 3,300 moderately priced restaurants.

Advantica's operations are conducted through six restaurant chains or concepts, four chains in the full-service mid-scale dining segment and two in the quick-service segment (including Hardee's). Denny's, the Company's largest concept, is the nation's largest chain of family-style full-service restaurants, with more than 1,650 units in 49 states, two U.S. territories and two foreign countries. Denny's largest concentration is in California and Florida, with 552 units in these two states. Management believes that Denny's has the leading share of the national market in the family-style category. Quincy's, with 180 locations (69 of which management intends to close during 1998), is one of the largest chains of family-steak restaurants in the southeastern United States. El Pollo Loco is a chain of 247 quick-service restaurants featuring flame-broiled chicken and related Mexican food items. Coco's is a regional bakery restaurant chain operating 493 units in seven western states and three foreign countries, offering a wide variety of fresh-baked goods and value priced meals that capitalize on emerging food trends in the western United States. The Carrows chain, consisting of 154 units in seven western states, specializes in traditional American food, with emphasis on quality, homestyle fare at an excellent value. Hardee's is a chain of quick-service restaurants of which Advantica (prior to the FEI Sale (as defined above)), with 557 units located primarily in the Southeast, was the largest franchisee. Although specializing in sandwiches, these Hardee's restaurants serve fried chicken and offer a breakfast menu that accounts for approximately 47% of total sales and features the chain's famous "made-from- scratch" biscuits.

Although operating in two distinct segments of the restaurant industry -- full-service and quick-service -- the Company's restaurants benefit from a single management strategy that emphasizes superior value and quality, friendly and attentive service and appealing facilities.

FCI was organized as a holding company in 1988 in order to effect the 1989 acquisition of Flagstar. In 1992, FCI and Flagstar consummated the principal elements of a recapitalization (the "1992 Recapitalization"), as a result of which two partnerships affiliated with Kohlberg, Kravis, Roberts & Co. ("KKR") acquired control of the Company. Prior to June 16, 1993, FCI and Flagstar had been known, respectively, as TW Holdings, Inc. and TW Services, Inc.

As further described elsewhere herein, in early 1997, the Company's management concluded, in light of operating trends experienced by the Company since 1989 (and continuing into 1997) and the Company's liquidity and capital needs, that the reorganizational alternative best designed to recapitalize the Company's enterprise over the long-term and maximize the recovery of all stakeholders was through a prepackaged plan pursuant to Chapter 11 of the Bankruptcy Code. Toward that end, beginning in February 1997, FCI and Flagstar commenced intensive negotiations with various creditors in an effort to enable the Company to restructure its indebtedness through such a prepackaged filing. The prepackaged plan, the principal terms of which were announced by FCI and Flagstar on March 17, 1997 (the "Original Plan"), was the result of such negotiation and effort. On June 5, 1997, FCI and Flagstar commenced a solicitation of votes on the Original Plan by holders of impaired claims and impaired equity interests entitled to vote thereon. The Original Plan was accepted by all but one class that voted, and a voluntary Chapter 11 case was commenced by FCI and Flagstar on July 11, 1997 in the Bankruptcy Court. The Plan of Reorganization (as amended following the resolution of certain issues before the Bankruptcy Court) was confirmed by the Bankruptcy Court pursuant to an order entered as of November 12, 1997 and became effective on January 7, 1998. See "The Company -- The 1997 Restructuring." On the Effective Date, among other things, Flagstar merged with and into FCI, the surviving corporation, FCI changed its name to Advantica Restaurant Group, Inc., and Advantica issued 40,000,000 shares of Common Stock subject to the completion of the exchange of securities as contemplated by such plan.

The Company's principal executive offices are located at 203 East Main Street, Spartanburg, South Carolina 29319-9966. Its telephone number is (864) 597-8000.

The Plan of Reorganization

Material features of the Plan of Reorganization, as it became effective as of January 7, 1998, are as follows:

(a) Flagstar merged with and into FCI, the surviving corporation, and FCI changed its name to Advantica Restaurant Group, Inc.;

(b) The following securities of Flagstar and FCI were cancelled, extinguished, and retired as of the Effective Date: (i) Flagstar's 10 7/8% Senior Notes due 2002 (the "10 7/8% Senior Notes") and 10 3/4% Senior Notes due 2001 (the "10 3/4% Senior Notes" and, collectively with the 10 7/8% Senior Notes, the "Old Senior Notes"), (ii) Flagstar's 11.25% Senior Subordinated Debentures due 2004 (the "11.25% Debentures") and 11 3/8% Senior Subordinated Debentures due 2003 (the "11 3/8% Debentures" and, collectively with the 11.25% Debentures, the "Senior Subordinated Debentures"), (iii) Flagstar's 10% Convertible Junior Subordinated Debentures due 2014 (the "10% Convertible Debentures"), (iv) FCI's $2.25 Series A Cumulative Convertible Exchangeable Preferred Stock (the "Old Preferred Stock") and (v) FCI's $.50 par value common stock (the "Old Common Stock");

(c) Advantica had 100,000,000 authorized shares of Common Stock (of which 40,000,000 shares were deemed issued and outstanding on the Effective Date) and 25,000,000 authorized shares of preferred stock (none of which are currently outstanding). Pursuant to the Plan of Reorganization, ten percent (10%) of the number of shares of Common Stock issued and outstanding on the Effective Date, on a fully diluted basis, is reserved for issuance under a new management stock option program. Additionally, 4,000,000 shares of Common Stock are reserved for issuance upon the exercise of new warrants expiring January 7, 2005 that were issued and outstanding on the Effective Date and entitle the holders thereof to purchase in the aggregate 4,000,000 shares of Common Stock at an exercise price of $14.60 per share (the "Warrants");

(d) Each holder of the Old Senior Notes received such holder's pro rata portion of 100% of Advantica's 11 1/4% Senior Notes due 2008 (the "New Senior Notes") in exchange for 100% of the principal amount of such holders' Old Senior Notes and accrued interest through the Effective Date;

(e) Each holder of the Senior Subordinated Debentures received such holder's pro rata portion of shares of Common Stock equivalent to 95.5% of the Common Stock issued on the Effective Date;

(f) Each holder of the 10% Convertible Debentures received such holder's pro rata portion of (i) shares of Common Stock equivalent to 4.5% of the Common Stock issued on the Effective Date and (ii) 100% of the Warrants issued on the Effective Date; and

(g) Advantica refinanced its prior credit facilities by entering into a new credit agreement with The Chase Manhattan Bank ("Chase") and other lenders named therein providing the Company (excluding FRI-M Corporation ("FRI-M"), the subsidiary that operates the Company's Coco's and Carrows operations) with a $200 million senior secured revolving credit facility (the "Credit Facility").

For more detailed information concerning the Plan of Reorganization, see "The Company -- The 1997 Restructuring."

The Offering

Common Stock Offered
for Resale. 9,301,820 shares. See "Description of Common Stock."

Common Stock Currently Outstanding.....	40,002,259 shares.
NASDAQ Symbol for Common Stock...	The Common Stock is listed for trading as a NASDAQ National Market security on The NASDAQ Stock MarketSM under the trading symbol "DINE."
Use of Proceeds.....	All shares of Common Stock being offered for resale hereby are being so offered for the account of the Selling Stockholder. Advantica will not receive any proceeds from the sale of the Common Stock hereby.

Certain Risk Factors

PURCHASERS OF THE COMMON STOCK OFFERED HEREBY SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THIS PROSPECTUS, ESPECIALLY THE FACTORS SET FORTH IN THE FOLLOWING PARAGRAPH AS MORE FULLY DESCRIBED IN "RISK FACTORS."

Purchasers should consider that: (i) although consummation of the Plan of Reorganization significantly reduced the Company's debt obligations, the Company still has a substantial amount of indebtedness; (ii) the ability of Advantica to gain access to additional capital, if needed, cannot be assured;
(iii) following consummation of the Plan of Reorganization and the transactions contemplated thereby, the financial condition and operating results of Advantica are not comparable in all respects to that reflected in Advantica's predecessors' historical financial statements; (iv) the Company's restaurant operations are subject to substantial competition from a variety of national, regional and local restaurant companies, some of which have substantially greater financial resources than the Company; and (v) the Company's restaurant operations are subject to changes in consumer tastes, national, regional and local economic conditions and demographic trends.

Recent Developments

On February 18, 1998 Advantica entered into a definitive agreement with CKE Restaurants, Inc. ("CKE") for the sale of stock of FEI, a wholly-owned subsidiary which has operated the Company's Hardee's restaurants under licenses from HFS. HFS is a wholly-owned subsidiary of CKE. The FEI Sale was consummated on April 1, 1998. As contemplated by such agreement, the Company received $380.8 million in cash (subject to certain adjustments) in exchange for all of the outstanding stock of FEI. In addition, CKE assumed $45.6 million of capital leases. The definitive agreement with CKE includes a covenant not to compete which expires on the second anniversary of the closing date of the FEI Sale. In general, the covenant requires that the Company not engage, directly or indirectly, in the quick-service hamburger restaurant business in certain designated market areas. Approximately $173.1 million of the proceeds of the FEI Sale (together with $28.6 million previously on deposit with respect to certain Mortgage Financings as herein defined) was applied to effect an in-substance defeasance of such Mortgage Financings of FEI and Quincy's Restaurants, Inc. with a book value of $177.6 million at December 31, 1997 plus accrued interest of $2.3 million. Such Mortgage Financings had been collateralized by certain assets of FEI and its wholly-owned subsidiary Spardee's Realty, Inc. and certain assets of Quincy's Restaurants, Inc. and its wholly-owned subsidiary Quincy's Realty, Inc. The Company replaced such collateral principally through the purchase of Defeasance Eligible Investments (as defined in documents governing such Mortgage Financings) which were deposited with the collateral agent with respect to such Mortgage Financings to satisfy principal and interest payments under such Mortgage Financings through the stated maturity date in the year 2000. For additional information concerning such in-substance defeasance, see "Description of Indebtedness -- Mortgage Financings." The transaction required consents of the lenders under the Credit Facility, and the Company negotiated the terms of an amendment which included such consent. Certain terms and provisions of the Credit Facility described herein reflect such amendment. See "Description of Indebtedness -- The Advantica Credit Agreement."

As a result of the adoption of fresh start reporting as of the Effective Date (as further discussed in Note 1 to the Consolidated Financial Statements included herein), the net assets of FEI will be adjusted to fair value less estimated costs of disposal based on the terms of the definitive agreement. To the extent that the final terms of the disposition reflect a different fair value than that used as of the Effective Date, the effect of such difference will be an adjustment to the reorganization value in excess of amounts allocable to identifiable assets. Accordingly, the Company anticipates that there will be no additional gain or loss on the disposition of FEI in periods subsequent to the Effective Date.

SUMMARY HISTORICAL FINANCIAL DATA

Set forth below are certain summary financial data concerning the Company for each of the five years ended December 31, 1997. Such data generally have been derived from the Consolidated Financial Statements of the Company for such periods, which have been audited. The following information should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Pro Forma Financial Statements" presented elsewhere herein.

	Year Ended December 31,	
(in millions, except per share amounts)	1993(a)	1994(a)
Income Statement data:		
Operating revenue	$ 2,615.2	$ 2,666.0
Operating income (loss)	(1,102.4)(c)	211.5 (d)
Loss from continuing operations (g)	(1,238.6)	(16.8)
Basic and diluted loss per share applicable to common shareholders (h):		
Continuing operations	(29.56)	(0.73)
Discontinued operations (g)	(9.67)	9.27
Net income (loss) (i)	(40.14)	8.26
Cash dividends per common share (j)	--	--
Ratio of earnings to fixed charges (k)	--	--
Deficiency in the coverage of fixed charges to earnings before fixed charges (k)	1,318.2	19.3
Balance Sheet data (at end of period):		
Current assets (l)	122.2	186.1
Working capital (deficiency) (l)(m)	(273.0)	(205.6)
Net property and equipment	1,167.2	1,196.4
Total assets	1,538.9	1,587.5
Long-term debt	2,341.2	2,067.6
Other data:		
EBITDA (o)	331.0	333.9
Net cash flows provided by operating activities	128.9	54.6
Net cash flows (used in) provided by investing activities	(136.0)	296.9 (p)
Net cash flows provided by (used in) financing activities	10.6	(308.9)

	Year Ended December 31,		
(in millions, except per share amounts)	1995(a)	1996(a)(b)	1997
Income Statement data:			
Operating revenue	$ 2,571.5	$ 2,542.3	$ 2,609.5
Operating income (loss)	98.2 (e)	156.4	130.4 (f)
Loss from continuing operations (g)	(132.9)	(85.5)	(134.5)
Basic and diluted loss per share applicable to common shareholders (h):			
Continuing operations	(3.47)	(2.35)	(3.50)
Discontinued operations (g)	1.82	--	--
Net income (loss) (i)	(1.64)	(2.35)	(3.50)
Cash dividends per common share (j)	--	--	--
Ratio of earnings to fixed charges (k)	--	--	--
Deficiency in the coverage of fixed charges to earnings before fixed charges (k)	133.0	101.9	132.7
Balance Sheet data (at end of period):			
Current assets (l)	285.3	185.5	132.8
Working capital (deficiency) (l)(m)	(122.2)	(297.7)	(248.9)
Net property and equipment	1,104.4	1,168.6	758.4
Total assets	1,507.8	1,687.4	1,439.1
Long-term debt	1,996.1	2,179.4	807.4 (n)
Other data:			
EBITDA (o)	298.3	286.3	296.9
Net cash flows provided by operating activities	19.5	19.5	76.0
Net cash flows (used in) provided by investing activities	186.4 (q)	(109.4)(r)	(36.0)
Net cash flows provided by (used in) financing activities	(75.6)	(14.7)	(78.3)

(a) Certain amounts for the four years ended December 31, 1996 have been reclassified to conform to the 1997 presentation.

(b) Reflects the acquisition in May 1996 of Coco's and Carrows.

(c) Operating loss for the year ended December 31, 1993 reflects charges for the write-off of goodwill and certain other intangible assets of

$1,104.6 million and the provision for restructuring charges of $158.6 million.

(d) Operating income for the year ended December 31, 1994 reflects a recovery of restructuring charges of $7.2 million.

(e) Operating income for the year ended December 31, 1995 reflects a provision for restructuring charges of $15.9 million and a charge for impaired assets of $51.4 million.

(f) Operating income for the year ended December 31, 1997 reflects a provision for restructuring charges of $10.5 million and a charge for impaired assets of $15.1 million.

(g) The Company has classified as discontinued operations, Canteen Corporation, a food and vending subsidiary, sold in 1994, TW Recreational Services, Inc. ("TWRS"), a recreation services subsidiary, and Volume Services, Inc. ("VS"), a stadium concessions subsidiary. TWRS and VS were sold during 1995.

(h) The earnings per share amounts prior to 1997 have been restated as required to comply with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). For such periods, under the new standard, basic loss per share excludes any dilutive effects of options, warrants and convertible securities, and diluted per share amounts do not differ from basic per share amounts since the Company's options, warrants and convertible debt and preferred stock have an antidilutive impact on per share amounts due to losses from continuing operations in those periods. For

further discussion of earnings per share and the impact of SFAS 128, see the Notes to the Consolidated Financial Statements included herein.

(i) For the year ended December 31, 1993, net loss includes extraordinary losses of $0.62 per share related to the repurchase of the 10% Convertible Debentures and to the charge off of unamortized deferred financing costs related to a prepayment of Flagstar's senior term loan; net loss for 1993 also includes a charge of $0.29 per share due to a change of accounting method relating to the discount rate applied to the Company's liability for self insurance claims pursuant to Staff Accounting Bulletin No. 92. For the year ended December 31, 1994, net income includes an extraordinary loss of $0.28 per share, relating to the charge off of unamortized deferred financing costs associated with the Company's prepayment of its senior term loan and working capital facility during the second quarter of 1994. For the year ended December 31, 1995, net loss includes a $0.01 per share extraordinary gain relating to the repurchase of $25.0 million of senior indebtedness net of the charge off of unamortized deferred financing costs.

(j) The Company's bank facilities have prohibited, and its public debt indentures have significantly limited, distributions and dividends on Advantica's (and its predecessor's) common equity securities. See Note 8 to the accompanying Consolidated Financial Statements appearing elsewhere herein.

(k) The ratio of earnings to fixed charges has been calculated by dividing pre-tax earnings by fixed charges. Earnings, as used to compute the ratio, equal the sum of income from continuing operations before income taxes and fixed charges excluding capitalized interest. Fixed charges are the total interest expense including capitalized interest, amortization of debt expenses and a rental factor that is representative of an interest factor (estimated to be one third) on operating leases.

(l) The current assets and working capital deficiency amounts presented exclude assets held for sale of $103.2 million and $77.3 million as of December 31, 1993 and 1994, respectively, $5.1 million as of December 31, 1996 and $242.5 million as of December 31, 1997. Such assets held for sale relate to the Company's food and vending and concessions and recreation services subsidiaries for the years ended December 31, 1993 and 1994. For the year ended December 31, 1997, net assets held for sale relate to FEI.

(m) A negative working capital position is not unusual for a restaurant operating company. The decrease in the working capital deficiency from December 31, 1993 to December 31, 1994 is due primarily to an increase in cash following the sale of the Company's food and vending subsidiary during 1994. The decrease in the working capital deficiency from December 31, 1994 to December 31, 1995 is due primarily to an increase in cash following the 1995 sales of the Company's (i) distribution subsidiary, PFC, net of current assets and liabilities of such subsidiary, and (ii) the concession and recreation services subsidiaries. The increase in the working capital deficiency from December 31, 1995 to December 31, 1996 reflects the use of the proceeds from the 1995 sales noted above and the proceeds of the sale of PTF for operating needs and for the acquisition of Coco's and Carrows. The decrease in the working capital deficiency from December 31, 1996 to December 31, 1997 is attributable primarily to a reclassification of accrued interest from current liabilities to liabilities subject to compromise, largely offset by a reduction in cash and cash equivalents which has been used for Company operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

(n) Reflects the reclassification of $1,496.7 million of long-term debt to liabilities subject to compromise in accordance with the AICPA's Statement of Position 90-7, "Financial Reporting By Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") as a result of the commencement of the Chapter 11 filing.

(o) EBITDA is defined by the Company as operating income before depreciation, amortization and charges for (recoveries of) restructuring and impairment and is a key internal measure used to evaluate the amount of cash flow available for debt repayment and funding of additional investments. EBITDA is not a measure defined by generally accepted accounting principles and should not be considered as an alternative to net income or cash flow data prepared in accordance with generally accepted accounting principles, or as a measure of a company's profitability or liquidity. The Company's measure of EBITDA may not be comparable to similarly titled measures reported by other companies. The following restructuring and impairment charges (recoveries) have been excluded from EBITDA for the periods indicated: 1993-$1,263.2 million; 1994-($7.2 million); 1995-$67.3 million; and 1997-$25.6 million.

(p) Net cash flows provided by investing activities include proceeds from sale of discontinued operations of $447.1 million.

(q) Net cash flows provided by investing activities include proceeds from sale of discontinued operations and subsidiaries of $294.6 million.

(r) Net cash flows used in investing activities include the acquisition of Coco's and Carrows, net of cash acquired, of $127.1 million.

RISK FACTORS

PROSPECTIVE PURCHASERS OF THE COMMON STOCK SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, AS WELL AS OTHER INFORMATION SET FORTH IN THIS PROSPECTUS, PRIOR TO MAKING AN INVESTMENT DECISION WITH RESPECT TO THE COMMON STOCK.

Highly Leveraged Position

Although consummation of the Plan of Reorganization significantly reduced the Company's debt obligations, the Company still has substantial indebtedness and debt service requirements, in absolute terms and in relation to shareholders' equity. At December 31, 1997, the Company had indebtedness (including long-term debt reclassified to liabilities subject to compromise) of $2,152.2 million and a shareholders' deficit of $(1,362.5) million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8 to the Consolidated Financial Statements of the Company appearing elsewhere in this Prospectus. After giving effect to the Plan of Reorganization, the Company's pro forma aggregate indebtedness totaled approximately $1,318.6 million and shareholders' equity was $410.2 million. See "Pro Forma Financial Statements."

The Company's management believes, based on its forecasts, that the Company will have sufficient operating cash flow from operations (together with funds available under the Credit Facility) to pay interest and scheduled amortization on all of its outstanding indebtedness and to fund anticipated capital expenditures through 1999, after giving effect to the Plan of Reorganization. See "Pro Forma Financial Statements." Even with the completion of the Plan of Reorganization, however, the Company's ability to meet its debt service obligations will depend on a number of factors, including management's ability to maintain operating cash flow, and there can be no assurance that targeted levels of operating cash flow will actually be achieved. The Company's ability to maintain or increase operating cash flow will depend upon consumer tastes, the success of marketing initiatives and other efforts by the Company to increase customer traffic in its restaurants, the success of the Company in obtaining advantageous commercial real estate sites suitable for restaurants, prevailing economic conditions and other factors, many of which are beyond the control of the Company.

The Company's highly leveraged position may limit its ability to obtain additional financing in the future on terms and subject to conditions deemed acceptable by Company management. Even after the consummation of the Plan of Reorganization, a substantial portion of the Company's cash flow from operations must be dedicated to the payment of interest and principal on outstanding debt. The agreements governing that debt impose significant operating and financial restrictions on the Company. As further described elsewhere in this Prospectus, as of April 1, 1998, Advantica consummated the sale of the stock of FEI, a wholly-owned subsidiary which has operated the Company's Hardee's restaurants under licenses from HFS. See "Prospectus Summary -- Recent Developments." A portion of the proceeds of such transaction were applied to effect an in-substance defeasance of certain Mortgage Financings (as herein defined) with a book value of $177.6 million at December 31, 1997. Such Mortgage Financings have a scheduled maturity date in the year 2000. See "Description of Indebtedness -- Mortgage Financings." Even after consummation of such transaction and the in-substance defeasance of such Mortgage Financings, the Company will nevertheless be required to refinance additional Mortgage Financings currently having an outstanding principal amount of $160 million also scheduled to mature in the year 2000. The Company's highly leveraged position may limit its ability to do so on acceptable terms. See "The Company -- The 1997 Restructuring", "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and Note 8 to the Consolidated Financial Statements of the Company appearing elsewhere in this Prospectus.

Assumptions Regarding Value of the Company's Assets

As further described in the Notes to the Consolidated Financial Statements included herein, for financial reporting purposes, the fair values of the Company's assets and liabilities were required to be determined as of the Effective Date. The estimated fair values of assets and liabilities used in the preparation of the Pro Forma Financial Statements included elsewhere in this Prospectus have been determined based on certain valuations and other studies which are not yet complete. The Company will continue to finalize these estimates and consequently the value of those assets and liabilities and the reorganization value in excess of amounts allocable to identifiable assets are subject to change.

Business and Competition

The Company's future performance will be subject to a number of factors that affect the restaurant industry generally, including competition. The restaurant business is highly competitive and the competition can be expected to increase. Price, restaurant location, food quality, quality and speed of service and attractiveness of facilities are important aspects of competition as are the effectiveness of marketing and advertising programs. The competitive environment is also often affected

by factors beyond the Company's or a particular restaurant's control. The Company's restaurants compete with a wide variety of restaurants ranging from national and regional restaurant chains (some of which have substantially greater financial resources than the Company) to locally-owned restaurants. There is also active competition for advantageous commercial real estate sites suitable for restaurants.

Capital Requirements

Advantica's businesses are expected to have substantial capital expenditure needs. The ability of Advantica to gain access to additional capital, if needed, cannot be assured, particularly in view of the Company's continuing highly leveraged condition, its recent emergence from Bankruptcy Court protection, competitive factors and industry conditions. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and "The Company -- The 1997 Restructuring."

Holding Company Structure

Advantica is a holding company, which currently conducts its operations through consolidated subsidiaries. Substantially all of the assets of Advantica are owned by Advantica's subsidiaries. Dividends, loans and advances from certain subsidiaries to Advantica are subject to certain contractual restrictions and are contingent upon the earnings of such subsidiaries.

Dividend Restrictions

Neither Advantica nor either of its predecessors FCI and Flagstar has ever paid dividends on its common equity securities. Furthermore, restrictions contained in the instruments governing the outstanding indebtedness of Advantica restrict its ability to pay dividends on the Common Stock in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and Note 8 to the accompanying Consolidated Financial Statements of the Company.

Noncomparability of Historical Financial Information

As a result of the consummation of the Plan of Reorganization and the transactions contemplated thereby, the financial condition and results of operations of Advantica from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the historical financial statements of Advantica's predecessors set forth elsewhere herein.

Seasonality

The Company's business is moderately seasonal. Restaurant sales are generally greater in the second and third calendar quarters (April through September) than in the first and fourth calendar quarters (October through March). Occupancy and other operating costs, which remain relatively constant, have a disproportionately greater negative effect on operating results during quarters with lower restaurant sales.

Employees

One of the Company's primary assets is its group of highly skilled professionals who have the ability to leave the Company and so deprive it of valuable skills and knowledge that increase the profitability of the Company's business operations. Although the Company has taken steps to retain its key management personnel, no assurance can be given that it will ultimately be able to do so and, if not, that it will be able to replace such personnel with comparable results.

Economic, Market and Other Conditions

Food service businesses are often affected by changes in consumer tastes, national, regional and local economic conditions and demographic trends. The performance of individual restaurants may be adversely affected by factors such as traffic patterns, demographic considerations and the type, number and location of competing restaurants. Multi-unit food service chains such as the Company's can also be materially and adversely affected by publicity resulting from food quality, illness, injury or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. Dependence on frequent deliveries of fresh produce and groceries subjects food service businesses to the risk that shortages or interruptions in supply, caused by adverse weather or other conditions, could adversely affect the availability, quality and cost of ingredients. In addition, unfavorable trends or developments concerning factors such as inflation, increased food, labor and employee benefit costs (including increases in hourly wage and minimum unemployment tax rates), regional

weather conditions and the availability of experienced management and hourly employees may also adversely affect the food service industry in general and the Company's results of operations and financial condition in particular.

Importance of Locations

The success of Company and franchised restaurants is significantly influenced by location. There can be no assurance that current locations will continue to be attractive, as demographic patterns change. It is possible the neighborhood or economic conditions where restaurants are located could decline in the future, resulting in potentially reduced sales in those locations.

Government Regulations

The Company and its franchisees are subject to federal, state and local laws and regulations governing health, sanitation, environmental matters, safety, the sale of alcoholic beverages and hiring and employment practices. Restaurant operations are also subject to federal and state laws that prohibit discrimination and laws regulating the design and operation of facilities, such as the Americans with Disabilities Act of 1990 (the "ADA"). The operation of the Company's franchisee system is also subject to regulations enacted by a number of states and rules promulgated by the Federal Trade Commission. The Company cannot predict the effect on its operations, particularly on its relationship with franchisees, caused by the future enactment of additional legislation regulating the franchise relationship.

Uncertainties of the Public Market for the Common Stock

The Common Stock, issued by Advantica as of January 7, 1998, the effective date of the Plan of Reorganization, is listed for trading as a NASDAQ National Market security on The NASDAQ Stock MarketSM under the trading symbol "DINE." While the NASDAQ listing is expected to facilitate the trading of the Common Stock, there can be no assurance that an active trading market will develop and continue. In addition, there can be no assurance as to the degree of price volatility in the market for the Common Stock that does develop. Accordingly, no assurance can be given that a holder of Common Stock will be able to sell such securities in the future or as to the price at which any such sale may occur. The price at which the Common Stock may trade from time to time will depend upon many factors, including prevailing interest rates, markets for similar securities, industry conditions, and the performance of, and investor expectations for, Advantica and its subsidiaries. See "Price Range of Common Stock and Dividend Policy" and "Plan of Distribution."

THE COMPANY

General

Advantica, through its wholly-owned subsidiaries, is one of the largest restaurant companies in the United States, operating (directly and through franchisees, and including its just sold Hardee's operation) approximately 3,300 moderately priced restaurants.

Advantica's operations are conducted through six restaurant chains or concepts, four chains in the full-service mid-scale dining segment and two in the quick-service segment (including Hardee's). Denny's is the nation's largest chain of family-style full-service restaurants, with more than 1,650 units in 49 states, two U.S. territories and two foreign countries. Denny's largest domestic concentration is in California and Florida, with 552 units in these two states. Management believes that Denny's has the leading share of the national market in the family-style category. Quincy's, with 180 locations (69 of which management intends to close in 1998), is one of the largest chains of family-steak restaurants in the southeastern United States. El Pollo Loco is a chain of 247 quick-service restaurants featuring flame-broiled chicken and related Mexican food items. Coco's is a regional bakery restaurant chain operating 493 units in seven western states and three foreign countries, offering a wide variety of fresh-baked goods and value priced meals that capitalize on emerging food trends in the western United States. The Carrows chain, consisting of 154 units in seven western states, specializes in traditional American food, with emphasis on quality, homestyle fare at an excellent value. Hardee's is a chain of quick-service restaurants of which Advantica (prior to the FEI Sale), with 557 units located primarily in the Southeast, was the largest franchisee. Although specializing in sandwiches, these Hardee's restaurants serve fried chicken and offer a breakfast menu that accounts for approximately 47% of total sales and features the chain's famous "made-from-scratch" biscuits. For information concerning the sale of the Company's Hardee's operation, see "Prospectus Summary -- Recent Developments."

Although operating in two distinct segments of the restaurant industry -- full-service and quick-service -- the Company's restaurants benefit from a single management strategy that emphasizes superior value and quality, friendly and attentive service and appealing facilities.

FCI was organized as a holding company in 1988 in order to effect the 1989 acquisition of Flagstar. In 1992, FCI and Flagstar consummated the principal elements of the 1992 Recapitalization, as a result of which two partnerships affiliated with KKR acquired control of the Company. Prior to June 16, 1993, FCI and Flagstar had been known, respectively, as TW Holdings, Inc. and TW Services, Inc.

The Company's principal executive offices are located at 203 East Main Street, Spartanburg, South Carolina 29319-9966. Its telephone number is (864) 597-8000.

The 1997 Restructuring

In early 1997, the Company hired Donaldson, Lufkin & Jenrette Securities Corporation as a financial advisor to assist in exploring alternatives to improve the Company's capital structure. Subsequently, the Company's management concluded, in light of operating trends experienced by the Company and the Company's liquidity and capital needs, that the reorganizational alternative best designed to recapitalize the Company over the long-term and maximize the recovery of all stakeholders was a prepackaged plan pursuant to Chapter 11 of the Bankruptcy Code. Toward that end, beginning in February 1997, FCI and Flagstar commenced intensive negotiations with various creditors in an effort to enable the Company to restructure its indebtedness through such a prepackaged filing. The Original Plan, the principal terms of which were announced by FCI and Flagstar on March 17, 1997, was the result of such negotiation and effort. On June 5, 1997, FCI and Flagstar commenced a solicitation of votes on the Original Plan by holders of impaired claims and impaired equity interests entitled to vote thereon. The Original Plan was accepted by all but one class that voted, and on July 11, 1997 (the "Petition Date") FCI and Flagstar filed voluntary petitions for relief under the Bankruptcy Code in the Bankruptcy Court. Flagstar Holdings, Inc. ("Holdings"), a wholly-owned subsidiary of Flagstar, filed its petition on June 27, 1997. FCI's operating subsidiaries, Denny's Holdings, Inc., Spartan Holdings, Inc. and FRD Acquisition Co. (and their respective subsidiaries), did not file bankruptcy petitions and were not parties to the above mentioned Chapter 11 proceedings. The Plan of Reorganization (as amended following the resolution of certain issues before the Bankruptcy Court) was confirmed by the Bankruptcy Court pursuant to an order entered as of November 12, 1997 and became effective January 7, 1998. As a result of the reorganization, FCI and Flagstar significantly reduced their debt and simplified their capital structure. For more information concerning the restructuring and the Plan of Reorganization, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Prospectus Summary -- The Plan of Reorganization."

USE OF PROCEEDS

Advantica will not receive any of the proceeds from the sale of shares of Common Stock offered hereby, all of which will be received by the Selling Stockholder.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Market Information

As indicated elsewhere in this Prospectus, on the Effective Date, 40,000,000 shares of Common Stock and Warrants to purchase up to 4,000,000 shares of Common Stock were issued and distributed by Advantica pursuant to the Plan of Reorganization. Pursuant to the Plan of Reorganization, the Senior Subordinated Debentures were converted into 95.5% of the shares of Common Stock, the 10% Convertible Debentures were converted into (i) 4.5% of the shares of Common Stock and (ii) the Warrants, as of the Effective Date, and the Old Common Stock and Old Preferred Stock were canceled. As of the date hereof, a total of 40,002,259 shares of Common Stock are issued and outstanding.

The Common Stock and the Warrants are listed for trading as NASDAQ National Market securities on The NASDAQ Stock MarketSM under the symbols "DINE" and "DINW," respectively. The following table sets forth, for the period indicated, the range of high and low sales prices for the Common Stock obtained from The NASDAQ Stock MarketSM.

	High Sales Price	Low Sales Price
January 12, 1998 to April 17	$11 9/16	$8 3/4

Holders

The number of record and beneficial holders of Common Stock as of April 17, 1998 was approximately 4,200.

Dividends

Each share of Common Stock is entitled to participate equally in any dividend declared by the Board of Directors and paid by Advantica. Advantica has not paid and does not expect to pay dividends on the outstanding Common Stock. Restrictions contained in the instruments governing the outstanding indebtedness of Advantica restrict its ability to pay dividends on the Common Stock. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations -- Liquidity and Capital Resources" and Note 8 to the accompanying Consolidated Financial Statements of the Company.

PRO FORMA FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated balance sheets and unaudited pro forma condensed statements of consolidated operations presented on the following pages are based upon the historical financial position and results of operations of the Company for the year ended December 31, 1997. The pro forma adjustments made to the historical results of operations (based on the assumptions set forth below) give effect to the disposition of FEI which was completed on April 1, 1998, and the consummation of the Plan of Reorganization as if such disposition and the entire series of Plan of Reorganization transactions, including (i) the merger of Flagstar and FCI into a single corporate entity; (ii) the issuance of 38,200,000 shares of Common Stock to holders of the Senior Subordinated Debentures; (iii) the issuance of 1,800,000 shares of Common Stock to holders of the 10% Convertible Debentures;
(iv) the issuance of the Warrants to holders of the 10% Convertible Debentures;
(v) the issuance of the New Senior Notes to holders of the Old Senior Notes; and (vi) the cancellation of the Old Preferred Stock and Old Common Stock, had occurred on January 1, 1997. In addition, since the Plan of Reorganization was effectuated under Chapter 11 of the Bankruptcy Code, the provisions of Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"), which require the application of fresh start reporting, have been reflected in the pro forma condensed statements of consolidated operations as of January 1, 1997. The unaudited pro forma condensed consolidated balance sheets as of December 31, 1997 presented below are based upon the historical balance sheet as of December 31, 1997 and include pro forma adjustments as if such disposition, reorganization transactions and adoption of fresh start reporting had been completed on that date. The pro forma condensed statements of consolidated operations and pro forma condensed consolidated balance sheets are unaudited and were derived by adjusting the historical financial statements of the Company for certain transactions as described in the respective notes thereto. THESE PRO FORMA FINANCIAL STATEMENTS ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED TO BE INDICATIVE OF THE FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS OF THE COMPANY HAD THE TRANSACTIONS DESCRIBED THEREIN BEEN CONSUMMATED ON THE RESPECTIVE DATES INDICATED AND ARE NOT INTENDED TO BE PREDICTIVE OF THE FINANCIAL CONDITION OR RESULTS OF OPERATIONS OF THE COMPANY AT ANY FUTURE DATE OR FOR ANY FUTURE PERIOD.

The pro forma adjustments are based on available information and upon certain assumptions that Advantica believes are reasonable under the circumstances. The pro forma financial data and accompanying notes should be read in conjunction with the historical Consolidated Financial Statements of the Company, including the Notes thereto, and the other information pertaining to the Company appearing elsewhere in this Prospectus.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS
December 31, 1997

(Unaudited)

(In thousands)	December 31, 1997 Historical	Adjustments for Reorganization
Assets		
Current Assets:		
Cash and cash equivalents	$ 54,079	$ (8,900)(1)
Net assets held for sale	242,479	
Other	78,721	
Restricted investments securing in-substance defeased debt	--	
	375,279	(8,900)
Property -- net	758,373	
Other Assets:		
Goodwill, net	207,918	
Other intangible assets, net	14,897	
Other	82,601	(20,319)(2)
Restricted investments securing in-substance defeased debt	--	
Reorganization value in excess of amounts allocable to identifiable assets	--	
	305,416	(20,319)
	$ 1,439,068	$ (29,219)
Liabilities		
Current Liabilities		
Current maturities of notes and debentures	$ 37,572	
Current maturities of capital lease obligations	19,657	
Current maturities of in-substance defeased debt	--	
Other current liabilities	324,464	
	381,693	
Long-Term Liabilities:		
Notes and debentures, less current maturities	510,533	$ 590,867(3)
Capital lease obligations, less current maturities	87,703	
In-substance defeased debt, less current maturities	--	
Other non-current liabilities	209,189	
	807,425	590,867
Total liabilities not subject to compromise	1,189,118	590,867
Liabilities subject to compromise	1,612,400	(1,612,400) (4)
Total liabilities	2,801,518	(1,021,533)
Shareholders' Equity:		
Capital stock	21,848	(21,448) (5)
Paid-In capital	724,912	404,912 (6)
Deficit	(2,107,815)	608,850 (7)
Minimum pension liability adjustment	(1,395)	
	(1,362,450)	992,314
	$ 1,439,068	$ (29,219)

(In thousands)	December 31, 1997			
	Adjustments for Fresh Start Reporting	After Reorganization and Fresh Start Reporting	Adjustments for Disposition of FEI(21)	After Reorganization, Fresh Start Reporting and Disposition
Assets				
Current Assets:				
Cash and cash equivalents		$ 45,179	$ 202,041	$ 247,220
Net assets held for sale	$ 121,821(8)	364,300	(364,300)	--
Other	(1,004)(9)	77,717	(20,714)	57,003
Restricted investments securing in-substance defeased debt		--	14,868	14,868
	120,817	487,196	(168,105)	319,091
Property -- net	59,586 (10)	817,959		817,959
Other Assets:				
Goodwill, net	(207,918)(11)	--		--
Other intangible assets, net	207,925 (12)	222,822		222,822
Other	(439) (13)	61,843		61,843
Restricted investments securing in-substance defeased debt		--	184,605	184,605
Reorganization value in excess of amounts allocable to identifiable assets	729,315 (14)	729,315		729,315
	728,883	1,013,980	184,605	1,198,585
	$ 909,286	$2,319,135	$ 16,500	$2,335,635
Liabilities				
Current Liabilities				
Current maturities of notes and debentures		$ 37,572	$ (12,548)	$ 25,024
Current maturities of capital lease obligations		19,657		19,657
Current maturities of in-substance defeased debt		--	12,548	12,548
Other current liabilities	$ 21,166(15)	345,630	16,500	362,130
	21,166	402,859	16,500	419,359
Long-Term Liabilities:				
Notes and debentures, less current maturities	72,286 (16)	1,173,686	(186,382)	987,304
Capital lease obligations, less current maturities		87,703		87,703
In-substance defeased debt, less current maturities		--	186,382	186,382
Other non-current liabilities	35,466 (17)	244,655		244,655
	107,752	1,506,044	--	1,506,044
Total liabilities not subject to compromise	128,918	1,908,903	16,500	1,925,403
Liabilities subject to compromise		--		
Total liabilities	128,918	1,908,903	16,500	1,925,403
Shareholders' Equity:				
Capital stock		400		400
Paid-In capital	(719,992) (18)	409,832		409,832
Deficit	1,498,965 (19)	--		--
Minimum pension liability adjustment	1,395 (20)	--		--
	780,368	410,232		410,232
	$ 909,286	$2,319,135	$ 16,500	$2,335,635

See notes to pro forma condensed consolidated balance sheets.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

Adjustments for the Reorganization

The pro forma adjustments related to the Plan of Reorganization and related transactions are summarized in the following table and are more fully described in the notes thereto. Column numbers refer to footnotes from the Pro Forma Condensed Consolidated Balance Sheets.

Footnote Number	(1)	(2)	(3)	(4)	(5)	(6)	(7)
($ in thousands)	Cash	Deferred Financing Costs	Debt, less Current Maturities	Liabilities Subject to Compromise	Capital Stock	Paid-in Capital	Deficit
(a)	$ (8,900)	$ 5,300					$ (3,600)
(b)		(20,311)		$ (915,396)	$ 382	$352,385	542,318
(c)		(5,308)		(106,137)	18	30,679	70,132
(d)					(21,848)	21,848	
(e)			$590,867	(590,867)			
Total	$ (8,900)	$ (20,319)	$590,867	$ (1,612,400)	$ (21,448)	$404,912	$608,850

(a) To record estimated fees and expenses consisting of estimated deferred financing costs ($5.3 million) and expenses related to the Plan of Reorganization ($3.6 million). Fees and expenses totaling $31.1 million were incurred through December 31, 1997. Total estimated fees and expenses are $40.0 million.

(b) To reflect the issuance of 38.2 million shares of Common Stock to the holders of the Senior Subordinated Debentures and the estimated gain on such transaction of $542.3 million. The gain is based on the difference between the carrying value of the debt (including principal, accrued interest and deferred financing costs) and the weighted average closing price of the Common Stock from December 30, 1997 through January 13, 1998 (on a "when issued" basis through January 8).

(c) To reflect the issuance of 1.8 million shares of Common Stock and 4.0 million Warrants to the holders of the 10% Convertible Debentures and the estimated gain on such transaction of $70.1 million. The gain is based on the difference between the carrying value of the debt (including principal, accrued interest and deferred financing costs) and the weighted average closing price of the Common Stock and Warrants from December 30, 1997 through January 13, 1998 (on a "when issued" basis through January 8) and from January 9 through January 15, respectively.

(d) To reflect the cancellation of the Old Common Stock and the Old Preferred Stock.

(e) To reflect the issuance of the New Senior Notes in exchange for the Old Senior Notes, including accrued and unpaid interest thereon through December 31, 1997 of $40.8 million.

Adjustments for Fresh Start Reporting

The specific pro forma adjustments related to fresh start reporting are summarized in the following table and are more fully described in the notes thereto. Column numbers refer to footnotes from the Pro Forma Condensed Consolidated Balance Sheets.

Footnote Number	(8)	(9)	(10)	(11)	(12)	(13)
($ in thousands)	Net Assets Held For Sale	Other	Property net	Goodwill	Other Intangible Assets, net	Other
(a)				$ (207,918)		
(b)						
(c)						
(d)						
(e)						
(f)	$121,821					
(g)		$ (1,004)				
(h)					$207,925	
(i)						$ (3,925)
(j)						3,486
(k)						
(l)						
(m)						
(n)			$59,586			
Total	$121,821	$ (1,004)	$59,586	$ (207,918)	$207,925	$ (439)

Footnote Number	(14)	(15)	(16)	(17)	(18)	(19)	(20)
($ in thousands)	Reorganization Value in Excess	Other Current Liabilities	Notes and Debentures, less Current Maturities	Other Noncurrent Liabilities	Paid-in Capital	Deficit	Minimum Pension Liability
(a)	$ 207,918						
(b)	72,286		$72,286				
(c)	(719,992)				$ (719,992)		
(d)	1,498,965					$1,498,965	
(e)	7,400			$ 6,005			$1,395
(f)	(121,821)						
(g)	1,004						
(h)	(207,925)						
(i)	3,925						
(j)	(3,486)						
(k)	26,733	$21,166		5,567			
(l)	28,739			28,739			
(m)	(4,845)			(4,845)			
(n)	(59,586)						
Total	$ 729,315(o)	$21,166	$72,286	$ 35,466	$ (719,992)	$1,498,965	$1,395

(a) To write-off unamortized goodwill.

(b) To adjust outstanding debt to estimated fair value.

(c) To establish the value attributed to shareholders' equity.

(d) To eliminate historical deficit.

(e) To eliminate minimum pension liability adjustment and to record excess of the projected benefit obligation over the fair value of plan assets for the Company's defined benefit plans net of estimated curtailment gain resulting from the disposition of FEI.

(f) To adjust the net assets of FEI to fair value less estimated costs of disposal based on the terms of the definitive agreement.

(g) To adjust other current assets to estimated fair value.

(h) To adjust other intangible assets, primarily franchise rights and tradenames, to estimated fair value.

(i) To reduce assets to reflect the impact of new accounting standards relating to the costs of computer software obtained for internal use and preopening costs.

(j) To adjust other assets to estimated fair value.

(k) To reflect liabilities associated with severance and other exit costs ($11.2 million), and adjustments to self-insured claims and contingent liabilities resulting from a change in methodology ($15.5 million).

(l) To adjust unfavorable operating leases to estimated value.

(m) To record the tax effect of fresh start adjustments.

(n) To adjust property, net to estimated fair value.

(o) To record the reorganization value in excess of amounts allocable to identifiable assets.

The Company will account for the consummation of the Plan of Reorganization and related transactions using the principles of fresh start reporting as required by SOP 90-7. The Company has estimated a range of reorganization value between approximately $1,631 million and $1,776 million. Such reorganization value is based upon a review of the operating performance of seventeen companies in the restaurant industry that offer products and service that are comparable to or competitive with the Company's various operating concepts. The following multiples were established for these companies: (i) enterprise value (defined as market value of outstanding equity, plus debt, minus cash and cash equivalents)/revenues for the four most recent fiscal quarters; (ii) enterprise value/earnings before interest, taxes, depreciation, and amortization for the four most recent fiscal quarters; and
(iii) enterprise value/earnings before interest and taxes for the four most recent fiscal

quarters. The Company did not independently verify the information for the comparative companies considered in its valuations, which information was obtained from publicly available reports. The foregoing multiples were then applied to the Company's financial forecast for each of its six restaurant chains or concepts. Valuations achieved in selected merger and acquisition transactions involving comparable businesses were used as further validation of the valuation range. The valuation takes into account the following factors, not listed in order of importance:

(A) The Company's emergence from Chapter 11 proceedings pursuant to the Plan of Reorganization as described herein during the first quarter of 1998.

(B) The assumed continuity of the present senior management team.

(C) The tax position of Advantica.

(D) The general financial and market conditions as of the date of consummation of the Plan of Reorganization.

The total reorganization value of $1,729 million, the midpoint of the range of $1,631 million and $1,776 million adjusted to reflect an enterprise value for FEI based on the terms of the definitive agreement related to the disposition thereof, includes a value attributed to shareholders' equity of $410 million and net long-term indebtedness contemplated by the Plan of Reorganization of $1,319 million. In accordance with fresh start accounting principles, this reorganization value has been allocated, based on estimated fair market values, to specific tangible and identifiable intangible assets. The fair values of assets and liabilities have been determined based on certain valuations and other studies which are not yet complete. The Company has recorded an intangible asset in the amount of $729 million which equals the Company's reorganization value in excess of amounts allocable to identifiable assets. The Company will continue to finalize the estimates of the fair value of its assets and liabilities, and consequently the value of those assets and the reorganization value in excess of amounts allocable to identifiable assets are subject to change. The reorganization value in excess of amounts allocable to identifiable assets will be amortized over five years. The amount of shareholders' equity in the fresh start balance sheet is not an estimate of the trading value of the Common Stock, which value is subject to many uncertainties and cannot be reasonably estimated at this time. The Company does not make any representation as to the trading value of the shares of Common Stock issued under the Plan of Reorganization.

Adjustments for Disposition of FEI

As further described elsewhere in this Prospectus, on February 18, 1998 Advantica signed a definitive agreement for the sale of stock of FEI, a wholly-owned subsidiary which has operated the Company's Hardee's restaurants under licenses from HFS. The transaction was consummated on April 1, 1998. The Company received $380.8 million in cash (subject to adjustment as outlined in such definitive agreement) in exchange for all of the outstanding stock of FEI. In addition, the purchaser assumed $45.6 million of capital leases. The FEI Sale required consents of the lenders under the Credit Facility and the Company negotiated the terms of an amendment which included such consent. For more information see "Prospectus Summary -- Recent Developments."

Prior to consummation of the FEI Sale, certain Mortgage Financings of FEI with a book value of $101.6 million (and a pro forma fair value of $113.8 million) at December 31, 1997 were collateralized by certain assets of FEI and its subsidiary Spardee's Realty, Inc. and were not assumed by the purchaser in the disposition. As a result, the Company replaced such collateral principally through the purchase of Defeasance Eligible Investments which were deposited with the collateral agent with respect to such Mortgage Financings to satisfy principal and interest payments under such Mortgage Financings through the stated maturity. Such action constituted an in-substance defeasance of such Mortgage Financings. At the same time, the Company also effected an in-substance defeasance of related Mortgage Financings of Quincy's Restaurants, Inc. with a book value of $76.0 million (and a pro forma fair value of $85.1 million) at December 31, 1997. For additional information concerning such in-substance defeasance, see "Description of Indebtedness -- Mortgage Financings."

(21) To reflect the disposition of FEI, including the receipt of cash proceeds of $380.8 million and the incurrence of $16.5 million of estimated transaction costs, and to reflect the use of $180 million of the proceeds of such transaction (together with $20.7 million previously on deposit with respect to certain Mortgage Financings herein defined) to purchase Defeasance Eligible Investments (as defined in documents governing such Mortgage Financings) to effect an in-substance defeasance of such Mortgage Financings.

PRO FORMA CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS
(Unaudited)

($ in thousands, except per share amounts)	Year ended December 31, 1997 Pro Forma: Historical	Year ended December 31, 1997 Pro Forma: Adjustments for Reorganization
Operating revenue	$2,609,456	
Operating expenses	2,479,028	
Operating income	130,428	--
Other charges:		
Interest and debt expense, net	226,388	$ (48,984)(a)
Other, net	5,648	
	232,036	(48,984)
Income (loss) before reorganization expenses and taxes	(101,608)	48,984
Reorganization expenses	31,073	(31,073)(b)
Income (loss) before income taxes	(132,681)	80,057
Provision for (benefit from) income taxes	1,769	
Net (loss) income	$ (134,450)	$ 80,057
Basic and diluted loss per share applicable to common shareholders	$ (3.50)	
Average outstanding and equivalent common shares	42,434	

($ in thousands, except per share amounts)	Year ended December 31, 1997 Pro Forma: Adjustments for Fresh Start Reporting	Year ended December 31, 1997 Pro Forma: After Reorganization and Fresh Start Reporting	Year ended December 31, 1997 Pro Forma: Adjustments for Disposition of FEI (f)	Year ended December 31, 1997 Pro Forma: After Reorganization, Fresh Start Reporting and Disposition
Operating revenue		$2,609,456	$ (546,268)	$2,063,188
Operating expenses	$ 161,587(c)	2,640,615	(516,901)	2,123,714
Operating income	(161,587)	(31,159)	(29,367)	(60,526)
Other charges:				
Interest and debt expense, net	(12,430)(d)	164,974	(7,129)	157,845
Other, net		5,648	(2,023)	3,625
	(12,430)	170,622	(9,152)	161,470
Income (loss) before reorganization expenses and taxes	(149,157)	(201,781)	(20,215)	(221,996)
Reorganization expenses		--		
Income (loss) before income taxes	(149,157)	(201,781)	(20,215)	(221,996)
Provision for (benefit from) income taxes	14 (e)	1,783	(40)	1,743
Net (loss) income	$ (149,171)	$ (203,564)	$ (20,175)	$ (223,739)
Basic and diluted loss per share applicable to common shareholders		$ (5.09)		$ (5.59)
Average outstanding and equivalent common shares		40,000		40,000

NOTES TO PRO FORMA CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS

Adjustments for Reorganization

(a) The following table details the net adjustment to interest expense related to the consummation of the Plan of Reorganization:

($ in thousands)	Year Ended December 31, 1997
Elimination of amortization of deferred financing cost on debt securities retired	$ (1,903)
Elimination of interest on debt securities retired	(55,476)
Amortization of deferred financing cost of the Credit Facility	1,400
Increase in interest expense due to exchange of Old Senior Notes	6,995
Net adjustment to interest expense	$ (48,984)

(b) To remove the impact of reorganization expenses which would not be reflected in the post-reorganization statement of operations.

Adjustments for Fresh Start Reporting

(c) To reflect, for the year ended December 31, 1997; the removal of the amortization of goodwill of $5.1 million; the estimated increase in amortization of $11.4 million as a result of the revaluation of other intangible assets to fair value; the estimated increase in depreciation expense of $9.4 million as a result of the revaluation of property to estimated fair value; and the addition of the amortization of reorganization value in excess of amounts allocable to identifiable assets, assuming a 5-year life, of $145.9 million.

(d) To record, for the year ended December 31, 1997, the estimated impact on interest expense of the amortization of the premium on long-term debt of $12.4 million.

(e) To record the estimated income tax effects of fresh start reporting.

Adjustments for Disposition of FEI

(f) To remove the results of operations of FEI for the year ended December 31, 1997.

Material Non-Recurring Charges Not Reflected in the Pro Forma Condensed Statements of Consolidated Operations

Certain material non-recurring charges (gains) related to consummation of the Plan of Reorganization are not reflected in the Pro Forma Condensed Statements of Consolidated Operations as they are not expected to have a continuing impact on the Company's operations. These charges (gains) will be included in the Company's operating results for the period prior to consummation of the Plan of Reorganization and are summarized below ($ in millions):

Reorganization costs	$ 40.0
Extraordinary gains on exchange of debt for equity (including the elimination of accrued interest of $74.9 million)	(612.5)
Fresh start reporting adjustments.	780.4

SELECTED HISTORICAL FINANCIAL DATA

Set forth below are certain selected financial data concerning the Company for each of the five years ended December 31, 1997. Such data generally have been derived from the Consolidated Financial Statements of the Company for such periods, which have been audited. The following information should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Pro Forma Financial Statements" presented elsewhere herein which give effect to the disposition of FEI and the consummation of the Plan of Reorganization.

	Year Ended December 31,	
(in millions, except per share amounts)	1993(a)	1994(a)
Income Statement data:		
Operating revenue	$ 2,615.2	$ 2,666.0
Operating income (loss)	(1,102.4)(c)	211.5 (d)
Loss from continuing operations (g)	(1,238.6)	(16.8)
Basic and diluted loss per share applicable to common shareholders (h):		
Continuing operations	(29.56)	(0.73)
Discontinued operations (g)	(9.67)	9.27
Net income (loss) (i)	(40.14)	8.26
Cash dividends per common share (j)	--	--
Ratio of earnings to fixed charges (k)	--	--
Deficiency in the coverage of fixed charges to earnings before fixed charges (k)	1,318.2	19.3
Balance Sheet data (at end of period):		
Current assets (l)	122.2	186.1
Working capital (deficiency) (l)(m)	(273.0)	(205.6)
Net property and equipment	1,167.2	1,196.4
Total assets	1,538.9	1,587.5
Long-term debt	2,341.2	2,067.6
Other data:		
EBITDA (o)	331.0	333.9
Net cash flows provided by operating activities	128.9	54.6
Net cash flows (used in) provided by investing activities	(136.0)	296.9 (p)
Net cash flows provided by (used in) financing activities	10.6	(308.9)

	Year Ended December 31,		
(in millions, except per share amounts)	1995(a)	1996(a)(b)	1997
Income Statement data:			
Operating revenue	$ 2,571.5	$ 2,542.3	$ 2,609.5
Operating income (loss)	98.2 (e)	156.4	130.4 (f)
Loss from continuing operations (g)	(132.9)	(85.5)	(134.5)
Basic and diluted loss per share applicable to common shareholders (h):			
Continuing operations	(3.47)	(2.35)	(3.50)
Discontinued operations (g)	1.82	--	--
Net income (loss) (i)	(1.64)	(2.35)	(3.50)
Cash dividends per common share (j)	--	--	--
Ratio of earnings to fixed charges (k)	--	--	--
Deficiency in the coverage of fixed charges to earnings before fixed charges (k)	133.0	101.9	132.7
Balance Sheet data (at end of period):			
Current assets (l)	285.3	185.5	132.8
Working capital (deficiency) (l)(m)	(122.2)	(297.7)	(248.9)
Net property and equipment	1,104.4	1,168.6	758.4
Total assets	1,507.8	1,687.4	1,439.1
Long-term debt	1,996.1	2,179.4	807.4 (n)
Other data:			
EBITDA (o)	298.3	286.3	296.9
Net cash flows provided by operating activities	19.5	19.5	76.0
Net cash flows (used in) provided by investing activities	186.4 (q)	(109.4)(r)	(36.0)
Net cash flows provided by (used in) financing activities	(75.6)	(14.7)	(78.3)

(a) Certain amounts for the four years ended December 31, 1996 have been reclassified to conform to the 1997 presentation.

(b) Reflects the acquisition in May 1996 of Coco's and Carrows.

(c) Operating loss for the year ended December 31, 1993 reflects charges for the write-off of goodwill and certain other intangible assets of $1,104.6 million and the provision for restructuring charges of $158.6 million.

(d) Operating income for the year ended December 31, 1994 reflects a recovery of restructuring charges of $7.2 million.

(e) Operating income for the year ended December 31, 1995 reflects a provision for restructuring charges of $15.9 million and a charge for

impaired assets of $51.4 million.

(f) Operating income for the year ended December 31, 1997 reflects a provision for restructuring charges of $10.5 million and a charge for impaired assets of $15.1 million.

(g) The Company has classified as discontinued operations, Canteen Corporation, a food and vending subsidiary, sold in 1994, TWRS, a recreation services subsidiary, and VS, a stadium concessions subsidiary. TWRS and VS were sold during 1995.

(h) The earnings per share amounts prior to 1997 have been restated as required to comply with SFAS 128. For such periods, under the new standard, basic loss per share excludes any dilutive effects of options, warrants and convertible securities, and diluted per share amounts do not differ from basic per share amounts since the Company's options, warrants and preferred stock have an antidilutive impact on per share amounts due to losses from continuing operations in those periods. For further discussion of earnings per share and the impact of SFAS 128, see the Notes to the Consolidated Financial Statements included herein.

(i) For the year ended December 31, 1993, net loss includes extraordinary losses of $0.62 per share related to the repurchase of the 10% Convertible Debentures and to the charge off of unamortized deferred financing costs related to a prepayment of Flagstar's senior term loan; net loss for 1993 also includes a charge of $0.29 per share due to a change of accounting method relating to the discount rate applied to the Company's liability for self insurance claims pursuant to Staff Accounting Bulletin No. 92. For the year ended December 31, 1994, net income includes an extraordinary loss of $0.28 per share, relating to the charge off of unamortized deferred financing costs associated with the Company's prepayment of its senior term loan and working capital facility during the second quarter of 1994. For the year ended December 31, 1995, net loss includes a $0.01 per share extraordinary gain relating to the repurchase of $25.0 million of senior indebtedness net of the charge off of unamortized deferred financing costs.

(j) The Company's bank facilities have prohibited, and its public debt indentures have significantly limited, distributions and dividends on Advantica's (and its predecessor's) common equity securities. See Note 8 to the accompanying Consolidated Financial Statements appearing elsewhere herein.

(k) The ratio of earnings to fixed charges has been calculated by dividing pre-tax earnings by fixed charges. Earnings, as used to compute the ratio, equal the sum of income from continuing operations before income taxes and fixed charges excluding capitalized interest. Fixed charges are the total interest expense including capitalized interest, amortization of debt expenses and a rental factor that is representative of an interest factor (estimated to be one third) on operating leases.

(l) The current assets and working capital deficiency amounts presented exclude assets held for sale of $103.2 million and $77.3 million as of December 31, 1993 and 1994, respectively, $5.1 million as of December 31, 1996 and $242.5 million as of December 31, 1997. Such assets held for sale relate to the Company's food and vending and concessions and recreation services subsidiaries for the years ended December 31, 1993 and 1994. For the year ended December 31, 1997, net assets held for sale relate to FEI.

(m) A negative working capital position is not unusual for a restaurant operating company. The decrease in the working capital deficiency from December 31, 1993 to December 31, 1994 is due primarily to an increase in cash following the sale of the Company's food and vending subsidiary during 1994. The decrease in the working capital deficiency from December 31, 1994 to December 31, 1995 is due primarily to an increase in cash following the 1995 sales of the Company's (i) distribution subsidiary, PFC, net of current assets and liabilities of such subsidiary, and (ii) the concession and recreation services subsidiaries. The increase in the working capital deficiency from December 31, 1995 to December 31, 1996 reflects the use of the proceeds from the 1995 sales noted above and the proceeds of the sale of PTF for operating needs and for the acquisition of Coco's and Carrows. The decrease in the working capital deficiency from December 31, 1996 to December 31, 1997 is attributable primarily to a reclassification of accrued interest from current liabilities to liabilities subject to compromise, largely offset by a reduction in cash and cash equivalents which has been used for Company operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

(n) Reflects the reclassification of $1,496.7 million of long-term debt to liabilities subject to compromise in accordance with SOP 90-7 as a result of the commencement of the Chapter 11 filing.

(o) EBITDA is defined by the Company as operating income before depreciation, amortization and charges for (recoveries of) restructuring and impairment and is a key internal measure used to evaluate the amount of cash flow available for debt repayment and funding of additional investments. EBITDA is not a measure defined by generally accepted accounting principles and should not be considered as an alternative to net income or cash flow data prepared in accordance with generally accepted accounting principles, or as a measure of a company's profitability or liquidity. The Company's measure of EBITDA may not be comparable to similarly titled measures reported by other companies. The following restructuring and impairment charges (recoveries) have been excluded from EBITDA for the periods indicated: 1993-$1,263.2 million; 1994-($7.2 million); 1995-$67.3 million; and 1997-$25.6 million.

(p) Net cash flows provided by investing activities include proceeds from sale of discontinued operations of $447.1 million.

(q) Net cash flows provided by investing activities include proceeds from sale of discontinued operations and subsidiaries of $294.6 million.

(r) Net cash flows used in investing activities include the acquisition of Coco's and Carrows, net of cash acquired, of $127.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Selected Historical Financial Data and the Consolidated Financial Statements and other more detailed financial information appearing elsewhere herein. For information concerning, among other things, consummation of the Plan of Reorganization and its pro forma effect on the Company, see "Pro Forma Financial Statements" appearing elsewhere in this Prospectus.

Results of Operations

Company Consolidated

($ in millions)	Year Ended December 31, 1995	1996	1997
Net Company Sales	$2,512	$2,471	$2,529
Franchise Revenue	59	71	81
Total Revenue	2,571	2,542	2,610
Operating Expenses	2,473	2,386	2480
Operating Income	98	156	130
Net Interest Expense From Continuing Operations	$ 229	$ 255	$ 226
Income Tax (Benefit) Provision	--	(16)	2
Net Income (Loss)	(55)	(85)	(135)

Restaurant Unit Activity

	Ending Units 12/31/95	Units Opened	Units Closed/ Sold	Units Converted from Company to Franchise (Turnkey)
Denny's				
Company Owned	933	--	(20)	(19)
Franchised Units	596	72	(10)	19
Int'l Licensees	24	1	--	--
	1,553	73	(30)	--
Hardee's	593	1(b)	(14)	--
Quincy's	203	--	(4)	--
El Pollo Loco				
Company Owned	103	1	--	(8)
Franchised Units	112	15	--	8
Int'l Licensees	2	8	--	--
	217	24	--	--
Subtotal	2,566	98	(48)	--
Coco's (a)				
Company Owned	188	--	(5)	--
Franchised Units	6	--	(1)	--
Int'l Licensees	252	26	--	--
	446	26	(6)	--
Carrows (a)				
Company Owned	161	2	(3)	--
Franchised Units	--	--	--	--
	161	2	(3)	--
Subtotal	607	28	(9)	--
	3,173	126	(57)	--

	Units Converted

	Ending Units 12/31/96	Units Opened	Units Closed/ Sold	from Company to Franchise (Turnkey)	Ending Units 12/31/97
Denny's					
Company Owned	894	1(b)	(3)	2	894
Franchised Units	677	76	(15)	(2)	736
Int'l Licensees	25	1	(4)	--	22
	1,596	78	(22)	--	1,652
Hardee's	580(c)	--	(23)	--	557(c)
Quincy's	199	--	(19)	--	180(d)
El Pollo Loco					
Company Owned	96	1	--	1	98
Franchised Units	135(c)	12	(1)	(1)	145(c)
Int'l Licensees	10	--	(6)	--	4
	241	13	(7)	--	247
Subtotal	2,616	91	(71)	--	2,636
Coco's (a)					
Company Owned	183	4	(3)	(6)	178
Franchised Units	5	6	--	6	17
Int'l Licensees	278	26	(6)	--	298
	466	36	(9)	--	493
Carrows (a)					
Company Owned	160	--	(8)	(12)	140
Franchised Units	--	2	--	12	14(d)
	160	2	(8)	--	154
Subtotal	626	38	(17)	--	647
	3,242	129	(88)	--	3,283

(a) Coco's and Carrows were acquired by the Company in May of 1996. Year-to-date December 31, 1996 data are provided for comparison purposes only. Coco's and Carrows restaurant unit activity since their acquisition by the Company for the year ended December 31, 1996 is as follows:

	Units at Acquisition Date	Units Opened	Units Closed	Ending Units 12/31/96
Coco's				
Company Owned	184		(1)	183
Franchised Units	6		(1)	5
Int'l Licensees	257	21		278
Carrows	163		(3)	160
	610	21	(5)	626

(b) Represents the re-opening of a unit that was temporarily closed at December 31, 1995.

(c) Unit count includes one Hardee's and El Pollo Loco dual brand unit. The unit's operating results are included in Hardee's operating results.

(d) Unit count includes one Quincy's unit converted to a Carrows that is operated by Quincy's as a Carrows franchise. The unit's operating results are included in Quincy's operating results. Intercompany franchise fees are eliminated in consolidation.

Company Consolidated

1997 vs. 1996

The 1997 Financial Restructuring

As discussed in more detail in "Business -- The 1997 Restructuring" and in Note 1 to the Consolidated Financial Statements, FCI and Flagstar emerged from bankruptcy on January 7, 1998. As described in Note 2 to the Consolidated Financial Statements, the change in ownership of the Company effected by the financial restructuring requires that the Company apply "fresh-start reporting" effective January 7, 1998 in accordance with SOP 90-7. The bankruptcy proceedings began when FCI, Flagstar and Holdings filed voluntary petitions for relief under the Bankruptcy Code in the Bankruptcy Court. Holdings filed its petition on June 27, 1997, and Flagstar and FCI both filed their petitions on July 11, 1997. FCI's operating subsidiaries did not file bankruptcy petitions and were not parties to the above mentioned Chapter 11 proceedings.

FCI and Flagstar filed their Chapter 11 cases to implement the Original Plan which was developed in the course of negotiations with an ad hoc committee of holders of the Senior Subordinated Debentures and with the support of FCI's majority shareholder. During the bankruptcy proceedings, the Original Plan's classification of 10% Convertible Debentures as subordinate to the Senior Subordinated Debentures was challenged by certain holders of the 10% Convertible Debentures. As a result of litigation of this issue and subsequent negotiations with representatives of the holders of the 10% Convertible Debentures, on November 7, 1997 FCI and Flagstar filed the Plan of Reorganization, which was confirmed by the Bankruptcy Court on November 12, 1997.

Operating Results

The Company's consolidated revenue for 1997 increased by $67.2 million (2.6%) as compared with 1996. This increase is primarily attributable to two factors: (i) the estimated $24.0 million impact attributable to the additional days in 1997 compared to 1996 due to the change in the Company's fiscal year and (ii) an approximate $202.3 million impact resulting from five additional months of operations of Coco's and Carrows in the 1997 reporting period compared to 1996. Excluding the impact of the extra days and the Coco's and Carrows acquisition, revenue for 1997 decreased $159.1 million compared to the prior year. This decrease reflects decreases in comparable store sales at all of the Company's concepts except for El Pollo Loco and Coco's, as well as a 65-unit decrease in Company-owned units. Such decreases are slightly offset by a $9.7 million increase in franchise revenue due to a 106-unit increase in franchise units.

Consolidated operating expenses for 1997 increased by $93.1 million (3.9%) as compared with 1996. The expense increase is primarily attributable to three factors: (i) the estimated $20.3 million impact of the additional days in the 1997 reporting period in comparison to the prior year comparable period, (ii) a $190.6 million impact of the additional five months

of operations of Coco's and Carrows in the current year in comparison to the prior year, and (iii) special charges of $25.7 million primarily related to Quincy's restructuring plan which began in 1997 (see discussion below). Excluding the extra reporting days, the impact of the Coco's and Carrows acquisition and the special charges, operating expenses for 1997 decreased $143.5 million in comparison to the prior year comparable period. This decrease primarily reflects a decline in costs associated with the decline in revenue, the positive impact of cost cutting measures, and the impact on expenses of a 65-unit decrease in Company-owned units. These decreases in operating expenses are somewhat offset by a decrease in gains from sales of restaurants included in operating expenses from $8.4 million in 1996 to $6.2 million in 1997.

Consolidated operating income for 1997 decreased by $26.0 million (16.6%) as compared with 1996 as a result of the factors noted above.

Consolidated interest and debt expense, net totaled $226.4 million during 1997 compared to $254.7 million during 1996. The decrease occurred principally because the Company ceased recording interest on the Senior Subordinated Debentures and 10% Convertible Debentures on July 11, 1997, in accordance with SOP 90-7. This decrease is partially offset by an increase of $11.9 million of interest and debt expense in 1997 as compared to 1996 related to the Coco's and Carrows acquisition in May 1996 and a $3.6 million charge representing interest and penalties associated with the early termination of the Company's interest rate exchange agreements in 1997. Such termination occurred in conjunction with the refinancing of the Company's bank facility necessitated by the bankruptcy filing on July 11, 1997. In addition, interest income for the 1997 period decreased $6.2 million compared to the prior year period because of decreased cash and cash equivalents available for investment during the 1997 period and the reclassification of interest earned during the bankruptcy period totaling $1.2 million to reorganization items, in accordance with SOP 90-7.

Reorganization items include professional fees and other expenditures incurred by the Company in conjunction with the reorganization under Chapter 11 of the Bankruptcy Code, as well as interest income earned during the bankruptcy period, as further discussed in Note 6 to the Consolidated Financial Statements included herein.

The provision for income taxes from continuing operations for the year ended December 31, 1997 reflects an effective income tax rate of approximately 1.3 % for 1997 compared to a benefit for 1996 which reflects an approximate rate of (16.1%). The change in the effective income tax rate from the prior year can be attributed to the recognition in the prior year of anticipated refunds due to the carryback of prior year tax losses and the reversal of certain reserves established in prior years in connection with proposed deficiencies from the Internal Revenue Service (See Note 10 to the accompanying Consolidated Financial Statements for additional information).

The net loss was $134.5 million in 1997 compared to a net loss of $85.5 million for the prior year. The increase in the net loss is due to the factors noted above.

Restructuring Plan and Impairment Charge

During the fourth quarter of 1997, the Company approved a restructuring plan to significantly reduce the size of its Quincy's chain. In addition to the sale or closure of restaurants, the restructuring plan will result in the elimination of certain restaurant, field management and corporate support positions. Relative to this plan, operating expenses for 1997 reflect a provision for restructuring of $6.8 million including charges of $1.7 million for severance, $1.7 million for operating lease reserves and $3.4 million for various other charges. As a result of the restructuring plan, the Company identified 88 underperforming units for sale or closure. In accordance with Statement of Financial Accounting Standards 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121"), the carrying value of these units has been written down to estimated fair value less costs to sell. In addition, six Quincy's units which will continue operating were identified as impaired, as the estimated future undiscounted cash flows of each of these units are insufficient to recover the related carrying value. Accordingly, the carrying values of these units were written down to the Company's estimate of fair value. Also included in the charge for impaired assets is the impact of the writedown to sales price less costs to sell of certain other long lived assets held for sale. Such assets consist primarily of 19 Hardee's units which were disposed of prior to December 31, 1997. The total impairment charge included in operating expenses in 1997 is $15.1 million.

Change in Fiscal Year

Effective January 1, 1997, the Company changed its fiscal year end from December 31 to the last Wednesday of the calendar year. Concurrent with this change, the Company changed to a four-four-five week quarterly closing calendar which is the restaurant industry standard, and generally results in four 13-week quarters during the year with each quarter ending on a Wednesday. Due to the timing of this change, the year ended December 31, 1997 includes more than 52 weeks of

operations. Carrows and Coco's include an additional six days, Denny's includes an additional five days, El Pollo Loco includes an additional week and Hardee's and Quincy's each include an additional day.

Accounting Changes

The Company adopted SFAS 128 in the quarter ended December 31, 1997. SFAS 128 replaced the calculation of primary and fully diluted earnings (loss) per share with basic and diluted earnings (loss) per share. Unlike primary earnings (loss) per share, basic earnings (loss) per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings (loss) per share is very similar to the previously reported fully diluted earnings (loss) per share.

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") which establishes standards for reporting and display of comprehensive income and its components in the financial statements. SFAS 130 is effective for fiscal years beginning after December 15, 1997. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company is in the process of determining its preferred presentation format under the new standard. The adoption of SFAS 130 will have no impact on the Company's consolidated results of operations, financial position or cash flows and will be implemented by the Company in the fourth quarter of 1998.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS 131 is effective for financial statements for fiscal years beginning after December 15, 1997. Financial statement disclosures for prior periods are required to be restated. The Company is in the process of evaluating the disclosure requirements. The adoption of SFAS 131 will have no impact on the Company's consolidated results of operations, financial position or cash flows and will be implemented by the Company in the fourth quarter of 1998.

1996 vs. 1995

The Company's consolidated revenue for 1996 was $2,542.3 million, a decrease of $29.2 million, or 1.1%, compared to 1995. The impact on revenues of the Coco's and Carrows acquisition ($163.7 million and $131.4 million, respectively, in revenue was contributed by Coco's and Carrows in 1996) was somewhat offset by the loss of revenue attributable to the dispositions of the Company's food distribution and processing operations, PFC and PTF, in September 1995 and 1996, respectively (the decrease in revenue in 1996 as compared to 1995 as a result of these dispositions totaled $218.2 million). Excluding the effects of such acquisition and dispositions, revenue, on a comparable basis, was $2,245.9 million in 1996, a decrease of $106.0 million (4.5%) compared to 1995. The revenue decrease primarily reflects the impact of lower comparable store sales at Hardee's and Quincy's and 63 fewer Company-owned restaurants as compared with the prior year (excluding the impact of the Coco's and Carrows acquisition), somewhat offset by an increase in franchise revenue of $11.7 million, reflecting 133 additional franchised units in 1996. At Hardee's and Quincy's, comparable store sales decreased 7.2% and 10.8%, respectively. Comparable store sales at Denny's and El Pollo Loco increased 1.7% and 7.2%, respectively; however, due to decreases in the number of Company-owned restaurants in comparison to 1995, neither concept reported increases in revenue from Company-owned units.

Operating expenses decreased by $87.3 million (3.5%) in 1996 to $2,385.9 million as compared to 1995. This decrease reflects the impact of several significant events which affect the comparability of 1996 and 1995 results, including: a restructuring charge and charge for impaired assets totaling $67.2 million in 1995; a decrease in depreciation expense in 1996 of $5.4 million because of the impairment write-down in 1995; and a decrease in expenses in 1996 of $201.6 million because of the sales of PTF and PFC. These items are offset, in part, by the impact of the operating expenses of Coco's and Carrows which were acquired in 1996 and total $280.2 million.

Excluding the effect of the items noted above, operating expenses decreased $93.3 million in 1996 in comparison to 1995. This decrease is primarily attributable to a decline in costs associated with the decline in operating revenue, the positive impact of cost cutting measures (reflected in improved margins at Denny's, Hardee's and El Pollo Loco), and the increase of $8.2 million of the current year amortization of the deferred gains attributable to the sales of PFC and PTF over the prior year amount. This amortization is recorded as a reduction of product costs. These decreases in operating expense are somewhat offset by a decrease in gains from the sales of restaurants to franchisees reflected in operating expenses from $24.5 million in 1995 to $8.4 million in 1996 and an increase of $5.9 million in the cost to administer the consent decree entered into in 1993 over the prior year, to $11.3 million.

Operating income for 1996 increased by $58.2 million to $156.4 million in comparison to 1995 as a result of the factors noted in the preceding paragraphs.

Interest and debt expense, net, from continuing operations and discontinued operations totaled $254.7 million for the year ended December 31, 1996 as compared to $248.0 million for the prior year. The net increase is due principally to the addition of $17.6 million in interest and debt expense associated with the Coco's and Carrows acquisition. This increase is partially offset by the following: a decrease in interest expense of approximately $5.3 million due to a lower level of principal outstanding during the 1996 period (excluding the impact of the Coco's and Carrows acquisition) resulting primarily from the repurchase of approximately $25.0 million of senior indebtedness on September 30, 1995 and the scheduled repayments of long-term debt during 1996; an increase in interest income of $3.2 million during 1996 due to increased cash and cash equivalents prior to the acquisition of Coco's and Carrows; a decline of $1.6 million in interest expense during the 1996 period associated with lower interest rates related to interest rate exchange agreements; and the elimination of $0.8 million in interest expense associated with various operations that were sold in 1995.

The benefit from income taxes from continuing operations for the year ended December 31, 1996 reflects an effective income tax rate of (16.1)% compared with 0% for 1995. The change from the prior year can be attributed to the recognition of refunds in the current period due to the carryback of current year tax losses and the reversal of certain reserves established in prior years in connection with proposed deficiencies from the Internal Revenue Service. See Note 10 to the accompanying Consolidated Financial Statements for additional information.

The loss from continuing operations was $85.5 million for the year ended December 31, 1996 as compared with $132.9 million for the prior year. The net loss for the 1996 year end was $85.5 million compared to a net loss for the prior year of $55.2 million. The prior year included $77.2 million of income from discontinued operations reflecting gains of $77.9 million on the related sales of the discontinued operations in the fourth quarter of 1995.

Restructuring

Effective in the fourth quarter of 1995, as a result of a comprehensive financial and operational review, the Company approved a restructuring plan. The plan generally involved a reduction in personnel and a decision to outsource the Company's information systems function. Operating expenses for 1995 reflect a provision for restructuring of $15.9 million including charges for severance of $5.4 million, $7.6 million for the write-down of computer hardware and other assets, and $2.9 million for various other charges.

Accounting Change

In 1996, the Company adopted the disclosure-only provisions of Financial Accounting Standards Board Statement No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"), while continuing to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related Interpretations in accounting for its stock-based compensation plans. Under APB 25, because the exercise price of the Company's employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized. The adoption of SFAS 123 did not impact the Statements of Consolidated Operations or the Consolidated Balance Sheets included herein.

Restaurant Operations

Denny's (a)

($ in millions, except average unit and comparable store data)	Year Ended December 31, 1995	1996	1997
U. S. systemwide sales	$ 1,785	$ 1,850	$1,872
Net company sales	$ 1,222	$ 1,200	$1,146
Franchise and foreign licensing revenue	49	55	61
Total revenue	1,271	1,255	1,207
Operating expenses	1,199	1,141	1,087
Operating income (b)	$ 72	$ 114	$ 120
Average unit sales (in thousands):			
Company-owned	$ 1,283	$ 1,313	$1,285
Franchise	1,086	1,090	1,079
Comparable store data (Company-owned):			
Comparable store sales increase (decrease)	2.4 %	1.7 %	(4.5 %)
Average guest check	$ 4.86	$ 5.04	$ 5.54
Operated units			
Company-owned	933	894	894
Franchise	596	677	736
International	24	25	22
Total	1,553	1,596	1,652

(a) Excludes the operating results of the Company's food processing (PTF) and distribution (PFC) operations for all years presented.

(b) Operating income reflects a provision for restructuring of $5 million and a charge for impaired assets of $24 million for the year ended December 31, 1995. For a discussion of the provision for restructuring and charge for impaired assets see Notes 3 and 5 to the Consolidated Financial Statements.

1997 vs. 1996

Denny's net company sales decreased by $54.0 million (4.5%) in 1997 as compared to 1996. This change reflects a decrease in comparable store sales and a 21-unit decrease in the number of Company-owned equivalent units operating throughout 1997 as compared to 1996, reflecting the closure or sale of 40 Company-owned units since January 1, 1996. The decrease in sales is somewhat offset by an estimated $21.7 million increase because of an additional five days in the 1997 reporting period compared to the prior year period. The decline in comparable store sales was driven by lower guest counts, partially offset by an increase in average guest check. Both fluctuations reflect the impact of management's decision to eliminate certain value pricing initiatives in September 1996 in favor of a broader brand positioning that included greater focus on service and product quality. Franchise and foreign licensing revenue for the period increased by $5.8 million (10.5%), reflecting the effect of 56 more franchised units open at the end of 1997 than at the end of 1996. The significant increase in franchise units over the prior year as compared to no net change in the number of Company-owned units is consistent with the Company's strategy of focusing on growth through franchising.

Denny's operating expenses for 1997 compared with 1996 decreased by $54.3 million (4.8%), reflecting the impact of 21 fewer Company-owned equivalent units, a decrease in labor costs associated with improved labor efficiencies and lower guest counts and a $5.8 million reduction in operating expenses resulting from various non-recurring items recognized in the fourth quarter, consisting primarily of an insurance recovery related to costs associated with the Consent Decree. These decreases were somewhat offset by an estimated $18.5 million impact from five additional days in 1997 compared to 1996, increased costs for produce, coffee, bacon, and sausage and increases in the Federal and state minimum wage rates. In addition, operating expenses in the prior year included $7.7 million of gains on sales of restaurants in comparison to $0.7 million of gains in the current year. Food cost as a percent of revenue improved during the year because of the elimination of certain value pricing initiatives and a shift to higher margin products in 1997.

Denny's operating income for 1997 increased $6.1 million (5.3%) over the prior year as a result of the factors noted above.

1996 vs. 1995

Revenue from Company-owned units for 1996 decreased by $21.7 million (1.8%) from 1995 to $1,200.3 million, primarily resulting from operating 39 fewer Company-owned restaurants in 1996 as compared to 1995, partially offset by gains in comparable store sales. Average unit sales in 1996 increased by 2.4% versus 1995. This increase is comprised of a 0.7% gain resulting from the impact of closed restaurants and those sold to franchisees, and a 1.7% gain in comparable store sales. The gains in comparable store sales were driven by an increase in average guest check, which was somewhat offset by a decrease in customer traffic. The full year gains in average check were aided by a September price increase that eliminated the $1.99 tier from the value menu, following management's decision to pursue a broader value position. This price increase was triggered by commodity cost increases, minimum wage legislation and labor rate pressures, but also reflected management's belief that a broader value position would ultimately result in a more competitive business strategy. While the price increase had a positive impact on guest check averages, this increase was somewhat offset by an anticipated decline in customer counts.

Franchise revenue in 1996 increased by $6.2 million (12.7%) over 1995, to $55.1 million. The increase in franchise revenue is primarily attributable to 82 additional franchised units in 1996. An increase of $2.2 million was generated from initial fees from new franchise openings, while the balance reflects an increase in royalties from units added in 1995 and 1996. Nineteen Company-owned units were sold to franchisees during 1996, generating $7.7 million in gains which are reflected as a reduction in operating expense.

Operating expenses for 1996 compared to 1995 decreased by $57.4 million (4.8%) to $1,141.4 million. This decrease is partially due to the restructuring charge and charge for impaired assets included in the 1995 results ($5.4 million and $23.9 million, respectively), a $2.8 million decrease in 1996 depreciation expense related to the 1995 impairment write-down and a $4.7 million increase in the current year amortization of the deferred gain attributable to the sales of PFC and PTF over the prior year amounts. The effect of these items is somewhat offset by a decrease in the gains from restaurants sold to franchisees ($20.7 million in 1995 versus $7.7 million in 1996). The decrease in operating expenses reflects several factors. Food costs and restaurant labor were favorable in comparison to 1995 by $14.0 million and $8.8 million, respectively, reflecting the decline in the number of Company-owned restaurants as well as the positive impact of cost control measures in the restaurants. These decreases were offset, in part, by higher commodity prices (particularly for pork, dairy, eggs and bread) over the prior year and increases in the Federal and state minimum wages.

As a result of the factors noted above, operating income for 1996 improved by $41.7 million (57.8%) as compared to 1995, to $114.0 million.

Hardee's

	Year Ended December 31,		
	1995	1996	1997
($ in millions, except average unit and comparable store data)			
Revenue	$ 660	$ 603	$ 546
Operating expenses	656	562	521
Operating income (a)	$ 4	$ 41	$ 25
Average annual unit sales (in thousands)	$1,104	$1,041	$ 960
Comparable store data:			
Comparable store sales decrease	(8.6 %)	(7.2 %)	(7.7 %)
Average guest check	$ 3.15	$ 3.16	$ 3.23
Operated units	593	580	557

(a) Operating income reflects restructuring charge and charge for impaired assets for the years ended December 31, 1995 and December 31, 1997 of $32 million and $4.7 million, respectively. For a discussion of the provision for restructuring and charge for impaired assets, see Notes 3 and 5 to the Consolidated Financial Statements.

1997 vs. 1996

Hardee's revenue decreased by $56.7 million (9.4%) during 1997 as compared with 1996, reflecting a 7.7% decline in comparable store sales, as well as a 23-unit decrease in comparison to the prior year. The decrease in comparable store sales reflects a decline in traffic which was partially offset by an increase in average guest check. The decrease in traffic count reflects the impact of continuing aggressive promotions by competitors within the quick-service category compounded by the persistent weakness of Hardee's brand positioning and advertising programs.

Excluding the impact of the 1997 restructuring and impairment charges, Hardee's operating expenses in the 1997 period decreased by $45.3 million (8.1%), in spite of increased labor costs due to the Federal minimum wage rate increase and the fact that there is a base level of labor and other fixed costs necessary regardless of sales levels. The net decrease primarily reflects the impact of the cost reduction program implemented in the second half of 1996, the impact on expenses from the lower comparable store sales noted above and a 23-unit decrease in comparison to the prior year.

Hardee's operating income for the 1997 period decreased by $15.5 million (38.2%) as compared to the prior year period as a result of the factors noted above.

1996 vs. 1995

Revenue for Hardee's for 1996 decreased by $56.9 million (8.6%) from 1995, to $602.9 million. The revenue decrease was primarily driven by 13 fewer restaurants in the Company's chain and a decrease in average unit sales in comparison to 1995. Comparable store sales decreased by 7.2% primarily due to decreased customer traffic in the face of continued aggressive "value/discounting" promotions by competitors within the quick-service segment and inclement weather during the first quarter. In the second half of the year, Advantica's Hardee's began focusing less on discounting and more on overall value, introducing items which are somewhat higher priced but which management believed offered good value for the money. One such promotion introduced the "Monster" line of items, featuring a large burger and a large omelet biscuit. This strategy helped drive guest check averages; however, the increased average guest check only marginally offset the decrease in traffic.

Operating expenses in 1996 decreased $93.4 million (14.2%), to $562.2 million, as compared to 1995. This decrease was partially driven by the restructuring charge and charge for impaired assets included in the 1995 results ($7.8 million and $23.7 million, respectively), a $2.3 million decrease in 1996 depreciation and amortization expense resulting from the impairment write-down in 1995 and a $1.9 million increase in the current year amortization of the deferred gain attributable to the sales of PFC and PTF over the prior year amount. This decrease also reflects the impact of lower comparable store sales, a decrease in the number of restaurants and management's increased focus on achieving improvement in operating efficiencies. The success of such cost control efforts was reflected by the fact that even after removing the impact on 1995 of the restructuring and impairment charges and the related reduction in depreciation in 1996, operating income would have increased $2.7 million over 1995, despite a decrease in revenue of $56.9 million. Labor savings had the most significant impact in reducing operating expenses. Labor as a percent of sales was 1% lower than in 1995. This was accomplished primarily by reducing in-store labor to become more competitive and more in line with quick-service industry standards, allowing management to reduce costs despite the impact of an increased Federal minimum wage.

Operating income for 1996 improved by $36.5 million, to $40.7 million, in comparison to 1995 as a result of the factors described above.

Quincy's

	Year Ended December 31,		
	1995	1996	1997
($ in millions, except average unit and comparable store data)			
Revenue	$ 294	$ 259	$ 234
Operating expenses	272	252	253
Operating income (loss) (a)	$ 22	$ 7	$ (19)
Average annual unit sales (in thousands)	$ 1,438	$ 1,301	$1,199
Comparable store data:			
Comparable store sales increase (decrease)	4.8 %	(10.8 %)	(8.5 %)
Average guest check	$ 5.87	$ 6.05	$ 6.25
Operated units	203	199	180

(a) Operating income reflects a restructuring charge and charge for impaired assets of $1 million and $21 million for the years ended December 31, 1995 and December 31, 1997, respectively. For a discussion of the provision for restructuring and charge for impaired assets see Notes 3 and 5 to the Consolidated Financial Statements.

1997 vs. 1996

Quincy's revenue decreased by $25.6 million (9.9%) during 1997 as compared with 1996, reflecting an 8.5% decline in comparable store sales. The decrease in comparable store sales resulted from a decrease in traffic which was partially offset by an increase in average guest check. The decline in customer traffic reflects, among other things, continuing traffic declines in the family-steak category in general and the difficulty, in spite of product quality improvements and increased emphasis on consistency of service, of "winning back" customers who have been lost over the past several years. Modest improvements were seen after the implementation of the "Relaunch" program in October 1996; however, sales trends fell well short of management's expectations.

Excluding the impact of the 1997 restructuring and impairment charges, Quincy's operating expenses in 1997 decreased by $20.0 million (7.9%) from the prior year, primarily reflecting the impact on expenses of the lower comparable store sales noted above and a decrease in product costs due to various cost reduction initiatives including contract renegotiations and reviews of product usage and packaging. These decreases are somewhat offset by increased labor costs due to the Federal minimum wage rate increase, and the fact that certain labor and other fixed costs cannot be reduced in proportion to the significant decline in sales.

Quincy's operating income for 1997 decreased by $26.4 million as compared to the prior year as a result of the factors noted above.

1996 vs. 1995

Revenue for Quincy's in 1996 decreased by $35.1 million (11.9%) from 1995, to $259.2 million. The revenue decrease was primarily driven by a decrease in customer traffic, as well as four fewer restaurants, offset somewhat by an increase in the average guest check. Customer traffic, which decreased by 12% versus 1995, was primarily responsible for the 10.8% decrease in comparable store sales. The significant decline in customer traffic reflects, among other things, continued traffic declines in the family-steak category, in general, as well as a difficult comparison to the prior year (which benefited from several newly remodeled units), in addition to the unsuccessful introduction of a new steak product earlier in the year. Also, management experimented with various formats at Quincy's, which led to some customer confusion and a lack of focus for the concept.

To address this issue, in October 1996, management initiated a "Relaunch" program to re-establish the brand and give customers a consistent experience. In this regard, during the third quarter of 1996, new products were developed and tested, training was implemented at all levels, facilities were improved, and management rolled out a new value steak promotion, the "No Mistake Steak", which also introduced a number of new products accompanied by increased media advertising.

Operating expenses in 1996 as compared to 1995 decreased by $19.4 million (7.1%), to $252.5 million. This decrease was driven by the decline in sales and an increase in the amortization of the deferred gain attributable to the sales of PFC and PTF in 1996 over the prior year amount. These decreases were partially offset by the additional costs in product, labor and advertising to institute the "Relaunch" program. Primarily due to the training efforts related to relaunching the brand, labor costs increased $3.0 million (1.2%) over 1995. Also, after a period of no advertising for Quincy's in August and September as the Relaunch plan was formulated, advertising was increased significantly in the fourth quarter to support the reintroduction of the brand, resulting in an overall increase in advertising expense of approximately $3.0 million in 1996 over the prior year.

Operating income in 1996 as compared to 1995 declined by $15.7 million, to $6.6 million, as a result of the factors described above.

($ in millions, except average unit and comparable store data)	Year Ended December 31, 1995	1996	1997
U. S. systemwide sales	$ 198	$ 218	$ 235
Net company sales	$ 117	$ 114	$ 115
Franchise and foreign licensing revenue	10	14	15
Total revenue	127	128	130
Operating expenses	114	114	115
Operating income	$ 13	$ 14	$ 15
Average annual unit sales (in thousands):			
Company-owned	$ 1,019	$ 1,155	$ 1,206
Franchise	858	852	856
Comparable store data (Company-owned):			
Comparable store sales increase	2.0 %	7.2 %	0.2 %
Average guest check	$ 6.76	$ 6.64	$ 6.77
Operated units:			
Company-owned	103	96	98
Franchise	112	135	145
International	2	10	4
Total	217	241	247

1997 vs. 1996

El Pollo Loco's net company sales increased $0.2 million during 1997 as compared with 1996. This increase reflects an estimated $2.3 million impact from the additional week in the 1997 reporting period compared with the prior year period. Excluding the impact of the additional week, revenue decreased $2.1 million in comparison to the prior year period, primarily reflecting a four-unit decrease in the number of Company-owned equivalent units operating throughout 1997 as compared to the entire prior year. Comparable store sales were relatively unchanged as a result of lower customer counts offset by a higher guest check average, both of which are largely explained by a shift in promotional emphasis during the first two quarters of 1997. A menu price increase taken in March 1997 also contributed to the increase in average check in comparison to 1996. Franchise and foreign licensing revenue for 1997 compared with 1996 increased by $1.4 million (10.4%), primarily due to four more franchise units open at the end of 1997 as compared with 1996, as well as an increase in franchise average unit sales. This increase in franchise revenue over the prior year reflects the Company's strategy of focusing on growth through franchising.

El Pollo Loco's operating expenses for the 1997 period as compared with the 1996 comparable period increased by $0.7 million (0.6%), primarily reflecting an estimated $1.8 million impact from the additional week in the 1997 reporting period in comparison to the prior year comparable period. Other factors which contributed to the current year increase include an increase in advertising expenses and an increase in labor costs primarily due to Federal and state minimum wage increases. These increases were offset by gains on sales of restaurants of $1.0 million in 1997 in comparison to $0.7 million of gains in the prior year. These increases were also offset by lower chicken prices, lower promotional discounting and the impact of a shift in product mix and promotional emphasis.

El Pollo Loco's operating income for 1997 increased by $1.0 million (7.1%) as compared to the prior year as a result of the factors noted above.

1996 vs. 1995

Revenue from Company-owned El Pollo Loco units for 1996 decreased by $1.6 million (1.4%) from 1995 to $114.7 million. The revenue decrease was primarily driven by a net decrease of seven restaurants (eight units sold to franchisees, one Company-owned unit opened), partially offset by gains in comparable store sales. Comparable store sales increased 7.2%, driven by increased guest traffic, which on a comparable store basis, increased 9.9%. The increased traffic was principally attributable to the highly successful "Pollo Bowl," rolled out in late 1995, which in 1996 accounted for 11% of the menu mix in 1996 as well as other key promotions. Comparable store sales also benefited from the Foster's Freeze rollout.

The decrease in average guest check was driven by a change in value focus in 1996. During 1995, most of the value offerings featured very large amounts of food (such as the $14.99 Holiday Feast), whereas in 1996, value was approached on a quantity and price basis (such as the Pollo Bowl and $9.99 for 12 pieces of chicken).

Franchise revenue in 1996 increased $3.3 million (31.7%) over 1995 to $13.7 million. The increase in revenue was primarily due to 31 additional franchise units in 1996. Of the increase in revenue, $0.8 million was generated from initial fees collected as new franchised units were opened, with the remainder coming from the ongoing royalty stream of the additional units. Eight units were sold to franchisees during 1996, generating $0.7 million in gains which are reflected as a reduction of operating expenses.

Operating expenses increased $0.5 million in 1996 over the prior year, to $114.6 million, due to a decrease in gains recognized on the sale of restaurants to franchisees, from $3.8 million in 1995 to $0.7 million in 1996. Removing the impact of the decrease in restaurant sales to franchisees, El Pollo Loco experienced a net decrease in operating expenses of $2.6 million reflecting, among other things, lower product costs associated with the Pollo Bowl and other new products, a decrease in direct labor costs due to improved labor scheduling and staffing initiatives, food cost control measures and a $0.4 million increase in 1996 amortization of the deferred gain attributable to the sales of PFC and PTF over the prior year amount. These improvements were attained despite an increase in chicken prices versus 1995, and the increased Federal and state minimum wages.

Operating income for 1996 in comparison to 1995, improved by $1.2 million (9.5%) to $13.8 million as a result of the factors discussed above.

Coco's and Carrows

The following information for the years ended December 31, 1995 and 1996 is provided for analysis purposes only, as it includes information for periods prior to the Company's acquisition of Coco's and Carrows on May 23, 1996. Specifically, the discussion of 1997 vs. 1996 results includes a full year of operating results for both years, although such operating results prior to May 23, 1996 are not included in consolidated operating results of the Company. For 1995 operating results, see the presentation of combined Coco's and Carrows operating results, 1996 vs. 1995, following the separate discussions of Coco's and Carrows 1997 vs. 1996 results.

Coco's

	Year Ended December 31,		
	1995	1996	1997
($ in millions, except average unit and comparable store data)			
U. S. systemwide sales		$ 278	$ 288
Net company sales		$ 270	$ 276
Franchise and foreign licensing revenue		4	4
Total revenue		274	280
Operating expenses		264	262
Operating income		$ 10	$ 18
Average annual unit sales (in thousands)			
Company-owned	$1,506	$1,462	$ 1,492
Franchise	1,884	1,719	1,728
Comparable store data (Company-owned):			
Comparable store sales decrease	(5.0 %)	(1.6 %)	0.0 %
Average guest check (a)	$ 6.72	$ 6.80	$ 6.77
Operated units:			
Company-owned	188	183	178
Franchise	6	5	17
International	252	278	298
Total	446	466	493

(a) The method for determining weekly customer traffic and average guest check was changed in September 1996 in order to conform better to Advantica's methodology. Amounts for periods prior to September 1996 have not been restated. Relative to Coco's, the revised method will generally result in higher weekly traffic counts and lower average guest checks than calculated under the previous method.

1997 vs. 1996

Coco's net company sales for 1997 increased $5.9 million (2.2%) as compared to 1996. This increase reflects an estimated $4.8 million impact from the additional six days in the 1997 reporting period compared to the prior year comparable period. In addition, four Carrows units were converted to Coco's restaurants during 1997, contributing $3.3 million in sales. Offsetting these increases is the impact of a decrease of nine Company-owned stores in 1997. Coco's comparable store sales were flat in 1997 as compared to 1996. Franchise and foreign licensing revenue increased by $0.5 million (12.9%) for 1997 as compared to 1996. This increase is a result of the net increase of 20 foreign licensed units as well as 12 additional domestic franchise units in the current year.

Coco's operating expenses for 1997 decreased by $2.4 million (0.9%) as compared to the prior year. This decrease is primarily a result of savings in product and labor costs due to an increased operations focus on cost controls, waste reduction and labor initiatives and $1.4 million of gains on sales of restaurants, compared to no gains recorded in 1996. In addition, the prior year included non-recurring adjustments of approximately $1.6 million, which increased legal and workers' compensation expenses. No comparable charges are included in the current year period. These decreases were partially offset by the impact of an additional six days in the 1997 reporting period as compared to the prior year comparable period and the increase in Federal and state minimum wage rates.

Operating income for Coco's increased to $18.4 million in 1997 as a result of the factors noted above.

Carrows

The following information for the years ended December 31, 1995 and 1996 is provided for analysis purposes only, as it includes information for periods prior to the Company's acquisition of Coco's and Carrows on May 23, 1996. Specifically, the discussion of 1997 vs. 1996 results includes a full year of operating results for both years, although such operating results prior to May 23, 1996 are not included in consolidated operating results of the Company. For 1995 operating results, see the presentation of combined Coco's and Carrows operating results, 1996 vs. 1995, following the separate discussions of Coco's and Carrows 1997 vs. 1996 results.

	Year Ended December 31,		
	1995	1996	1997
($ in millions, except average unit and comparable store data)			
U. S. systemwide sales		$ 217	$ 215
Net company sales		$ 217	$ 211
Franchise and foreign licensing revenue		--	1
Total revenue		217	212
Operating expenses		210	198
Operating income		$ 7	$ 14
Average annual unit sales (in thousands)			
Company-owned	$1,372	$ 1,343	$1,362
Comparable store data (Company-owned):			
Comparable store sales increase (decrease)	(0.2 %)	0.1 %	(1.7 %)
Average guest check (a)	$ 6.09	$ 6.25	$ 6.49
Operated units:			
Company-owned	161	160	140
Franchise	--	--	14
Total	161	160	154

(a) The method for determining weekly customer traffic and average guest check was changed in September 1996 in order to conform better to Advantica's methodology. Amounts for periods prior to September 1996 have not been restated. Relative to Carrows, the revised method will generally result in lower weekly traffic counts and higher average guest checks than calculated under the previous method.

1997 vs. 1996

Carrows' net company sales decreased $5.5 million (2.5%) for 1997 as compared to 1996 in spite of an estimated $3.8 million impact from the additional six days in the 1997 reporting period in comparison to the prior year comparable

period. The sales decrease is primarily the result of a 20-unit decrease in Company-owned restaurants, 12 of which were converted to franchise units. It also reflects a decrease in comparable store sales, reflecting a decrease in traffic partially offset by an increase in average guest check. Franchise and foreign licensing revenue increased by $0.6 million for 1997 as compared to 1996, reflecting the opening of 14 domestic franchise units.

Carrows' operating expenses decreased $12.0 million (5.7%) for 1997 as compared to 1996, despite the impact of an additional six days in the 1997 reporting period as compared to the prior year comparable period and increases in the Federal and state minimum wage rates. The decrease in expenses as compared with the prior year reflects the impact of approximately $1.5 million of non-recurring adjustments which increased legal and workers' compensation expenses in 1996, as well as savings in product and labor costs in 1997 due to increased focus by operations on cost control, waste reduction and labor initiatives. In addition, operating expenses in 1997 include $3.2 million of gains on sales of restaurants, compared to no gains recorded in 1996.

Operating income for Carrows increased to $13.6 million in 1997 as a result of the factors noted above.

1996 vs. 1995

Coco's and Carrows

	1995	1996
(In millions)		
Net company sales	$502	$487
Franchise revenue	4	4
Total revenue	506	491
Operating expenses	474	474
Operating income	$ 32	$ 17

The Company's operating results for the year ended December 31, 1996 include 31 weeks of Coco's and Carrows operations subsequent to their acquisition in May. Coco's and Carrows revenues for the post-acquisition period were $163.7 million and $131.4 million, respectively. Operating expenses for Coco's and Carrows were $155.5 million and $124.7 million, respectively.

Liquidity and Capital Resources

Historically, the Company has met its liquidity requirements with internally generated funds, external borrowings, and in recent years, proceeds from asset sales. The Company expects to continue to rely on internally generated funds, supplemented by available working capital advances under the Credit Facility and other external borrowings, as its primary source of liquidity. The Credit Facility replaced and refinanced the $200 million debtor-in-possession financing facility (the "DIP Facility") between FCI, Flagstar, Holdings, certain subsidiaries of Flagstar and Chase. The DIP Facility was entered into on July 11, 1997 and refinanced the credit facility of the Company that was in effect prior to commencement of FCI's and Flagstar's Chapter 11 proceeding (the "Prepetition Credit Agreement"). At December 31, 1997, Advantica had no working capital advances outstanding under the DIP Facility; however, letters of credit outstanding were $84.5 million.

The Credit Facility matures on January 7, 2003 (subject to early termination under certain circumstances). See "Description of Indebtedness -- The Advantica Credit Agreement." The Credit Facility is generally secured by liens on the same collateral that secured the Company's obligations under the Prepetition Credit Agreement and the DIP Facility (and the Company's guarantee and additional liens on the Company's corporate headquarters in Spartanburg, South Carolina and accounts receivable). The Credit Facility contains certain financial and negative covenants, conditions precedent, events of default and other terms, conditions and provisions customarily found in credit agreements for leveraged financings. The Credit Facility was approved by the Bankruptcy Court pursuant to the order confirming the Plan of Reorganization. The Company believes the Credit Facility, together with cash generated from operations, various cash management measures and other sources, will provide the Company with adequate liquidity to meet its working capital, debt service and capital expenditure requirements for at least the next twelve months.

The following table sets forth, for each of the years indicated, a calculation of the Company's cash from operations available for debt repayment, dividends on the Old Preferred Stock and capital expenditures:

(In millions)	Year Ended December 31, 1996	1997
Net loss	$ (85.5)	$ (134.5)
Charge for impaired assets	--	15.1
Provision for restructuring charges	--	10.5
Non-cash charges	119.9	110.9
Deferred income tax benefit	(9.0)	(0.1)
Change in certain working capital items	10.2	41.7
Change in other assets and other liabilities, net	(16.1)	21.5
Increase in liabilities from reorganization activities	--	10.9
Cash from operations available for debt repayment, dividends on the Old Preferred Stock and capital expenditures	$ 19.5	$ 76.0

The cash flows generated by Coco's and Carrows, which were acquired in May 1996, are required by the instruments governing the indebtedness incurred to finance such acquisition, to service the debt issued by FRD and, therefore, other than for the payment of certain management fees and tax reimbursements payable to Advantica under certain conditions, are currently unavailable to be used to service the debt of Advantica and its other subsidiaries. Coco's and Carrows' cash flows from operations, which are included in the Company's total cash flow from operations set forth in the table above, were $21.2 million and $17.1 million for the years ended December 31, 1996 and 1997, respectively.

In connection with the acquisition of Coco's and Carrows, FRI-M, which became thereby a wholly-owned subsidiary of the Company, obtained a new credit facility consisting of a $56 million term loan, which matures on August 31, 1999, and a $35 million revolving credit facility, which is available until August 31, 1999 for Coco's and Carrows general working capital advances and letters of credit. Such facility is unavailable to Advantica and its other subsidiaries. See "Description of Indebtedness -- The FRI-M Credit Facility."

Since the leveraged buyout of Flagstar in 1989, the Company has not achieved the revenue and earnings projections prepared at the time of the transaction, so while the Company's cash flows have been sufficient to fund its operations and make interest payments when due, the Company's core businesses have not experienced cash flow growth sufficient to provide adequate funds to invest for future growth. This is related in large part to increased competition, intense pressure on pricing due to discounting, and relatively limited capital resources to respond to these changes. Such trends have generally continued into 1997.

These conditions presented both short-term and long-term financial challenges to the Company. To address these matters, management took steps in 1997 to maintain the Company's liquidity and improve its capital structure. Specifically, the Board of Directors elected not to declare the January 15, 1997 and April 15, 1997 quarterly dividends on the Old Preferred Stock (the July 15, 1997 and October 15, 1997 payments were also not declared, in view of FCI's bankruptcy). Additionally, on January 21, 1997, the Company hired Donaldson, Lufkin & Jenrette Securities Corporation as a financial advisor to assist in exploring alternatives to improve the Company's capital structure. After a review of the various alternatives available to the Company, management concluded that the reorganizational alternative best designed to recapitalize the Company over the long-term and maximize the recovery of all stakeholders was a prepackaged plan pursuant to Chapter 11 of the Bankruptcy Code and on July 11, 1997 FCI and Flagstar filed voluntary petitions for relief under the Bankruptcy Code. FCI's operating subsidiaries, Denny's Holdings, Inc., Spartan Holdings, Inc. and FRD Acquisition Co. (and their respective subsidiaries), did not file bankruptcy petitions and were not parties to the above mentioned Chapter 11 proceedings.

The Plan of Reorganization dated as of November 7, 1997 (as amended following the resolution of certain issues before the Bankruptcy Court) was confirmed by the Bankruptcy Court pursuant to an order entered as of November 12, 1997 and became effective January 7, 1998. As a result of the reorganization, FCI and Flagstar significantly reduced their debt and simplified their capital structure. Although consummation of the Plan of Reorganization significantly reduced the Company's debt obligations, the Company still has substantial indebtedness and debt service requirements, in absolute terms and in relation to shareholder's equity. With respect to the long-term liquidity of the Company, management believes that, after giving effect to the Plan of Reorganization, the Company will have sufficient cash flow from operations (together with funds available under the Credit Facility) to pay interest and scheduled amortization on all of its outstanding indebtedness and to fund anticipated capital expenditures through 1999. Even with the completion of the Plan of Reorganization, however, the Company's ability to meet its debt service obligations will depend on a number of factors, including management's ability to maintain operating cash flow, and there can be no assurance that targeted levels of operating cash flow will actually be

achieved. The Company's ability to maintain or increase operating cash flow will depend upon consumer tastes, the success of marketing initiatives and other efforts by the Company to increase customer traffic in its restaurants, prevailing economic conditions and other matters, many of which are beyond the control of the Company.

As of December 31, 1997, and as of December 31, 1997 on a pro forma basis giving effect to the reorganization and the disposition of FEI, scheduled maturities of long-term debt relative to Advantica and its subsidiaries for the years 1998 and thereafter are as follows:

	Historical		Pro Forma	
(In millions)	Advantica Excluding FRD	FRD	Advantica Excluding FRD	FRD
1998	$ 33.7	$ 23.5	$ 33.7	$ 23.5
1999	28.9	23.4	28.9	23.4
2000	325.7	3.1	325.7	3.1
2001	280.4	2.9	10.4	2.9
2002	284.6	2.5	4.6	2.5
Thereafter	979.9	163.6	624.1	163.6

In addition to scheduled maturities of principal, on a consolidated basis and giving effect to the reorganization, approximately $96.7 million of cash will be required in 1998 to meet interest payments on long-term debt.

The Company's principal capital requirements are those associated with opening new restaurants and remodeling and maintaining its existing restaurants and facilities. During 1997, total capital expenditures were approximately $82.8 million, of which approximately $1.7 million was used to remodel existing restaurants, $4.9 million was used to refurbish existing restaurants, $20.2 million was used for POS systems and other information technology assets, $3.7 million was used to open new restaurants, and $46.6 million was used to maintain existing facilities and to purchase equipment. Of the total capital expenditures, approximately $19.2 million were financed through capital leases. Capital expenditures during 1998, excluding the estimated $20 million associated with the development or purchase of new software (see "Impact of the Year 2000 Issue"), are expected to total approximately $87 million; however, the Company is not committed to spending this amount and could spend less if circumstances warrant.

The Company is able to operate with a substantial working capital deficiency because (i) restaurant operations and most food service operations are conducted primarily on a cash (and cash equivalent) basis with a low level of accounts receivable, (ii) rapid turnover allows a limited investment in inventories, and (iii) accounts payable for food, beverages and supplies usually become due after the receipt of cash from the related sales. At December 31, 1997, the Company's working capital deficiency, exclusive of net assets held for sale, was $248.9 million as compared with $297.7 million at the end of 1996. The decrease in the deficiency is attributable primarily to a reclassification at December 31, 1997 of accrued interest of $115.7 million from current liabilities to liabilities subject to compromise, largely offset by a reduction in cash and cash equivalents which has been used for Company operations.

On February 22, 1996, the Company entered into an agreement with IBM Global Services ("IBM") (formerly Integrated Systems Solutions Corporation). The ten-year agreement for $358.1 million, as amended, requires annual payments by the Company ranging from $24.0 million to $51.2 million. The agreement provides for IBM to manage and operate the Company's information systems, as well as to develop and implement new systems and applications to enhance information technology for the Company's corporate headquarters, restaurants, and field management. IBM will oversee data center operations, applications development and maintenance, voice and data networking, help desk operations, and POS technology. The disposition of FEI will reduce the future commitment under the agreement with IBM. The Company is currently working with IBM to quantify this impact.

As further discussed in "Prospectus Summary -- Recent Developments", on February 18, 1998, Advantica entered into a definitive agreement for the sale of stock of FEI and consummated such sale as of April 1, 1998. Upon such consummation the Company realized cash proceeds of $380.8 million (subject to certain adjustments) in exchange for all of the outstanding stock of FEI. Approximately $173.1 million of the proceeds (together with $28.6 million previously on deposit with respect to certain Mortgage Financings as herein defined) was applied to effect an in-substance defeasance of such Mortgage Financings with a carrying value of $198.9 million plus accrued interest of $6.9 million at April 1, 1998. Together with the capital lease obligations assumed by the buyer, this resulted in a reduced debt load for the Company. The remaining proceeds, approximately $191 million after transaction expenses, will increase the Company's short-term liquidity and be available for capital expenditures or acquisitions, as appropriate.

Because of the classification of the net assets of FEI as assets held for sale at December 31, 1997 and the adoption of fresh start reporting as of the Effective Date, the operating results of FEI are excluded from the consolidated operating

results of the Company subsequent to January 7, 1998. In 1997 FEI contributed revenue of $546 million and operating income of $25 million, or 20.9% and 19.2% of the Company's total revenue and operating income, respectively.

Impact of Bankruptcy Petitions on Franchising

The operation of the Company's franchise system is subject to laws enacted by a number of states, and rules promulgated by the Federal Trade Commission. Among other things, such regulations require that each franchising entity annually renew its Uniform Franchise Offering Circular (the "UFOC") which provides current information about the business. In addition, in the event that any information in the UFOC becomes misleading, inaccurate or incomplete during the year, the UFOC must be amended at that time to make appropriate disclosures. When this occurs, the franchising entity must cease its sale of new franchises until the UFOC has been updated to make the required disclosures. In some states, the updated UFOC must be reviewed and approved by a regulatory agency before the entity can resume franchise sales. Due to the involuntary Chapter 11 proceeding that was filed against Flagstar on June 17, 1997 (which was subsequently dismissed) and the subsequent filing of voluntary petitions with the Bankruptcy Court by FCI and Flagstar on July 17, 1997, management decided it would be appropriate for the Company's franchising subsidiaries (Carrows, Coco's, Denny's and El Pollo Loco) to update their offering circulars and to cease sales of new franchises until an updated UFOC had been prepared and approved by the states that regulate the sale of franchises. Denny's obtained approval and began selling franchises again in all states in which it has significant operations in mid-July 1997; Carrows and Coco's obtained approval and began selling franchises again in all states in which they have significant operations in late July 1997; and El Pollo Loco resumed franchising in early August 1997.

Due to the Bankruptcy Court's approval of the Plan of Reorganization by order entered on November 12, 1997, management decided that it would be appropriate for the Company's franchising subsidiaries again to update their offering circulars and to cease sales of new franchises until an updated UFOC had been prepared and approved by those states that regulate the sale of franchises. Denny's began selling franchises again in all states in which it has significant operations in mid-November 1997; Carrows and Coco's obtained approval and began selling franchises again in all states in which they have significant operations in late November 1997; and El Pollo Loco resumed franchising in mid-December 1997.

Impact of the Year 2000 Issue

The Year 2000 issue is the result of computer programs that were written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software which uses two digits to define the applicable year may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or engage in normal business activities.

The Company has performed an assessment of the impact of the Year 2000 issue and determined that a significant portion of its software applications will need to be modified or replaced so that its computer systems will properly utilize dates beyond December 31, 1999. The Company presently believes that with modifications to existing software and conversions to new software, the impact of the Year 2000 issue can be mitigated. However, if such modification or conversions are not made, or are not completed timely, the Year 2000 issue could have a material impact on the operations of the Company.

For the most part, the Company intends to replace existing systems to mitigate the impact of the Year 2000 issue and will utilize both external and internal resources to do so. In this regard, the Company expects to spend approximately $20 million in both 1998 and 1999 to develop or purchase new software, the majority of which will be capitalized. Non-capital expenditures associated with the Year 2000, which will be expensed when incurred, are expected to be immaterial in both years.

During 1998, the Company intends to communicate with its significant suppliers and franchisees to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 issue. The Company's current estimate of costs associated with the Year 2000 issue excludes the potential impact of the Year 2000 issue on third parties. There can be no guarantee that the systems of other companies on which the Company's systems rely will be converted timely, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company.

The Company believes, based on available information, that it will be able to manage its Year 2000 transition without any material adverse effect on its business operations. However, the costs of the project and the ability of the Company to complete it on a timely basis are based on management's best estimates, which were derived based on assumptions of future events including the availability of certain resources, third party modification plans and other factors. There can be no guarantee that these estimates will be achieved and actual results may differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

BUSINESS

Introduction

The Company is one of the largest restaurant companies in the United States, operating (directly and through franchisees and including its just sold Hardee's operation) approximately 3,300 moderately priced restaurants.

FCI was organized as a holding company in 1988 in order to effect the 1989 acquisition of Flagstar. On November 16, 1992, FCI and Flagstar consummated the 1992 Recapitalization, which included, among other things, an equity investment by affiliates of KKR. As a result of such transactions, affiliates of KKR acquired control of the Company. Prior to June 16, 1993, FCI and Flagstar had been known, respectively, as TW Holdings, Inc. and TW Services, Inc.

As a result of the 1989 leveraged buyout of Flagstar, the Company became and remains (even after giving effect to the Plan of Reorganization) very highly leveraged. While the Company's cash flows have been sufficient to cover interest costs, operating results since the buyout in 1989 have fallen short of expectations. Such shortfalls resulted from negative operating trends due to increased competition, intensive pressure on pricing due to discounting, declining customer traffic and relatively limited capital resources to respond to these changes. These operating trends generally continued through 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" for additional information. For information concerning the Plan of Reorganization, which became effective January 7, 1998, see "The Company -- The 1997 Restructuring" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

On May 23, 1996, the Company, through FRD, a newly-formed subsidiary, consummated the acquisition of the Coco's and Carrows restaurant chains consisting of 347 Company-owned units within the mid-scale family-style dining category in order to capitalize on the Company's experience in the restaurant industry and the California market and to maximize the synergies among the Company's restaurant chains, including increased purchasing power. The ultimate acquisition price of $313.4 million was paid in consideration for all of the outstanding stock of FRI-M, then a subsidiary of Family Restaurants Inc. ("FRI"), which owns the Coco's and Carrows chains. The acquisition was accounted for using the purchase method of accounting and is reflected in the Company's Consolidated Financial Statements and Notes thereto included herein as of the acquisition date.

During the third quarter of 1996, the Company sold PTF, its food processing operations, marking the last in a series of non-restaurant divestitures which began with the sale of Canteen Corporation, the Company's food and vending business, in 1994 and also included the 1995 sales of TWRS, a concession and recreation services subsidiary; VS, a stadium concession services subsidiary; and PFC, the Company's food distribution subsidiary.

Restaurants

Advantica's operations are conducted through six restaurant chains or concepts, four chains in the full-service mid-scale dining segment and two in the quick-service segment (including Hardee's). Denny's, Advantica's largest concept, is the nation's largest chain of family-style full-service restaurants, with more than 1,650 units in 49 states, two U.S. territories, and two foreign countries. Denny's largest concentration is in California and Florida with 552 units in these two states. Management believes that Denny's has the leading share of the national market in the family-style category. Quincy's, with 180 locations (69 of which management intends to close during 1998), is one of the largest chains of family-steak restaurants in the southeastern United States, offering steak, chicken and seafood entrees as well as a buffet bar, called "America's Home Plate." A weekend breakfast buffet is also available at most Quincy's locations. Advantica also operates El Pollo Loco, a chain of 247 quick-service restaurants featuring flame-broiled chicken and related Mexican food items, with a strong regional presence in California. As indicated above, the Company acquired the Coco's and Carrows chains in 1996. Coco's is a regional bakery restaurant chain operating 493 units in seven western states and three foreign countries. Coco's offers a wide variety of fresh-baked goods and value priced meals that capitalize on emerging food trends in the western United States. The Carrows chain, consisting of 154 units in seven western states, specializes in traditional American food, with an emphasis on quality, homestyle fare at an excellent value. Hardee's is a chain of quick-service restaurants of which Advantica (prior to the FEI Sale), with 557 units located primarily in the Southeast, was the largest franchisee. Although specializing in sandwiches, these Hardee's restaurants serve fried chicken and offer a breakfast menu that accounts for approximately 47% of total sales and features the chain's famous "made-from-scratch" biscuits. For a breakdown of the total revenues contributed by each referenced concept for the last three years, see the corresponding section of "Management's Discussion and Analysis of Financial Condition and Results of Operations." For information concerning the sale of the Company's Hardee's operation, see "Prospectus Summary -- Recent Developments." Although operating in two distinct segments of the restaurant industry -- full-service and quick-service -- the Company's restaurants benefit from a single management strategy that

emphasizes superior value and quality, friendly and attentive service and appealing facilities. During 1997, the Company continued its strategy of growth through franchising, adding a net 41 total units to the system, representing an increase of 106 franchise/licensed units, offset by a decline of 65 Company-operated units. The increase in franchise units and the decrease in Company-operated units includes a net 15 units which were sold to franchisees (turnkeyed). The Company intends to continue focusing on growth in the franchise arena in 1998.

The Company believes its restaurant operations benefit from the diversity of the restaurant concepts represented by its various chains, the generally strong market positions and consumer recognition enjoyed by these chains, the benefits of a centralized support system for purchasing, menu development, human resources, management information systems, site selection, restaurant design and construction, and an aggressive new management team. Denny's, Quincy's, Coco's and Carrows may benefit from the demographic trend of aging baby boomers and the growing population of elderly persons. The largest percentage of "mid-scale" customers comes from the 35 and up age group. In the quick-service segment, the Company expects El Pollo Loco to increase its strong position in the Southwest.

During 1995, the Company identified 36 underperforming units for sale or closure generally during 1996. As of December 31, 1997, two units remain relative to the 1995 restructuring plan. Management intends to dispose of one of the remaining units and to continue operating the other.

During the fourth quarter of 1997, the Company approved a restructuring plan to significantly reduce the size of its Quincy's chain. In addition to the sale or closure of restaurants, the restructuring plan will result in the elimination of certain restaurant, field management and corporate support positions. As a result of this plan, the Company identified 88 underperforming units for sale or closure, 19 of which were closed during 1997. The carrying value of these units has been written down to estimated fair value less costs to sell. In addition, six Quincy's units which will continue operating were identified as impaired, as the estimated future undiscounted cash flows of each of these units is insufficient to recover the related carrying value. As such, the carrying values of these units were written down to the Company's estimate of fair value.

See Note 5 to the Consolidated Financial Statements for additional information concerning the 1995 and 1997 restructurings.

Denny's

Denny's is the largest full-service family-style restaurant chain in the mid-scale segment in the United States in terms of both number of units and systemwide sales. Denny's restaurants currently operate in 49 states, two U.S. territories and two foreign countries, with principal concentrations in California, Florida, Texas, Arizona, Washington, Illinois, Ohio and Pennsylvania. Denny's restaurants are designed to provide a casual dining atmosphere with moderately priced food and quick, efficient service to a broad spectrum of customers. The restaurants generally are open 24 hours a day, seven days a week. All Denny's restaurants have uniform menus (with some regional and seasonal variations) offering traditional family fare (including breakfast items, steaks, chicken, hamburgers and sandwiches) and provide both counter and table service. Denny's sales are evenly distributed across each of its dayparts; however, breakfast items account for the majority of Denny's sales. Denny's restaurants had a 1997 average guest check of $5.54 and average unit sales of $1.3 million. Denny's currently employs approximately 38,500 people.

Historically, Denny's has had the lowest average guest check within the family-style category. This value position was reinforced through the introduction of a value menu in January 1996, featuring value priced items for breakfast, lunch and dinner with tiered pricing starting at $1.99, $2.99 and $3.99, respectively. Denny's has sought to further expand the customer perception of value through the use of themed, higher-quality new product introductions such as "America's Favorite Omelets," "Major League Burgers" and "Signature Skillets." These new products are supported through television advertising and restaurant-based media including special menus, posters and window clings. The Company expects to refine and accelerate these efforts in 1998.

Denny's has supported several capital spending initiatives designed to enhance the competitive position of the brand. Over the last four years, the restaurants in several market areas have been "reimaged," which involves an updated exterior, new signage and an improved interior layout with more comfortable seating and enhanced lighting. Most other restaurants have received new landscaping, paint, exterior lighting and parking lot repairs. Furthermore, the Company continues to focus on issues related to guest comfort and access, including systematic remodels to bring restaurants into compliance with the ADA.

All domestic Company-owned restaurants received new point-of-sale technology during 1997, along with certain other equipment designed to improve operations and accommodate new product introductions. A restaurant reengineering project,

begun in late 1996, has progressed to the "mock up" stage, and improved design elements and processes are being incorporated into new and existing restaurants.

During 1997, Denny's franchisees opened two "Denny's Classic Diners." These restaurants have an upbeat, nostalgic look and feel that appeals to younger customers, while retaining Denny's core brand equities. The Classic Diner features a modular, metal-skinned facility, new uniforms, music and a tailored menu to create an energized dining experience. Operating trends to date are encouraging, with a reduced per-unit investment producing above-average sales when compared to the traditional Denny's restaurant. The Company plans to accelerate the development of the Classic Diner format in 1998.

Denny's opened 77 new franchised units in 1997, a new record for the Company, and management believes that over the last four years Denny's has opened more new units cumulatively than any competitor in the mid-scale segment. Denny's also continues to supplement its franchise development efforts by selectively selling Company-owned units to franchisees. There were a total of 758 franchised/licensed units at the end of 1997, or 46% of all Denny's restaurants. The initial fee for a single Denny's franchise is $35,000 and the current royalty payment is 4% of gross sales.

Hardee's

As discussed above, as of April 1, 1998 the Company sold its Hardee's operation. The Company received $380.8 million in cash (subject to adjustment) in exchange for all of the outstanding stock of FEI, the Company's subsidiary which conducted the Hardee's operation. In addition, the purchaser assumed $45.6 million of capital leases. For information concerning such sale, see "Prospectus Summary -- Recent Developments." For additional information concerning the Company's Hardee's operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company's Hardee's restaurants were operated under licenses from HFS, the fifth largest sandwich chain in the United States based on national systemwide sales. FEI is HFS' largest franchisee, operating 18% of Hardee's restaurants nationwide. The 557 Hardee's restaurants operated by the Company at December 31, 1997 were located primarily in six southeastern states. These Hardee's restaurants provide uniform menus in a quick-service format targeted to a broad spectrum of customers. The restaurants offer hamburgers, chicken, roast beef and fish sandwiches, hot dogs and low-fat yogurt, as well as a breakfast menu featuring Hardee's popular "made-from-scratch" biscuits. To add variety to its menu, further differentiate its restaurants from those of its major competitors and increase customer traffic during the traditionally slower late afternoon and evening periods, HFS completed the rollout of fresh fried chicken as a menu item in 1993.

Substantially all of FEI's Hardee's restaurants have drive-thru facilities, which provided 52% of the chain's revenues in 1997. Most of the restaurants are open 16-17 hours a day, seven days a week. Operating hours of selected units have been extended to 24 hours a day on weekends. Hardee's breakfast menu, featuring the chain's signature "made-from-scratch" biscuits, accounts for approximately 47% of total sales at FEI's Hardee's restaurants. The average guest check at the Company's Hardee's was $3.23 in 1997, and average annual unit sales for the Company's Hardee's restaurants was $1.0 million. Prior to the FEI Sale, Advantica's Hardee's employed approximately 19,400 people.

Prior to the FEI Sale, each Hardee's restaurant was operated under a separate license from HFS. Each license granted the exclusive right, in exchange for a franchise fee, royalty payments and certain covenants, to operate a Hardee's restaurant in a described territory, generally a town or an area measured by a radius from the restaurant site. Each license had a term of 20 years from the date the restaurant was first opened for business and was non-cancelable by HFS, except for the franchisee's failure to abide by its covenants. Earlier issued license agreements were renewable under HFS' renewal policy; more recent license agreements provided for successive five-year renewals upon expiration, generally at rates then in effect for new licenses. Each year, a number of FEI's licenses were scheduled for renewal. FEI historically experienced no difficulty in obtaining such renewals. Prior to the FEI Sale, an arbitration proceeding was pending between the Company and HFS relating to certain matters arising under these license agreements. Such proceeding was suspended in connection with the pending sale of FEI to HFS' parent company. As a result of the consummation of such sale, all claims by the Company against HFS have been released.

The Company's territorial development agreement with HFS, which called for FEI to open a specified number of Hardee's restaurants in a development territory in the Southeast (and certain adjacent areas) by the end of 1996, was terminated during the fourth quarter of 1995. Termination of such agreement made FEI's development rights non-exclusive in the development territory. As a result, HFS and other Hardee's franchisees along with FEI were permitted, prior to the FEI Sale, to open Hardee's restaurants in such territory.

Quincy's

Quincy's is the sixth largest family steak chain in the United States based on U.S. systemwide sales and one of the largest chains in the southeast United States. The company owns and operates 180 restaurants in eight southeastern states and one midwestern state, with its largest concentrations in Florida, Alabama, North Carolina, and South Carolina. Quincy's currently employs approximately 8,600 people. Quincy's menu consists principally of steaks and an all-you-can-eat, buffet-style food bar (called "America's Home Plate") that features a variety of meats, vegetables, soups and salads. All Quincy's restaurants are open seven days a week for lunch and dinner, with most offering breakfast on the weekend. The average guest check was $6.25 in 1997, and average unit sales were $1.2 million.

After experimenting with a number of formats at Quincy's from 1993 to 1995, including operating a few restaurants as buffet only and implementing restaurant-based home delivery in others, management determined that Quincy's needed better food quality and the "No Mistake Steak" to regain lost market share. These improvements were implemented in October 1996. Although modest improvements were seen, sales trends fell well short of management's expectation. Quincy's marketing strategy is currently being modified.

Additionally, a site-by-site analysis was completed in 1997. As a result, the Company approved a restructuring plan and is divesting itself of 88 underperforming restaurants. Nineteen restaurants were closed in 1997. Such divestitures will continue until the brand consists of strong operating assets. As a part of this asset redeployment, one restaurant was converted to a Carrows. This test is designed to determine whether the Carrows brand can compete in the Southeast. Preliminary restaurant sales results since the conversion have been encouraging.

Management is also testing full service in six restaurants in the Montgomery, Alabama area in recognition of the fact that the "midscale steak" niche in which Quincy's (as well as other direct competitors) operates is shrinking because the pay-on-entry service system is losing favor in the marketplace. Preliminary sales trends for these full-service restaurants are encouraging.

El Pollo Loco

El Pollo Loco, which specializes in flame-broiled chicken, is one of the leading chains in the quick-service chicken segment of the restaurant industry. Of the total 247 El Pollo Loco restaurants, which are located in four southwestern states, one southeastern state and two foreign countries, 88% are located in Southern California. El Pollo Loco currently employs approximately 2,500 people.

El Pollo Loco restaurants are generally open 12 hours a day, seven days a week for lunch and dinner. A majority of the Company's El Pollo Loco restaurants have drive-thru facilities, which provided 35% of the chain's revenues in 1997. The dinner daypart for El Pollo Loco is the strongest, representing 53% of total sales.

El Pollo Loco directs its marketing at customers desiring an alternative to traditional fast food products, offering unique tasting and high quality products which help position the brand as high quality fast food at a competitive price. The restaurants are designed to facilitate customer viewing of the preparation of the flame-broiled chicken, and the food is served quickly, but prepared slowly, using fresh ingredients. Much of the brand's recent growth can be attributed to successful menu positioning, new product offerings, dual branding with the complementary Fosters Freeze dessert line, which commenced in late 1995, and restaurant remodeling. The average guest check at El Pollo Loco in 1997 was $6.77 and average annual Company-owned restaurant sales were approximately $1.2 million in 1997.

Based on El Pollo Loco's recent success, the Company is optimistic about future expansion of the El Pollo Loco concept, principally through franchising in Texas and in other California markets. By the year 2000, the Company hopes to add as many as 150 additional El Pollo Loco restaurant units. In the first quarter of 1996, the Company purchased the international rights to the El Pollo Loco brand to facilitate expansion opportunities in Mexico and other countries.

In 1997 the chain had a net increase of 12 units, representing an increase of ten franchise units and two Company-owned units. The initial fee for a single El Pollo Loco franchise is $35,000 and the current royalty payment rate is 4% of gross sales.

Coco's

Coco's is a regional bakery restaurant chain operating primarily in California, Arizona, and Texas, as well as Japan and South Korea. Coco's, which ranks among the top ten chains in the family-style category based on U.S. systemwide sales, currently consists of 178 Company-operated, 17 domestic franchised and 298 international licensed restaurants, and employs

approximately 8,900 people. Coco's offers a variety of fresh-baked goods such as pies, muffins and cookies and value-priced, innovative menu items that capitalize on emerging food trends in the western United States. The chain has positioned itself at the upper end of the mid-scale family-style category, offering a variety of great food, great service, and a pleasant atmosphere at fair prices, to answer the needs of quality conscious family diners. The restaurants are generally open 18 hours a day. Coco's restaurants have uniform menus and serve breakfast, lunch and dinner.

Lunch and dinner dayparts are Coco's strongest, comprising 37% and 38% of 1997 sales, respectively. In 1997, the average guest check was $6.77, with average annual unit sales of approximately $1.5 million.

Coco's ranks among the top ten chains in international sales, and since the Company acquired the chain in May 1996 41 international units have been added to the system. Currently, Coco's is placing emphasis on domestic franchising as an opportunity to achieve further growth of the brand. The initial fee for a single Coco's franchise is $35,000 and the current royalty payment rate is 4% of net sales.

Carrows

Carrows is a regional mid-scale family-style restaurant chain operating primarily in seven western states. Carrows currently consists of 140 Company-owned units and employs approximately 6,200 people. Carrows began aggressively implementing its strategy of focusing on growth through franchising in 1997. Carrows specializes in traditional American food, with an emphasis on quality, homestyle fare at an excellent value. The concept appeals strongly to families with children as well as to mature adults -- two groups expected to grow rapidly into the next century. The menu is always current, but not trendy, and is revised regularly to reflect the most appealing foods that guests demand. The restaurants are generally open 18 hours a day, with almost half of the Company-owned units open 24 hours a day. Carrows restaurants have uniform menus and serve breakfast, lunch and dinner, as well as a "late night" menu in those restaurants open 24 hours a day.

Lunch and dinner (including "late night") dayparts are Carrows' strongest, comprising 30% and 45% of 1997 sales, respectively. In 1997, the average guest check was $6.49, with average annual unit sales of approximately $1.4 million.

Operations

The Company believes that successful execution of basic restaurant operations in each of its restaurant chains is critical to its success. Accordingly, significant effort is devoted to ensuring that all restaurants offer quality food and service. Through a network of division, region, district and restaurant level managers or leaders, the Company standardizes specifications for the preparation and efficient service of quality food, the maintenance and repair of its premises and the appearance and conduct of its employees. Major emphasis is placed on the proper preparation and delivery of the product to the consumer and on the cost-effective procurement and distribution of quality products.

A principal feature of the Company's restaurant operations is the constant focus on improving operations at the unit level. Unit managers are especially hands-on and versatile in their supervisory activities. Region and district leaders have no offices and spend substantially all of their time in the restaurants. A significant majority of restaurant management personnel began as hourly employees in the restaurants and therefore know how to perform restaurant functions and are able to train by example. The Company benefits from an experienced management team.

Each of the Company's restaurant chains maintains training programs for employees and restaurant managers. Restaurant managers and assistant managers receive training at specially designated training units. Areas of training for managers include customer interaction, kitchen management and food preparation, data processing and cost control techniques, equipment and building maintenance and leadership skills. Video training tapes demonstrating various restaurant job functions are located at each restaurant location and are viewed by employees prior to a change in job function or using new equipment or procedures.

Each of the Company's restaurant chains continuously evaluates its menu. New products are developed in Company test kitchens and then introduced in selected restaurants to determine customer response and to ensure that consistency, quality standards and profitability are maintained. If a new item proves successful at the research and development level, it is usually tested in selected markets, both with and without market support. A successful menu item is then incorporated into the restaurant system. In the case of the Hardee's restaurants, menu development is coordinated with HFS. While research and development activities are important to the Company's business, amounts expended for these activities are not material.

Financial and management control is facilitated by the use of point-of-sale ("POS") systems in all of the Company's restaurants which transmit detailed sales reports, payroll data and periodic inventory information for management review. In

July 1997, the Company completed the rollout of a new POS system in its domestic Company-owned Denny's restaurants. This system is helping restaurant management improve customer service through faster and more accurate turnaround of customer orders. In addition, the new POS system will aid in sales analysis and decision-making by providing information on a more timely basis and at a higher level of detail. Over the next two years, management intends to continue installing new POS systems in all of Advantica's Company-owned restaurants pursuant to its information services agreement with IBM as more fully discussed in "Management's Discussion and Analysis of Financial Conditions and Results of Operations -- Liquidity and Capital Resources."

Advertising

The Company uses an integrated process to promote its concepts, including media, menu strategy, interior/exterior building design, style of service and specialized promotions to help differentiate itself in the marketplace. Media advertising is primarily product oriented, generally featuring high margin, special entrees or meal combinations presented and priced to convey high value. Such advertising is conducted through national, regional and local television advertising as well as radio, outdoor and print advertising depending on the target market. Sophisticated consumer marketing research techniques are utilized to measure customer satisfaction and customers' evolving expectations. During 1997, the Company spent from 3% to 8% of each concepts' total revenue on advertising.

In accordance with the HFS licensing agreements, the Company spent approximately 7.9% of its Hardee's units' total gross sales on marketing and advertising during 1997. Of this amount, approximately 3.3% of total gross sales was contributed to media cooperatives and HFS' national advertising fund. The balance was directed by the Company at local levels.

Site Selection

The success of any restaurant is influenced significantly by its location. The Company's franchise development groups work closely with franchisees and real estate brokers to identify sites which meet specific standards. Sites are evaluated on a variety of factors, including demographics, traffic patterns, visibility, building constraints, competition, environmental restrictions, and proximity to high-traffic consumer activities.

Raw Materials Sources and Availability

The Company has a centralized purchasing program which is designed to ensure uniform product quality as well as reduced food, beverage and supply costs. The Company's size provides it with significant purchasing power which often enables it to obtain products at more favorable prices from several nationally recognized manufacturers.

Prior to the FEI Sale, food and packaging products for the Company's Hardee's restaurants were purchased from HFS and independent suppliers approved by HFS. A substantial portion of the products for the Company's Hardee's and Quincy's restaurants have been obtained from Meadowbrook Meat Company, Inc. ("MBM"), an independent supplier/distributor. In connection with the 1995 sale of its distribution subsidiary, PFC, to MBM, the Company entered into an eight year distribution agreement, subsequently extended to ten years, with MBM under which PFC/MBM will continue to distribute and supply certain products and supplies to the Company's Denny's, Quincy's and El Pollo Loco restaurants. Beginning in January 1998, Coco's and Carrows became subject to similar agreements. There are no volume requirements relative to these agreements; however, the products named therein must be purchased through PFC/MBM unless they are unable to make delivery within a reasonable period. During the third quarter of 1996, the Company sold Portion-Trol Foods, Inc. and the Mother Butler Pies division of Denny's, its two food processing operations. In conjunction with each of these sales, the Company entered into a five year purchasing agreement with the acquirer under which the Company is required to purchase certain minimum annual volumes. If such volumes are not purchased, the agreements provide for the payment of penalties.

The Company believes that satisfactory sources of supply are generally available for all the items regularly used by its restaurants and has not experienced any material shortages of food, equipment, or other products which are necessary to its restaurant operations.

Seasonality

The Company's business is moderately seasonal. Restaurant sales are generally greater in the second and third calendar quarters (April through September) than in the first and fourth calendar quarters (October through March). Occupancy and other operating costs, which remain relatively constant, have a disproportionately greater negative effect on operating results during quarters with lower restaurant sales.

Trademarks and Service Marks

The Company, either directly or through wholly-owned subsidiaries, has registered certain trademarks and service marks with the United States Patent and Trademark office and in international jurisdictions, some of which include Denny's(R), El Pollo Loco(R), Quincy's(R), Coco's(R), Carrows(R), and Grand Slam Breakfast(R). The Company considers its trademarks and service marks important to the identification of its restaurants and believes they are of material importance to the conduct of its business. Domestic trademark and service mark registrations are renewable at various intervals from 10 to 20 years, while international trademark and service mark registrations have various durations from five to 20 years. The Company generally intends to renew trademarks and service marks which come up for renewal. The Company owns or has rights to all trademarks it believes are material to its restaurant operations.

Prior to the FEI Sale, the Company, through Denny's, Inc., its wholly-owned subsidiary, owned the rights to one trademark used by Hardee's under a licensing agreement. All other Hardee's trademarks were owned by HFS.

Competition

The restaurant industry can be divided into three main segments:
full-service restaurants, quick-service restaurants, and other miscellaneous establishments. Since the early 1970s, growth in eating places has been driven primarily by quick-service restaurants. On a segment-wide basis, the full-service and quick-service restaurants currently have approximately the same revenues and an equal share of the market. Full-service restaurants include the mid-scale (family-style and family-steak), casual dining and upscale (fine dining) segments. The mid-scale segment, which includes Coco's, Carrows, Denny's and Quincy's, is characterized by complete meals, menu variety and moderate prices ($5-$7 average check), and includes a small number of national chains, many local and regional chains, and thousands of independent operators. The casual dining segment, which typically has higher menu prices ($8-$16 average check) and availability of alcoholic beverages, primarily consists of regional chains and small independents. The quick-service segment, which includes Hardee's and El Pollo Loco, is characterized by low prices (generally, $3-$5 average check), finger foods, fast service, and convenience. A small number of large sandwich, pizza, and chicken chains overwhelmingly dominate the quick-service segment.

The restaurant industry is highly competitive and competition among a few major companies that own or operate quick-service restaurant chains is especially intense. Restaurants, particularly those in the quick-service segment, compete on the basis of name recognition and advertising, the quality and perceived value of their food offerings, the quality and speed of their service, convenience and the attractiveness of their facilities.

Management believes the Company's principal competitive strengths include its restaurants' brand name recognition; the value, variety and quality of food products served; the quality and training of its employees; and the Company's market penetration, which has resulted in economies of scale in a variety of areas, including advertising, distribution and field supervision.

Economic, Market and Other Conditions

The restaurant industry is affected by many factors, including changes in national, regional and local economic conditions affecting consumer spending, changes in socio-demographic characteristics of areas in which restaurants are located, changes in consumer tastes and preferences, increases in the number of restaurants generally and in particular areas and unfavorable trends in regional weather conditions.

Government Regulations

The Company and its franchisees are subject to various local, state and federal laws and regulations governing various aspects of the restaurant business, including, but not limited to, health, sanitation, environmental matters, safety, disabled persons' access to its restaurant facilities, the sale of alcoholic beverages and regulations regarding hiring and employment practices. The operation of the Company's franchise system is also subject to regulations enacted by a number of states and rules promulgated by the Federal Trade Commission. The Company believes that it is in material compliance with applicable laws and regulations, but it cannot predict the effect on operations of the enactment of additional requirements in the future.

The Company is subject to federal and state laws governing matters such as minimum wage, overtime and other working conditions. At December 31, 1997, a substantial number of the Company's employees were paid the minimum wage. Accordingly, increases in the minimum wage or decreases in the allowable tip credit (which reduces the minimum wage that must be paid to tipped employees in certain states) increase the Company's labor costs. This is especially the case in California, where there is no tip credit. The California wage increased from $4.25 to $5.00 per hour, effective March 1, 1997,

and increased to $5.75 per hour on March 1, 1998. Also the federal minimum wage increased from $4.25 per hour to $4.75 per hour on October 1, 1996 and increased again to $5.15 per hour on September 1, 1997. Employers must pay the higher of the federal or state minimum wage. The Company has attempted to offset increases in the minimum wage through pricing and various cost control efforts; however, there can be no assurance that the Company or its franchisees can continue to pass such additional costs on to its customers.

The ADA, which became effective as to public accommodations and employment in 1992, prohibits discrimination on the basis of disability. Because of the absence of any comprehensive rules under the ADA, the Company is unable to predict the extent to which such Act may affect the Company. The Company could be required to expend funds to further modify existing restaurants to provide service to, or make reasonable accommodations for the employment of, disabled persons.

Environmental Matters

Federal, state and local environmental laws and regulations have not historically had a material impact on the operations of the Company; however, the Company cannot predict the effect on its operations of possible future environmental legislation or regulations.

Compliance with Consent Decrees

On May 24, 1994, the Company entered into two consent decrees (the "Consent Decrees") resolving the class action litigation brought against Denny's, Inc. alleging that Denny's, Inc. engaged in a pattern or practice of racial discrimination in violation of the Civil Rights Act of 1964. The Company denied any wrongdoing. The Consent Decrees enjoin the Company from racial discrimination and require the Company to implement certain employee training and testing programs and provide public notice of Denny's non-discrimination policies. They carry no direct monetary penalties.

During 1997, Denny's continued to meet all of its obligations under the Consent Decrees. As part of orientation, every new employee receives notification of the Consent Decree requirements. All newly-hired hourly employees who work in the restaurants complete video-based non-discrimination training that focuses on employee responsibilities under the Decrees and public accommodations law. During 1997, there were approximately 2,400 management employees who attended the first phase of live management non-discrimination training. In addition, during 1997 Denny's rolled out the second phase of live management non-discrimination training. By year end, approximately 5,800 management employees had attended this training. Video training for hourly employees and both phases of management training are ongoing and required for every new employee.

Further, as required by the Consent Decrees, non-discrimination testing was conducted by independent civil rights organizations in over 600 Denny's restaurants in 1997. This non-discrimination testing compares the dining experience of similarly matched test groups to determine if guests are treated equally without regard to race, color or national origin.

Every Denny's restaurant displays a sign at each public entrance emphasizing Denny's commitment to non-discrimination and providing an 800 phone number directing customers to an independent civil rights monitor if they feel they have been victims of disparate treatment. In addition, certain printed advertising materials such as menus, magazine and newspaper advertising include a statement assuring that all guests will receive fair and equal treatment. Denny's television advertising includes diverse talent representing the diversity of its customer base.

Properties

Most of the Company's restaurants are free-standing facilities. Presented below is a schedule of the average property and building square footage, as well as average seating capacity for each of the Company's concepts:

Concept	Average Property Size in Sq. Ft.	Average Building Size in Sq. Ft.	Average Seating Capacity
Carrows	35,000	4,900	150
Coco's.	35,000	5,600	150
Denny's	42,000	4,750	140
El Pollo Loco	20,000	2,100	60
Hardee's.	52,000	3,400	95
Quincy's.	60,000	6,800	200

The following table sets forth certain additional information regarding the Company's restaurant properties as of December 31, 1997:

Concept	Land and Building Owned	Land Leased and Building Owned	Land and Building Leased	Total
Carrows	3	10	127	140
Coco's.	2	39	137	178
Denny's	252	36	606	894
El Pollo Loco	7	31	60	98
Hardee's.	283	95	179	557
Quincy's.	139	36	5	180
Total	686	247	1,114	2,047

The number and location of the Company's restaurants in each chain as of December 31, 1997 are presented below:

State/Country	Denny's Owned	Denny's Franchised/ Licensed	Hardee's	Quincy's	El Pollo Loco Owned	El Pollo Loco Franchised/ Licensed
Alabama	1	8	155	42	--	--
Alaska	--	4	--	--	--	--
Arizona	28	48	--	--	--	2
Arkansas	1	8	3	--	--	--
California	220	144	--	--	98	130
Colorado	25	13	--	--	--	--
Connecticut	5	3	--	--	--	--
Delaware	3	--	--	--	--	--
Florida	102	86	55	39	--	--
Georgia	--	23	10	10	--	--
Hawaii	4	3	--	--	--	--
Idaho	--	6	--	--	--	--
Illinois	47	14	--	--	--	--
Indiana	14	10	--	--	--	--
Iowa	--	6	--	--	--	--
Kansas	9	1	--	--	--	--
Kentucky	--	20	--	--	--	--
Louisiana	7	4	1	--	--	--
Maine	--	4	--	--	--	--
Maryland	14	16	--	--	--	--
Massachusetts	9	--	--	--	--	--
Michigan	37	3	--	--	--	--
Minnesota	13	4	--	--	--	--
Mississippi	2	2	38	5	--	--
Missouri	28	7	--	--	--	--
Montana	--	5	--	--	--	--
Nebraska	--	4	--	--	--	--
Nevada	11	6	--	--	--	8
New Hampshire	2	1	--	--	--	--
New Jersey	11	2	--	--	--	--
New Mexico	2	13	--	--	--	--
New York	24	11	--	--	--	--
North Carolina	7	11	58	36	--	--
North Dakota	--	3	--	--	--	--
Ohio	33	23	1	1	--	--
Oklahoma	9	18	--	--	--	--
Oregon	5	20	--	--	--	--
Pennsylvania	51	2	--	--	--	--
South Carolina	9	5	123	40	--	1
South Dakota	--	2	--	--	--	--
Tennessee	3	11	110	5	--	--
Texas	60	72	--	--	--	4
Utah	7	12	--	--	--	--
Vermont	--	2	--	--	--	--
Virginia	19	10	3	2	--	--
Washington	50	22	--	--	--	--
West Virginia	--	3	--	--	--	--
Wisconsin	12	7	--	--	--	--
Wyoming	--	6	--	--	--	--
Canada	10	28	--	--	--	--
Japan	--	--	--	--	--	--
Korea	--	--	--	--	--	--
Other International	--	22	--	--	--	4
Total	894	758	557	180	98	149

State/Country	Coco's Owned	Coco's Franchised/ Licensed	Carrows Owned	Carrows Franchised/ Licensed
Alabama	--	--	--	--
Alaska	--	--	--	--
Arizona	21	2	5	--
Arkansas	--	--	--	--
California	128	15	115	3
Colorado	5	--	--	--
Connecticut	--	--	--	--
Delaware	--	--	--	--
Florida	--	--	--	--
Georgia	--	--	--	--
Hawaii	--	--	--	--

Idaho	--	--	--	--
Illinois	--	--	--	--
Indiana	3	--	--	--
Iowa	--	--	--	--
Kansas	--	--	--	--
Kentucky	--	--	--	--
Louisiana	--	--	--	--
Maine	--	--	--	--
Maryland	--	--	--	--
Massachusetts	--	--	--	--
Michigan	--	--	--	--
Minnesota	--	--	--	--
Mississippi	--	--	--	--
Missouri	2	--	--	--
Montana	--	--	--	--
Nebraska	--	--	--	--
Nevada	--	--	7	1
New Hampshire	--	--	--	--
New Jersey	--	--	--	--
New Mexico	--	--	4	--
New York	--	--	--	--
North Carolina	--	--	--	1
North Dakota	--	--	--	--
Ohio	--	--	--	--
Oklahoma	--	--	--	--
Oregon	--	--	--	8
Pennsylvania	--	--	--	--
South Carolina	--	--	--	--
South Dakota	--	--	--	--
Tennessee	--	--	--	--
Texas	13	--	9	--
Utah	--	--	--	--
Vermont	--	--	--	--
Virginia	--	--	--	--
Washington	6	--	--	1
West Virginia	--	--	--	--
Wisconsin	--	--	--	--
Wyoming	--	--	--	--
Canada	--	--	--	--
Japan	--	260	--	--
Korea	--	37	--	--
Other International	--	1	--	--
Total	178	315	140	14

In addition to the restaurant locations set forth above, the Company also owns a 19-story, 187,000 square foot office tower in Spartanburg, South Carolina which serves as its corporate headquarters. The Company's corporate offices currently occupy approximately 16 floors of the tower, with the balance leased to others.

See "Description of Indebtedness -- The Advantica Credit Agreement" and " -- Mortgage Financings" and Note 8 to the accompanying Consolidated Financial Statements for information concerning encumbrances on certain properties of the Company.

Employees

At December 31, 1997, the Company had approximately 85,000 employees, none of whom are subject to collective bargaining agreements. Many of the Company's restaurant employees work part-time, and many are paid at or slightly above minimum wage levels. The Company has experienced no significant work stoppages and considers its relations with its employees to be satisfactory.

Legal Proceedings

FCI, Flagstar, El Pollo Loco and Denny's, along with several former officers and directors of those companies, were named as defendants in an action filed on August 28, 1991 in the Superior Court of Orange County, California. The remaining plaintiffs, who are former El Pollo Loco franchisees, allege that the defendants, among other things, failed or caused a failure to promote, develop and expand the El Pollo Loco franchise system in breach of contractual obligations to the plaintiff franchisees and made certain misrepresentations to the plaintiffs concerning the El Pollo Loco system. Asserting various legal theories, the plaintiffs seek actual and punitive damages in excess of $90 million, together with declaratory and certain other equitable relief. The defendants have denied all material allegations, and certain defendants have filed cross-complaints against various plaintiffs in the action for breach of contract and other claims. Since the filing of the action the defendants have entered into settlements with six of the plaintiffs leaving two plaintiff franchisees remaining in the lawsuit. With respect to the remaining plaintiffs, the action has been stayed due to the bankruptcy filing of the principal stockholder of the plaintiff corporations. Consequently, the trial date to hear the outstanding issues in the case has been vacated and no new trial date has been established.

In 1994, Flagstar was advised of proposed deficiencies from the Internal Revenue Service for Federal income taxes totaling approximately $12.7 million. The proposed deficiencies relate to examinations of certain income tax returns filed by the Company for the seven taxable periods ended December 31, 1992. In the third quarter of 1996 this proposed deficiency was reduced by approximately $7.0 million as a direct result of the passage of the Small Business Jobs Protection Act in August 1996 (the "Act"). The Act includes a provision that clarified Internal Revenue Code Section 162(k) to allow for amortization of borrowing costs incurred by a corporation in connection with a redemption of its stock. The Company believes the remaining proposed deficiencies relating to the proposed disallowance of certain costs incurred in connection with the 1989 leveraged buyout of Flagstar are substantially incorrect, and it intends to continue to contest such proposed deficiencies.

Other proceedings are pending against the Company, in many cases involving ordinary and routine claims incidental to the business of the Company, and in others presenting allegations that are nonroutine and include compensatory or punitive damage claims. The ultimate legal and financial liability of the Company with respect to the matters mentioned above and these other proceedings cannot be estimated with certainty. However, the Company believes, based on its examination of these matters and its experience to date, that the ultimate disposition of these matters will not materially affect the financial position or results of operations of the Company. For information concerning the now released arbitration matter with HFS and the Plan of Reorganization, See "Prospectus Summary -- The Plan of Reorganization" and " -- Recent Developments," "The Company -- The 1997 Restructuring" and "Business -- Restaurants -- Hardee's."

MANAGEMENT

Directors of Advantica

The name, age, present principal occupation or employment, and the material occupations, positions, offices or employments for the past five years, of each director of Advantica are set forth below. Unless otherwise indicated, each such person has held the occupation listed opposite his or her name for at least the past five years.

Name	Age	Current Principal Occupation or Employment and Five-year Employment History
James B. Adamson	50	Chairman of Advantica; President and Chief Executive Officer of Advantica (1995 to present); Chief Executive Officer of Burger King Corporation (1993-1995); Chief Operating Officer of Burger King Corporation (1991-1993); President of Burger King U.S.A. Retail Division (1991); Executive Vice President, Marketing of Revco, Inc. (1988-1991). Director of Kmart Corporation and Oxford Health Plans, Inc.
Robert H. Allen	74	Director of Advantica; Marketing Consultant, R. H. Allen Associates, Westport, Connecticut (1988 to present); Vice President and Product Group Manager of ITT Corporation (1965 to 1987).
Ronald E. Blaylock	38	Director of Advantica; President and Chief Executive Officer of Blaylock and Partners, L.P., New York, New York (1993 to present); Director of Fine Host Corporation.
Vera King Farris	57	Director of Advantica; President of The Richard Stockton College of New Jersey (1983 to present); Director of National Utilities Investors, Inc.
James J. Gaffney	57	Director of Advantica; Chairman, Maine Investments, Ltd., a diversified holding company involved in mining, retail, manufacturing and distribution (1997 to present); President and Chief Executive Officer, General Aquatics, Inc. (1995 to 1997); President and Chief Executive Officer of KDI Corporation (1993 to 1995), President, Chief Executive Officer of International Tropio-Cal, Inc. (1991 to 1992); Director of C.R. Anthony Company, Insilco Corporation and Koll Real Estate Group Inc.
Irwin N. Gold	41	Director of Advantica; Senior Managing Director and Director of Houlihan, Lokey, Howard and Zukin, Inc., a speciality investment banking firm (1993 to present); Director of Cole National Corporation and The Bibb Company.
Robert E. Marks	46	Director of Advantica; President of Marks Ventures, Inc., New York, New York, a private equity investment firm (1994 to present); Managing Director of Carl Marks & Co., Inc. (1982 to 1994); Director of Robert Fleming Capital Mutual Fund Group, Inc.
Charles F. Moran	68	Director of Advantica; Retired; Senior Vice President of Administration of Sears, Roebuck and Co. (1989 to 1993); Senior Vice President and Chief Information Officer of Sears, Roebuck and Co. (1988 to 1989); Director of Donnelley Enterprise Solutions, Inc., SPS Transaction Services, Inc. and Thermadyne Holdings Corporation.
Elizabeth A. Sanders	52	Director of Advantica; Management consultant, The Sanders Partnership, Sutter Creek, California (1990 to Present); Vice President and General Manager of Nordstrom, Inc. (1981-1990); Director of H.F. Ahmanson & Company, Wal-Mart Stores, Inc., Wellpoint Health Networks Inc. and Wolverine Worldwide, Inc.
Donald R. Shepherd	61	Director of Advantica; Retired; Chairman of Loomis, Sayles & Company, L.P., Boston, Massachusetts, an investment management firm (1992 to 1995); Chief Executive Officer and Chief Investment Officer of Loomis, Sayles & Company, L.P. (1990 to 1995).

Executive Officers of Advantica

The following table sets forth information with respect to each executive officer of Advantica.

Name	Age	Current Principal Occupation or Employment and Five-year Employment History
James B. Adamson	50	Chairman, President and Chief Executive Officer of Advantica (1995-present); Chief Executive Officer of Burger King Corporation (1993-1995); Chief Operating Officer of Burger King Corporation (1991-1993); President of Burger King U.S.A. Retail Division (1991); Executive Vice President, Marketing of Revco, Inc. (1988-1991).
Craig S. Bushey	42	Executive Vice President of Advantica and President of Coco's/Carrows Division (March 1998-present); Senior Vice President of Advantica and President of Hardee's Division (May 1996-February 1998); Managing Director, Vice President (Western Europe) of Burger King (1995-May 1996); Region Vice President (Central Region) of Burger King (1994-1995); Burger King Reengineering Team (1993-1994); Region Vice President (Midwest Retail) of Burger King (1992-1993).
Ronald B. Hutchison	48	Executive Vice President and Chief Financial Officer of Advantica (March 1998 to present); Vice President and Treasurer of Advantica (1995-March 1998); Vice President and Treasurer of Leaseway Transportation Corp. (1988-1995).

Name	Age	Current Principal Occupation or Employment and Five-year Employment History
Nelson J. Marchioli	48	Executive Vice President of Advantica (March 1998-present); Senior Vice President of Advantica (May 1997-February 1998); President of El Pollo Loco Division (May 1997-present); Executive Vice President and Chief Operating Officer of Bruegger's Corporation (1996-May 1997); Senior Vice President of Worldwide Supply for Burger King Corporation (1995-1996); Senior Vice President, International Operations and Sales for Burger King Corporation (1994-1995); Vice President -- General Manager, Latin America Restaurant Operations for Burger King Corporation (1994); Senior Vice President, Quality and Cost, Burger King Corporation (1993-1994); Vice President, Operations Standards and System Quality Assurance, Burger King Corporation (1989-1993).
Edna K. Morris	46	Executive Vice President of Advantica and President of Quincy's Division (April 1996-present); Executive Vice President, Human Resources and Corporate Affairs of Advantica (1995-1996); Senior Vice President, Human Resources of Advantica (1993-1995); Vice President, Education and Development of Advantica (1992-1993).
Rhonda J. Parish	41	Executive Vice President of Advantica (March 1998-present); General Counsel and Secretary of Advantica (1995-present); Senior Vice President of Advantica (1995-February 1998); Assistant General Counsel of Wal-Mart Stores, Inc. (1990-1994)
John A. Romandetti	47	Executive Vice President of Advantica (March 1998-present); Senior Vice President of Advantica (1995-February 1998); President of Denny's Division (January 1997-present); President of El Pollo Loco Division (1995-1996); Vice President of Operations for Burger King Corporation (1989-1995).
Mark L. Shipman	48	Executive Vice President, Acquisitions and Development of Advantica (March 1998-present); Senior Vice President of Advantica and President of Coco's/Carrows Division (May 1996-February 1998); Vice President of Acquisitions and Development of Advantica (1995-1996); Vice President of Administration of Denny's Division (1993-1995); Vice President of Operations (West) of Denny's Division (1991-1993).
Paul R. Wexler	54	Executive Vice President, Procurement and Distribution of Advantica (March 1998 to present); Senior Vice President, Procurement and Distribution of Advantica (1995-February 1998); Vice President, Procurement and Quality Assurance -- Marriott International (1991-1995).
Stephen W. Wood	40	Executive Vice President, Human Resources and Corporate Affairs of Advantica (March 1998-present); Senior Vice President, Human Resources and Corporate Affairs of Advantica (April 1996-February 1998); Vice President, Compensation, Benefits, and Employee Information Systems and Corporate Office Human Resources of Advantica (1993-1996); Senior Director, Compensation, Benefits and Employee Information Systems of Advantica (1993); Director, Benefits and Executive Compensation of HFS (1991-1993).

MANAGEMENT COMPENSATION

Set forth below is information for 1997, 1996 and 1995 with respect to compensation for services to the Company of the Company's Chief Executive Officer and the four most highly compensated executive officers, other than the Chief Executive Officer, who were serving as executive officers at the end of 1997.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation (1) Salary ($)(2)	Annual Compensation (1) Bonus ($)(3)	Long-Term Compensation Awards Securities Underlying Options (#)(4)	All Other Compensation ($)(5)(6)
James B. Adamson	1997	$1,047,243	$100,000	--	$1,666,842
Chairman and Chief Executive	1996	947,068	--	100,000	364,133
Officer of Advantica	1995	894,211	--	800,000	1,250,693
C. Robert Campbell	1997	333,906	--	--	50,000
Executive Vice President and	1996	320,799	40,000	150,000	50,000
Chief Financial Officer of Advantica	1995	214,300 (7)	--	100,000	405,957
Craig S. Bushey	1997	320,992	--	--	73,801
Executive Vice President of Advantica and	1996	183,973 (7)	40,000	200,000	213,678
President, Coco's/Carrows Division	1995	--	--	--	--
John A. Romandetti	1997	355,149	10,122	--	50,000
Executive Vice President of Advantica and	1996	226,275	112,200	125,000	90,793
President, Denny's Division	1995	7,078 (7)	--	75,000	--
Edna K. Morris	1997	283,555	--	--	50,000
Executive Vice President of Advantica and	1996	238,352	40,000	150,000	--
President, Quincy's Division	1995	217,073	--	100,000	--

(1) The amounts shown for each named executive officer exclude perquisites and other personal benefits that did not exceed, in the aggregate, the lesser of either $50,000 or 10% of the total of annual salary and bonus reported for the named executive officer for any year included in this table.
(2) The amounts in this column reflect certain costs and credits to the named executive officers relating to certain life, health and disability insurance coverage provided through the Company.
(3) The amounts shown in this column reflect payments received in the respective year by the named executive officers under the Company's Incentive Compensation Program.
(4) All the options listed in this column have been cancelled for no consideration to the holder under the terms of the Plan of Reorganization, which cancelled the Company's Old Common Stock and all underlying options as of the Effective Date. Excluding Mr. Adamson, amounts shown for 1996 for each named executive officer reflect the 1996 option repricing which for the purposes of this table is shown for 1996 as a grant of an option to purchase a number of shares of the Old Common Stock corresponding to the number of such Old Common Stock shares underlying all of the outstanding options granted to the named executive officer under the Company's stock option plan as of the date of such repricing.

(5) The amounts shown for 1995, 1996 and 1997 for Mr. Adamson consist of Company paid life insurance premium payments of $8,440, $16,880 and $16,880, respectively. Mr. Adamson's 1997 amount also reflects a retention bonus payment in the amount of $1,550,000 as well as Company-paid travel expenses of $37,004 for Mr. Adamson's spouse to accompany him on certain business travel in 1997, reimbursements of certain incurred legal, personal tax and financial planning expenses totaling $14,927 and certain tax payments in the amount of $48,032. The 1996 amount for Mr. Adamson also reflects tax payments in the amount of $16,920 as well as additional compensation and/or reimbursement paid ($330,333) in connection with the renegotiation and amendment of Mr. Adamson's employment agreement related to the extension of his employment term. The remaining amount for 1995 for Mr. Adamson reflects additional compensation and/or expense reimbursement paid to Mr. Adamson at or near the time of, or otherwise arising in connection with, his initial employment with the Company. For additional information see "Management Compensation -- Employment Agreements -- Adamson Employment Agreement."

(6) Excluding Mr. Adamson, the 1997 amounts shown for each named executive officer include retention bonus payments in the amount of $50,000. The remaining amounts shown for Messrs. Bushey, Campbell and Romandetti consist of additional compensation and/or expense reimbursement paid to the respective named executive officers at or near the time of, or otherwise arising in connection with, their initial employment with the Company.

(7) Reflects base salary paid for only the portion of the year in which the named executive officer was employed by the Company.

Stock Options

There were no stock options granted to the named executive officers under the Company's 1989 Non-Qualified Stock Option Plan (the "1989 Option Plan") during the fiscal year ended December 31, 1997. The following table sets forth information with respect to the 1997 year-end values of unexercised options, all of which were granted by the Company pursuant to the 1989 Option Plan, held by each of the persons named in the Summary Compensation Table above:

Aggregated Option Exercises in 1997 and Fiscal Year-End Option Values

	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)	Value of Unexercised In-the-Money Options at Fiscal Year-End ($)
	Exercisable/ Unexercisable	Exercisable/ Unexercisable
James B. Adamson	340,000/560,000	-- / --
C. Robert Campbell	55,000/ 70,000	-- / --
Craig S. Bushey	20,000/ 80,000	-- / --
John A. Romandetti	35,000/ 65,000	-- / --
Edna K. Morris	45,000/ 80,000	-- / --

No options held by the foregoing named executive officers were exercised in 1997.

All options granted under the 1989 Option Plan were cancelled for no consideration to the holder under the terms of the Plan of Reorganization.

Retirement Plans

A tax qualified defined benefit retirement plan is maintained by Advantica and certain other Advantica subsidiaries. Such plan is described below.

The following table shows the estimated annual benefits for a single life annuity that could be payable under the Advantica Pension Plan, as amended, and the ancillary plan described below upon a person's normal retirement at age 65 if that person were in one of the following classifications of assumed compensation and years of credited service.

Average Annual Remuneration Over a Five-Year Period	Years of Service				
	15	20	25	30	35
$200,000	$ 42,802	$ 57,070	$ 71,337	$ 85,604	$ 99,872
250,000	54,052	72,070	90,087	108,104	125,000
300,000	65,302	87,070	108,837	130,604	150,000
350,000	76,552	102,070	127,587	153,104	175,000
400,000	87,802	117,070	146,337	175,604	200,000
500,000	110,302	147,070	183,837	220,604	250,000
600,000	132,802	177,070	221,337	265,604	300,000
700,000	155,302	207,070	258,837	310,604	350,000
800,000	177,802	237,070	296,337	355,604	400,000
900,000	200,302	267,070	333,837	400,604	450,000
1,000,000	222,802	297,070	371,337	445,604	500,000
1,200,000	267,802	357,070	446,337	535,604	600,000
1,400,000	312,802	417,070	521,337	625,604	700,000
1,600,000	357,802	477,070	596,337	715,604	800,000

The Advantica Pension Plan is noncontributory and generally covers all employees of Advantica and its subsidiaries (other than employees of the Denny's, El Pollo Loco, Coco's and Carrows concepts) who have attained the age of 21 and who have completed one thousand hours of service. There are two entry dates per year for new employees, January 1 and July 1. As a result of a plan amendment effective January 1, 1989, a participant's annual retirement benefit under the Advantica Pension Plan at normal retirement age is calculated by multiplying the number of years of participation in the Advantica Pension Plan (not to exceed 35 years) 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 ("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 purposes 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 1996 year-end bonus paid in 1997), excluding reimbursements and other expense allowances, fringe benefits, moving expenses, deferred compensation and welfare benefits (such exclusions including, without limitation, severance pay, 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 Advantica Pension Plan or any other benefit plan and imputed income resulting from the use of Company property or services). Except for limited purposes described in the plan, Compensation also includes any deferred compensation 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 Advantica Pension Plan is based on actuarial determinations.

Ancillary to the Advantica Pension Plan is a nonqualified 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 Internal Revenue Code of 1986, as amended (the "Code"). "Compensation" and "Average Compensation" are defined in this ancillary plan the same way they are defined in the Advantica Pension Plan. Benefits payable under the ancillary plan are included in the table above.

The maximum annual pension benefit payable under the Advantica Pension Plan for 1997 was $125,000 (or, if greater, the participant's 1982 accrued benefit).

Except for the accrual of certain nonqualified benefits as described herein, the Compensation included under the Advantica Pension Plan (including the ancillary nonqualified plan) generally corresponds with the annual compensation of the named executive officers in the Summary Compensation Table above. Includable Compensation for 1997 for Messrs. Adamson, Bushey, Campbell and Romandetti and Ms. Morris was $1,050,000, $325,000, $338,004, $360,126 and $285,000, respectively.

As of December 31, 1997, the estimated credited years of service under the Advantica Pension Plan for Messrs. Adamson, Bushey, Campbell and Romandetti and Ms. Morris at normal retirement age was 17, 1, 14, 19 and 23, respectively.

The early retirement provisions of the Advantica Pension Plan were amended effective January 1, 1989 to provide an improved benefit for long service employees. Employees with age and service equaling or exceeding 85 and who are within five years of the Social Security 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 beginning at age 55. Vesting of retirement benefits was also changed to comply with the law from 12-year graduating vesting to five-year cliff vesting for the plan.

Employment Agreements

Adamson Employment Agreement

Mr. Adamson and Advantica entered into an employment agreement (as amended on February 27, 1995, December 31, 1996 and amended and restated as of January 7, 1998, the "Adamson Employment Agreement") which took effect on January 23, 1995 and which provides that Advantica will employ Mr. Adamson as President and Chief Executive Officer of Advantica until his death or termination of employment by reason of permanent disability, voluntary termination of employment or involuntary termination with or without cause (as defined). Pursuant to the Adamson Employment Agreement, Mr. Adamson was appointed the Chairman of the Board of Directors of Advantica and the Board shall continue to nominate Mr. Adamson as a director of the Company during his employment term. The Adamson Employment Agreement 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 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 is entitled to receive (i) an annual base salary in the amount of $1,100,000 for the calendar year ending December 31, 1998 (for each calendar year thereafter during Mr. Adamson's term of employment, such base salary shall be determined by the Board but shall not be less than $1,100,000, unless the Company implements a broad scale salary reduction initiative); (ii) an annual performance bonus at an annual rate up to 200% of his base salary (targeted to equal 75% of his base salary) if the Company and Mr. Adamson achieve budgeted financial and other performance targets to be established by the Compensation and Incentives Committee; (iii) a grant (as soon as practical after January 7, 1998) of an option (the "Adamson Option"), under the Company's newly adopted stock option plan, to purchase 500,000 shares of the Common Stock, with an exercise price equal to the fair market value of the Common Stock on the date of grant (30% of such option grant will be exercisable immediately upon shareholder approval of the underlying stock option plan with the remaining portion of the option becoming exercisable at rate of 20% per year for the first and second anniversary dates of the option grant and 15% per year for the third and fourth anniversary dates, provided, that such options shall become 100% exercisable in the event of (a) termination without cause, (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 the 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; (iv) as soon as practical after January 7, 1998, a number of shares of Common Stock with an aggregate value (based upon a fair market value of $10 per share) most nearly equal to $2,000,000; (v) on the date of grant of the Common Stock referenced in (iv) above, a cash payment equal to $1,750,000 which payment is intended to assist Mr. Adamson in the payment of federal, state and local income taxes associated with the above referenced receipt of Common Stock; and (vi) life insurance coverage maintained by the Company with death benefits of at least $3,250,000 in the aggregate. The Adamson Employment Agreement also entitles Mr. Adamson 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 the event of Mr. Adamson's termination of employment during the term of the Adamson 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. Adamson's surviving spouse is entitled to be paid an amount equal to Mr. Adamson's base salary and annual bonus and continuation of certain benefits for a one-year period after his death; (ii) if by reason of permanent disability, Mr. Adamson is entitled to be paid one-half of his base salary and annual bonus and continuation of certain benefits for a period of two years after termination of employment; and (iii) if by the Company other than for "cause," Mr. Adamson is, in general, entitled to (a) a lump sum in an amount equal to two years' base salary, (b) 200% of his targeted annual bonus, (c) the immediate vesting of 100% of the Adamson Option to be exercisable as of the date of termination, and (d) continuation of certain benefits and other contract rights. Furthermore, in the event of termination for "cause" or voluntary termination, the Company shall pay Mr. Adamson generally the benefits due him under the Company's benefit plans for his services rendered to the Company through his date of termination.

Other Employment Arrangements

During 1996, Messrs. Bushey, Campbell and Romandetti and Ms. Morris were each party to employment arrangements with the Company providing for specified base salaries, subject to annual adjustment by the Compensation and Benefits Committee, an annual performance bonus and options to purchase Old Common Stock. These agreements also contained provisions for the payment of certain additional compensation to each of the named executive officers at or near the time of their initial employment. See the Summary Compensation Table above. Additionally, these agreements contained termination provisions for the payment of severance benefits (generally equal to two years' annual base salary) upon termination of employment under certain circumstances. In January 1997, these agreements were amended further to provide: (1) retention bonuses at June 30 in amounts of $50,000 and at December 31 in amounts of $100,000, $125,000 and $175,000 for years 1997, 1998 and 1999, respectively, provided the named executive officers remain employed with the Company as of such dates; (2) a change of control benefit entitling the named executive to tender his resignation, at any time during the first six months after a change of control and receive within five (5) business days, subject to certain provisions pertaining to Section 280G of the Code, (a) 200% of the executive's base salary, (b) 200% of the executive's target performance bonus under the Company's Incentive Plan, and (c) 167% of the Company's actual subsidy for the executive's (and his family

members') medical coverage for an 18 month period following such resignation;
(3) for the payment of the above referenced severance benefit within five (5) business days following any such termination; and (4) that such payment obligations of the Company with respect to the above referenced retention bonus, change of control and severance payment benefits shall be guaranteed by certain subsidiaries of the Company.

By letter agreements dated December 3, 1997, these agreements were replaced in their entireties except for the change of control and severance provisions contained in the prior agreements (as discussed above) which were not revoked, rescinded or cancelled unless and until a stock option agreement (offered under the new management stock option program and providing for an option to purchase 100,000 shares over a ten-year period with an exercise price at the fair market value of the stock on the date of such grant) had been executed by the named executive. Additionally the new letter agreements contained identical retention bonus provisions as the January 1997 agreements and provided for the payment of severance benefits (in a single lump amount within 5 days following termination) equal to two times the named executives current base pay (but not less than $450,000) plus an amount equal to actual benefit credits for an eighteen-month period as well as accrued unused vacation time. Such payment shall be guaranteed by certain subsidiaries of the Company. The new letter agreements further provide that (i) the stock options referenced immediately above shall become 100% exercisable in the event of (a) termination without cause, (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 the surviving corporation or where holders of the Common Stock receive securities from another corporation, or (e) a tender offer for at least a majority of the outstanding Common Stock, and
(ii) in the event the named executive officers are terminated during a calendar year for which an annual bonus is paid by the Company, the annual bonus to which the named Executive would have otherwise been entitled shall be prorated and included as a part of his/her severance payment, provided the named executive was employed for at least six (6) months during that year.

Compensation and Benefits Committee Interlocks and Insider Participation

Messrs. Paul E. Raether and Michael T. Tokarz served on the Company's Compensation and Benefits Committee during 1997. Messrs. Tokarz and Raether also served as officers of certain subsidiaries of the Company. Messrs. Raether and Tokarz are general partners of KKR. In 1997, KKR earned an annual financial advisory fee of $1,250,000, of which approximately $500,000 was paid in 1997 with the remaining amount being paid in 1998.

Compensation of Directors

Directors of the Company other than Mr. Adamson receive the following compensation: (i) a $20,000 annual cash retainer (paid in $5,000 installments on a quarterly basis), (ii) a $10,000 annual restricted stock retainer (paid on a quarterly basis with a requirement that the restricted stock be held until the director resigns or retires from the board), (iii) a $1,000 cash payment for each "face-to-face" (non-telephonic) board or board committee meeting attended, and (iv) an annual stock option grant with an exercise price (based upon the Common Stock's fair market value on the date of grant) equal in value to $20,000. Such options will have a term of 10 years and become exercisable at a rate of 25% per annum for four consecutive years beginning on the first anniversary of the date of grant.

OWNERSHIP OF CAPITAL SECURITIES

The following table sets forth, as of April 17, 1998, the beneficial ownership of the Common Stock by each stockholder known by Advantica to own more than 5% of the outstanding shares, by each director of Advantica, by each executive officer of the Company included in the Summary Compensation Table in "Management Compensation" above, and by all directors and executive officers of Advantica as a group. Except as otherwise noted, the persons named in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Common Stock
Loomis Sayles & Company, L.P. (and related entities) One Financial Center Boston, MA 02111	9,301,820(1)	23.25%
Moore Capital Management, Inc. (and related entities) 1251 Avenue of the Americas New York, New York 10020	3,859,077(2)	7.91%
James B. Adamson	200,000	*
Robert H. Allen	451	*
Ronald E. Blaylock	251	--
Vera King Farris	251	--
James J. Gaffney	251	--
Irwin N. Gold	251	--
Robert E. Marks	251	--
Charles F. Moran	251	--
Elizabeth A. Sanders	251	--
Donald R. Shepherd	251	--
Craig S. Bushey	--	--
C. Robert Campbell	--	--
John Romandetti	--	--
Edna K. Morris	--	--
All current directors and executive officers as a group (19 persons)	202,459	*

* less than one (1) percent.

(1) Shares which may be beneficially owned by Loomis Sayles & Company, L.P. ("Loomis") and certain related entities are as reported to the Company by Loomis as of April 1, 1998. According to the latest Schedule 13D filing by Loomis, Loomis is an investment adviser to certain managed accounts (the "Loomis Managed Accounts"), each of which is entitled to the pecuniary interest (including, without limitation, the sole right to receive dividends, proceeds and profits from sale) in the shares allocated to such Loomis Managed Account. According to such Schedule 13D, as investment adviser to the Loomis Managed Accounts, Loomis retains the right to dispose of, and either retains or shares with the Loomis Managed Accounts the right to vote, such shares. According to such Schedule 13D, no Loomis Managed Account holds more than 5% of the outstanding shares of the Common Stock.

(2) Shares shown as owned by Moore Capital Management, Inc. ("Moore Capital") and related entities are as reported on the latest 13D filing by Moore Capital.

As of April 17, 1998, 40,002,259 shares of Common Stock were deemed issued and outstanding subject to the completion of the exchange of securities as contemplated by the Plan of Reorganization.

CERTAIN TRANSACTIONS

For information concerning certain transactions in which KKR (and their affiliates) and Mr. Adamson have an interest, see "Management Compensation" and "Ownership of Capital Securities."

DESCRIPTION OF INDEBTEDNESS

The following summary of the principal terms of the indebtedness of the Company does not purport to be complete and is qualified in its entirety by reference to the documents governing such indebtedness, including the definitions of certain terms therein, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part. Whenever particular provisions of such documents are referred to herein, such provisions are incorporated by reference, and the statements are qualified in their entirety by such reference.

The Advantica Credit Agreement

On the Effective Date the Company entered into a credit agreement with Chase and other lenders named therein which established the $200 million senior secured Credit Facility. Such Credit Facility was amended in certain respects in connection with the closing of the sale of FEI, which had operated the Company's Hardee's restaurants, as of April 1, 1998.

Such facility will be used for working capital advances, letters of credit and general corporate purposes by the Company's principal operating subsidiaries (other than FRI-M) which are borrowers thereunder (the "Borrowers"). The Credit Facility is guaranteed by Advantica and, subject to certain exceptions, by the Company's subsidiaries that are not borrowers thereunder and generally are secured by liens on the same collateral that formerly secured the Company's obligations under the Prepetition Credit Agreement (with additional liens on the Company's corporate headquarters in Spartanburg, South Carolina and accounts receivable).

The Credit Facility matures on the date that is five years after the Effective Date (the "Maturity Date"), subject to earlier termination on March 31, 2000 in the event that the Mortgage Financings have not, on or prior to such date, been refinanced with other indebtedness that (a) matures at least 90 days after the Maturity Date, and (b) is otherwise satisfactory to the lenders. Commitments under the Credit Facility will be reduced in amounts equal to (a) a percentage of the net cash proceeds of all non-ordinary course asset sales or other dispositions of property by Advantica, subject to certain exceptions, and
(b) 100% of the net cash proceeds of issuances of debt obligations of Advantica, subject to certain exceptions (including exceptions for certain subordinated indebtedness). Pursuant to the above-referenced amendment to the Credit Facility, commitments under the Credit Facility were not reduced as a result of the FEI Sale.

The Credit Facility contains covenants customarily found in credit agreements for leveraged financings that, among other things, place limitations on (i) dividends on capital stock; (ii) redemptions and repurchases of capital stock; (iii) prepayments, redemptions and repurchases of debt (other than loans under the Credit Facility); (iv) liens and sale-leaseback transactions; (v) loans and investments; (vi) incurrence of debt; (vii) capital expenditures;
(viii) operating leases; (ix) mergers and acquisitions; (x) asset sales; (xi) transactions with affiliates; (xii) changes in the business conducted by Advantica and its subsidiaries; and (xiii) amendment of debt and other material agreements.

The Credit Facility also contains covenants that require Advantica and its subsidiaries on a consolidated basis to meet certain financial ratios and tests described below:

Total Debt to EBITDA Ratio. Advantica is required not to permit the ratio of (a) Total Debt (as defined below) outstanding on the last day of any fiscal quarter to (b) EBITDA (as defined below) of Advantica, the Borrowers and the Specified Subsidiaries (as defined) on a consolidated basis for the period of four consecutive fiscal quarters then ended to be more than a specified ratio, ranging from a ratio of 5.10:1.00 applicable on March 31, 1998 to a ratio of 4.00:1.00 applicable on or after December 31, 2001.

Senior Secured Debt Ratio. Advantica is required not to permit the ratio of (a) Senior Secured Debt (as defined below) outstanding on the last day of any fiscal quarter to (b) EBITDA of Advantica, the Borrowers and the Specified Subsidiaries on a consolidated basis for the period of four consecutive fiscal quarters then ended to be more than a specified ratio, ranging from a ratio of 2.35:1.00 applicable on March 31, 1998 to a ratio of 2.00:1.00 applicable on or after September 30, 1999.

Interest Ratio Coverage. Advantica is required not to permit the ratio, determined on the last day of each fiscal quarter for the period of four consecutive fiscal quarters then ended, of (a) EBITDA of Advantica, the Borrowers and the Specified Subsidiaries on a consolidated basis to (b) Cash Interest Expense (as defined below) to be less than a specified ratio, ranging from a ratio of 1.45:1.00 applicable on March 31, 1998 to a ratio of 1.85:1.00 applicable on or after March 31, 2000.

Fixed Charge Coverage Ratio. Advantica is required not to permit the ratio, determined on the last day of each fiscal quarter for the period of four consecutive fiscal quarters then ended, of (a) the sum of (i) EBITDA of Advantica, the Borrowers and the Specified Subsidiaries on a consolidated basis and (ii) Lease Expense (as defined below) to (b) the sum of

(i) Cash Interest Expense and (ii) Lease Expense to be less than a specified ratio, ranging from a ratio of 1.25:1.00 applicable on March 31, 1998 to a ratio of 1.55:1.00 applicable on or after December 31, 2000.

Capital Expenditures Test. Advantica is required not to permit Advantica, the Borrowers and the Specified Subsidiaries on a consolidated basis to incur Capital Expenditures (as defined below) in excess of $90.0 million in the aggregate for the fiscal year ending December 31, 1997 and $100 million (plus any unused amount from the immediately preceding fiscal year) in the aggregate for each of the fiscal years ending December 31, 1998 and thereafter, provided, that, after the occurrence of the FEI Sale, in addition to the Capital Expenditures (or certain permitted investments in lieu thereof) permitted to be incurred as provided above, the Company may from time to time incur Capital Expenditures (or certain permitted investments in lieu thereof) in an aggregate amount not to exceed the lesser of (a) $170,000,000 and (b) the Net Cash Proceeds of the FEI Sale that have not previously been applied to incur Capital Expenditures (or certain permitted investments in lieu thereof), pay Indebtedness, effect the in-substance defeasance of the related Mortgage Financings (as described elsewhere in this Prospectus) or make investments or for any other purpose.

Certain Defined Terms. As used in the Credit Facility, the following terms shall have the following meanings.

"Capital Expenditures" means, for any period, without duplication, the sum of the aggregate of all expenditures (whether paid in cash or other consideration or accrued as a liability) by Advantica, the Borrowers and the Specified Subsidiaries during such period that, in conformity with GAAP, would be included in "additions to property, plant or equipment" or comparable items reflected in the consolidated statement of cash flows of Advantica, the Borrowers and the Specified Subsidiaries for such period, including (a) Capital Lease Obligations (as defined) and (b) expenditures for equipment that is purchased simultaneously with the trade-in of existing equipment owned by any Borrower or any of the Specified Subsidiaries to the extent of the gross amount of the purchase price less the book value of the equipment being traded in at such time, but excluding (c) interest capitalized during construction and (d) expenditures made in connection with the replacement or restoration of assets, to the extent reimbursed or financed from insurance proceeds paid on account of the loss of or the damage to the assets being replaced or restored, or from awards of compensation arising from the taking by condemnation or eminent domain of such assets being replaced, and net of cash amounts received by the Borrowers and the Specified Subsidiaries from other persons during that period in reimbursement of Capital Expenditures made by the Borrowers and the Specified Subsidiaries.

"Cash Interest Expense" means, for any period, Interest Expense minus (a) interest not paid in cash (including amortization of (i) discount and deferred debt expenses (but excluding any capitalized interest expense with respect to the Old Senior Notes) and (ii) fees with respect to Interest Rate Protection Agreements (as defined) payable in connection with the incurrence of Indebtedness to the extent included in interest expense in accordance with GAAP (including fees and expenses in connection with the transactions relating to the Credit Agreement and related documents, plus (b) the amortization of the write-up of indebtedness relating to the fresh-start accounting treatment (in accordance with GAAP) of Advantica's consolidated financial statements resulting from the Reorganization Cases and Advantica's emergence therefrom.

"EBITDA" means, with respect to Advantica, the Borrowers and the Specified Subsidiaries for any period, all as determined in accordance with GAAP on a consolidated basis after eliminating intercompany items, the net income (or net loss) for such period, plus (a) to the extent deducted in computing such net income (or net loss) the sum of (i) depreciation expense, (ii) amortization expense, (iii) other non-cash charges, (iv) provisions for LIFO adjustment for inventory valuation, (v) net total federal, state and local income tax expense,
(vi) Interest Expense, (vii) extraordinary losses, (viii) any non-recurring

charge or restructuring charge that in accordance with GAAP is excluded from operating income, (ix) the cumulative effect of any change in accounting principles and (x) "Chapter 11 expenses" (or "administrative costs reflecting Chapter 11 expenses") as shown on Advantica's consolidated statement of income for such period minus (b) extraordinary gains minus (c) the amount of cash expended in such period in respect of any amount that, under clause (viii) above, was taken into account in determining EBITDA for such or any prior period; provided, however, that (a) prior to the occurrence of the FEI Sale, EBITDA for each period will be determined assuming that the consolidated results of operations of FEI and its subsidiaries are attributable to continuing operations of the Company, whether or not such consolidated results of operations are at the time being classified by the Company in its consolidated financial statements as the results of discontinued operations, (b) upon and after the occurrence of the FEI Sale, EBITDA for each period that includes the date of occurrence of such FEI Sale will, solely for purposes of determining compliance with the above-referenced financial ratios, be determined on a pro forma basis, as if FEI had been sold on the first day of such period and (c) after the occurrence of any acquisition of any person by the Company, EBITDA for each period that includes the date of occurrence of such acquisition will, solely for purposes of determining compliance with the above-referenced Total Debt to EBITDA and Senior Secured Debt ratios, be determined on a pro forma basis, based on the actual historical results of operations of such person, as if such acquisition had occurred on the first day of such period.

"Indebtedness" of any person means, without duplication, (a) all indebtedness of such person for borrowed money; (b) all indebtedness of such person for the deferred purchase price of property or services (other than property, including inventory, and services purchased, and expense accruals and deferred compensation items arising, in the ordinary course of business); (c) all obligations of such person evidenced by notes, bonds, debentures or other similar instruments (other than performance, surety and appeal bonds arising in the ordinary course of business); (d) all indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (e) all Capital Lease Obligations of such person; (f) all reimbursement, payment or similar obligations of such person, contingent or otherwise, under acceptance, letter of credit or similar facilities; (g) all obligations of such person in respect of (i) currency swap agreements, currency future or option contracts and other similar agreements designed to hedge against fluctuations in foreign interest rates and (ii) interest rate swap, cap or collar agreements, interest rate future or option contracts and other similar agreements designed to hedge against fluctuations in interest rates; (h) all Guarantees (as defined) by such person of Indebtedness referred to in clauses (a) through (g) above; and (i) all Indebtedness referred to in clauses (a) through (h) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien (as defined) upon or in property (including accounts and contract rights) owned by such person, even though such person has not assumed or become liable for the payment of such Indebtedness. The Indebtedness of any person shall include the Indebtedness of any partnership in which such person is a general partner. Notwithstanding the foregoing, the amount of Indebtedness of Advantica and the Subsidiaries (or any of them) shall exclude, for all purposes in the Credit Facility, (a) the fair market value write-up of indebtedness relating to the fresh-start accounting treatment (in accordance with GAAP) of Advantica's consolidated financial statements resulting from the Reorganization Cases and Advantica's emergence therefrom and (b) if the in-substance defeasance of the Mortgage Financings (as described elsewhere in this Prospectus) has occurred and remains effective, the aggregate amount of Indebtedness outstanding in respect of such Mortgage Financings.

"Interest Expense" means, for any period, all interest expense (including the interest component in respect of Capital Lease Obligations), net of interest income, accrued or paid by Advantica, the Borrowers and the Specified Subsidiaries during such period in respect of Indebtedness of Advantica, the Borrowers and the Specified Subsidiaries, including (a) any amortization of initial debt discount or any fees (including fees with respect to Interest Rate Protection Agreements) payable in connection with the incurrence of Indebtedness to the extent included in interest expense in accordance with GAAP (including fees and expenses in connection with the transactions relating to the Credit Agreement and related documents), (b) any commitment fees, agent's and other regularly scheduled fees and charges in respect of such Indebtedness, (c) commissions and other fees and charges payable in connection with letters of credit, (d) the net payment, if any, payable in connection with all interest rate protection contracts and (e) interest capitalized during construction, all determined on a consolidated basis in accordance with GAAP after eliminating all intercompany items. Notwithstanding the foregoing, (a) prior to the occurrence of the FEI Sale, Interest Expense for each period will be determined assuming that the consolidated interest expense (net of interest income) of FEI and its subsidiaries is attributable to continuing operations of the Company, whether or not the consolidated results of operations of FEI and its subsidiaries are at the time being classified by the Company in its consolidated financial statements as the results of discontinued operations, and (b) upon and after the occurrence of the FEI Sale, Interest Expense (i) for each period that includes the date of occurrence of such FEI Sale will be determined on a pro forma basis, as if FEI had been sold and the in-substance defeasance of the related Mortgage Financing had been effected on the first day of such period and (ii) for each period will be determined without regard to (A) interest expense in respect of such Mortgage Financings and (B) interest income in respect of the Defeasance Eligible Investments (as defined elsewhere in this Prospectus).

"Lease Expense" means, for any period, all payment obligations of Advantica, the Borrowers and the Specified Subsidiaries during such period under Operating Leases (as defined), as determined on a consolidated basis for Advantica, the Borrowers and the Specified Subsidiaries in accordance with GAAP. Notwithstanding the foregoing, (a) prior to the occurrence of the FEI Sale, Lease Expense for each period will be determined assuming that the consolidated payment obligations of FEI and its subsidiaries for such period under Operating Leases are attributable to continuing operations of the Company, whether or not the consolidated results of operations of FEI and its subsidiaries are at the time being classified by the Company in its consolidated financial statements as the results of discontinued operations, and (b) upon and after the occurrence of the FEI Sale, Lease Expense for each period that includes the date of occurrence of such FEI Sale will be determined on a pro forma basis, as if FEI had been sold on the first day of such period.

"Senior Secured Debt" means, at any date and without duplication, Total Debt at such date minus (a) the aggregate principal amount of New Senior Notes outstanding on such date and (b) to the extent included in computing such Total Debt, the aggregate amount of other unsecured Indebtedness of Advantica at such date on a consolidated basis in accordance with GAAP.

"Total Debt" means, at any date and without duplication, the aggregate amount of all Indebtedness of Advantica, the Borrowers and the Specified Subsidiaries at such date on a consolidated basis in accordance with GAAP (other than (a) the undrawn amount of (i) outstanding letters of credit and
(ii) other obligations under similar facilities and (b) Indebtedness of the type described in clause (g) of the definition of the term "Indebtedness" or Indebtedness of the type referred to in clause (h) or (i) or the final sentence of such definition to the extent that the Indebtedness of the other person referred to in such clause (h) or (i) or such final sentence is Indebtedness of the type referred to in clause (a) or (b) above), minus, at any time after the FEI Sale and the in-substance defeasance of the related Mortgage Financing have occurred, the lesser of (x) $170,000,000, (y) the Net Cash Proceeds (as defined) of such FEI Sale that have not previously been applied to incur Capital Expenditures (or certain permitted investments in lieu thereof), pay Indebtedness, effect such in-substance defeasance or make investments or for any other purpose and (z) the aggregate amount of all cash and cash equivalents of the Company (excluding the Defeasance Eligible Investments acquired in connection with the in-substance defeasance) that would be set forth on a consolidated balance sheet of the Company prepared as of such date in accordance with GAAP.

The Company also covenanted in connection with the in-substance defeasance of certain Mortgage Financings effected pursuant to the FEI Sale (within 30 days of consummation thereof), among other things, to transfer the obligations in respect of such Mortgage Financings and the Defeasance Eligible Investments and other related collateral which secure such Mortgage Financings to a newly formed special purpose subsidiary and, in connection therewith, obtain a release of Advantica and its other subsidiaries from certain obligations and liens relating thereto.

Under the Credit Facility, an event of default includes, among other things, a reversal, modification or stay, in whole or in part, of any of the orders issued by the Bankruptcy Court, nonpayment of principal or interest, violations of covenants, breaches of representations and warranties, the triggering of certain cross-default and cross-acceleration provisions, certain events of bankruptcy, material judgments against Advantica or its subsidiaries, and the occurrence of a "Change in Control", as defined in the Credit Agreement. If such an event of default were to occur, the lenders under the Credit Facility would be entitled to exercise a number of remedies, including acceleration of all amounts owed under the Credit Facility.

Advantica Public Debt

Pursuant to the Plan of Reorganization, Advantica issued on January 7, 1998, $592,005,000 aggregate principal amount of 11 1/4% Senior Notes. The New Senior Notes are senior unsecured obligations of Advantica and rank pari passu in right of payment to all Senior Indebtedness, including the Credit Facility. Interest on the New Senior Notes accrues at a rate equal to 11 1/4% per annum and is payable semi-annually in arrears on each July 15 and January 15, beginning July 15, 1998. They will mature on January 15, 2008.

The New Senior Notes will be redeemable, in whole or in part, at the option of Advantica at any time on or after January 15, 2003, initially at a redemption price equal to 105.625% of the principal amount thereof to and including January 14, 2004, at 103.750% of the principal amount thereof to and including January 14, 2005, at 101.875% of the principal amount thereof to and including January 14, 2006, and thereafter at 100% of the principal amount thereof, together in each case with accrued interest.

Notwithstanding the foregoing, from January 15, 1998 until January 15, 2001, Advantica may redeem up to 35% of the aggregate principal amount of New Senior Notes outstanding on the date of the Indenture at a redemption price (expressed as a percentage of the principal amount) of 110%, plus accrued and unpaid interest, if any, to the redemption date, from the net proceeds of any public offering for cash of any equity securities of Advantica or any subsidiary thereof.

Mortgage Financings

A subsidiary of Advantica had issued and outstanding, at December 31, 1997, $177.6 million in aggregate principal amount of 10 1/4% Guaranteed Secured Bonds due 2000. Interest is payable semi-annually in arrears on each November 15 and May 15. As a result of the downgrade of Advantica's outstanding debt securities during 1994, certain payments by the Company which fund such interest payments became due and payable on a monthly basis. Principal payments total $12.5

million annually for the years 1997 through 1999; and $152.6 million in 2000. The bonds are secured by a financial guaranty insurance policy issued by Financial Security Assurance, Inc. and, prior to the FEI Sale and the in-substance defeasance described below, by collateral assignment of mortgage loans on 238 Hardee's and 146 Quincy's restaurants. In connection with the FEI Sale, as described elsewhere in this Prospectus, the Company used a portion of the proceeds from the disposition to effect an in-substance defeasance of such Mortgage Financings with a book value of $177.6 million at December 31, 1997 ($102 million of which was collateralized by the assets of FEI). Such Mortgage Financings were not retained or assumed by the purchaser in the disposition. The Company replaced the mortgage collateral for such Mortgage Financing principally through the purchase of Defeasance Eligible Investments (as defined in the documents governing such Mortgage Financings) which were deposited with the collateral agent with respect to such Mortgage Financings to satisfy principal and interest payments on the related bonds through the stated maturity. The Company is currently organizing and arranging to transfer the obligations in respect of such Mortgage Financings and the Defeasance Eligible Investments and other related collateral which secure such Mortgage Financings to a newly formed special purpose subsidiary and, in connection therewith, obtain a release of Advantica and its other subsidiaries from certain obligations and liens relating thereto.

Another subsidiary of Advantica has outstanding $160 million aggregate principal amount of 11.03% Notes due 2000. Interest is payable quarterly in arrears, with the principal maturing in a single installment payable in July 2000. These notes are redeemable, in whole, at the subsidiary's option, upon payment of a premium. They are secured by a pool of cross-collateralized mortgages on approximately 240 Denny's restaurant properties.

The foregoing financings by subsidiaries of Advantica, as described in the two preceding paragraphs, are referred to collectively and separately in this Prospectus as the "Mortgage Financings."

The FRI-M Credit Facility

In connection with the acquisition by FRD of Coco's and Carrows on May 23, 1996, FRI-M, a wholly-owned subsidiary of FRD, obtained a new credit facility (the "FRI-M Credit Facility") consisting of a $56 million term loan (the "FRI-M Term Loan") and a $35 million working capital facility (the "FRI-M Revolver"). Proceeds from the FRI-M Term Loan were used to fund the Coco's and Carrows acquisition and to pay the transactions costs associated therewith. Proceeds from the FRI-M Revolver are to be used for working capital requirements and other general corporate purposes, which may include the making of intercompany loans to any of FRI-M's wholly-owned subsidiaries for their own working capital and other general corporate purposes. Letters of credit may be issued under the FRI-M Revolver for the purpose of supporting (i) workers' compensation liabilities of FRI-M or any of its subsidiaries; (ii) the obligations of third party insurers of FRI-M or any of its subsidiaries; and (iii) certain other obligations of FRI-M and its subsidiaries.

Principal installments of the FRI-M Term Loan are payable quarterly as follows: $4 million per quarter for four consecutive quarters beginning February 28, 1997; $5 million per quarter for four consecutive quarters beginning February 28, 1998; $6 million per quarter on February 28, 1999; and $7 million per quarter for two consecutive quarters beginning May 31, 1999. All amounts owing under the FRI-M Term Loan are required to be repaid on August 31, 1999. The commitment to make loans or issue letters of credit pursuant to the FRI-M Revolver expires, and all amounts outstanding under the FRI-M Revolver must be repaid, on August 31, 1999. All borrowings under the FRI-M Credit Facility accrue interest at a variable rate based on a base rate (as defined therein) or an adjusted Eurodollar rate (8.4375% at December 31, 1997).

The FRI-M Credit Facility requires FRI-M to make mandatory prepayments in certain circumstances out of its Consolidated Excess Cash Flow (as defined therein), out of cash proceeds of certain asset sales, out of assets distributed to FRD, FRI-M or any of FRI-M's direct or indirect subsidiaries (each, a "Loan Party") in connection with an employee benefit plan termination and out of net cash proceeds received by a Loan Party from certain other sources. Any mandatory partial prepayment of the FRI-M Term Loan shall be applied to installments scheduled to be paid during the twelve months immediately following the date of such prepayment, with any excess being applied ratably to the scheduled installments of the FRI-M Term Loan. The FRI-M Credit Facility contains certain restrictive covenants which, among other things, limit (subject to certain exceptions) FRI-M and its subsidiaries with respect to (a) incurrence of debt; (b) the existence of liens; (c) investments and joint ventures; (d) the declaration or payment of dividends; (e) the making of guarantees and other contingent obligations; (f) the amendment or waiver of certain related agreements; (g) mergers, consolidations, liquidations and sales of assets (including sale and leaseback transactions); (h) payment obligations under leases; (i) transactions with shareholders and affiliates; (j) the sale, assignment, pledge or other disposition of shares of FRI-M or its subsidiaries by FRI-M or its subsidiaries; (k) capital expenditures; and (l) material changes in their business.

The FRI-M Credit Facility also imposes on FRD, FRI-M and its subsidiaries certain financial tests and minimum ratios which, among other things, require that FRI-M (a) shall not permit the ratio determined on the last day of each fiscal quarter for such quarter and the three preceding quarters ("Rolling Period") then ended of Consolidated Adjusted EBITDA (as defined therein) to Consolidated Interest Expense (as defined therein) to be less than levels increasing from 1.85:1.00 on December 25, 1997 to 2.10:1.00 on September 23, 1999 and each fiscal quarter end thereafter; (b) shall not permit the ratio determined on the last day of each fiscal quarter for the Rolling Period then ended of Consolidated Total Debt (as defined therein) to Consolidated Adjusted EBITDA (as defined) to exceed a level varying from 4.35:1.00 on December 25, 1997 to 3.65:1.00 on September 23, 1999 and each fiscal quarter end thereafter; and (c) shall not permit Consolidated Adjusted EBITDA determined on the last day of each fiscal quarter for the Rolling Period then ended to be less than an amount increasing from $49.0 million for the Rolling Period ending December 25, 1997 to $49.5 million for the Rolling Period ending June 25, 1998 and each Rolling Period thereafter.

FRD and all of FRI-M's subsidiaries have guaranteed the obligations of FRI-M under the FRI-M Credit Facility and the other Loan Documents (as defined therein). All of the issued and outstanding common stock of FRI-M and its subsidiaries has been pledged as security for the obligations of FRD under the FRI-M Credit Facility and the other Loan Documents. The obligations of FRI-M under the FRI-M Credit Facility and the other Loan Documents are secured by substantially all assets of FRI-M and its subsidiaries.

The FRD Senior Notes

In connection with the May 23, 1996 acquisition of FRI-M, FRD issued $156.9 million principal amount of 12 1/2% FRD Senior Notes due 2004 (the "FRD Notes"). Interest on the FRD Notes accrues at the rate of 12 1/2% per annum and is payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 1996. They will mature on July 15, 2004. The FRD Notes are senior unsecured, general obligations of FRD and rank senior in right of payment to all existing and future subordinated indebtedness of FRD and rank pari passu in right of payment with all existing and future unsubordinated indebtedness of FRD. The FRD Notes are effectively subordinated to secured indebtedness of FRD, including FRD's guaranty of borrowings under the FRI-M Credit Facility to the extent of the value of FRD's assets securing such guaranty. Borrowings under the FRI-M Credit Facility are secured by substantially all of FRD's assets. (The FRD Notes are structurally subordinated to all indebtedness of FRI-M (as defined above), including its indebtedness under the FRI-M Credit Facility).

DESCRIPTION OF COMMON STOCK

General

Advantica has 100,000,000 authorized shares of Common Stock, par value $.01 per share, and 25,000,000 authorized shares of preferred stock (none of which are currently outstanding). 40,000,000 shares of Common Stock were issued in connection with the consummation and effectiveness of the Plan of Reorganization (not including shares issuable upon the exercise of the Warrants and shares issuable upon the exercise of stock options granted to Advantica's employees and directors under bona fide employee benefit plans). As of the date hereof, a total of 40,002,259 shares of Common Stock are issued and outstanding. All such shares are fully paid and nonassessable.

The following summary description of the Common Stock does not purport to be complete and is qualified in its entirety by this reference to Advantica's Certificate of Incorporation and Bylaws, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part.

The holders of validly issued and outstanding shares of Common Stock are entitled to one vote per share of record on all matters to be voted upon by Advantica stockholders. At a meeting of stockholders at which a quorum is present, a majority of the votes cast decides all questions, unless the matter is one upon which a different vote is required by express provision of law or Advantica's Certificate of Incorporation or Bylaws. There is no cumulative voting with respect to the election of directors (or any other matter). The holders of a majority of the shares at a meeting at which a quorum is present are able to elect all of the directors to be elected.

The holders of Common Stock will have no preemptive rights and have no rights to convert the Common Stock into any other securities.

Subject to the rights of holders of preferred stock of Advantica, if any, in the event of a liquidation, dissolution or winding up of Advantica, holders of Common Stock are entitled to participate equally, share for share, in all assets remaining after payment of liabilities.

The holders of Common Stock are entitled to receive ratably such dividends as the Board of Directors may declare out of funds legally available therefor, when and if so declared. The Credit Facility and the indenture governing the New Senior Notes contain negative covenants that restrict, among other things, the ability of Advantica to pay dividends.

The Board of Directors of Advantica is authorized to issue, from time to time, up to 25,000,000 shares of preferred stock. The Board of Directors may issue preferred stock in one or more series and may fix the relative rights and preferences for each such series, including annual dividend rates, redemption prices, sinking fund provisions, liquidation preferences, conversion rights and voting rights.

Registration Rights of Affiliates

Flagstar and FCI undertook, pursuant to the terms of the Original Plan, to enter into a registration rights agreement on the Effective Date with each holder of more than 10% of the Common Stock. Advantica entered into a Registration Rights Agreement (the "Registration Rights Agreement") on the Effective Date with the Selling Stockholder, then the only holder of 10% or more of the Common Stock. Pursuant to the Registration Rights Agreement, Advantica agreed to file and use its best efforts to cause to become effective the shelf Registration Statement of which this Prospectus is a part covering resales by the Selling Stockholder from time to time, and use its best efforts to cause this Registration Statement to remain effective for a period of three years from the Effective Date (or five years from the Effective Date if Advantica becomes entitled to use a registration statement on Form S-3 under the Securities Act). In addition, the Selling Stockholder may make three written demands on Advantica for registration under the Securities Act of all or a part of the Common Stock issued to it pursuant to the Plan of Reorganization, and may make unlimited demands for registrations so long as such registrations may be effected on Form S-3 registration statements. In addition, the Selling Stockholder has customary "piggyback" registration rights to include its shares of Common Stock, subject to certain limitations, in other registration statements filed by Advantica under the Securities Act.

Advantica agreed to pay all expenses in connection with the performance of the obligations to effect the shelf, demand and piggyback registrations under the Securities Act of the Common Stock covered by the Registration Rights Agreement, other than (a) underwriting fees, discounts, commissions or other similar selling expenses attributable to the sale of Common Stock under the Registration Rights Agreement; and (b) any expenses (other than internal expenses of its own officers and employees) in connection with any additional demand registration on Form S-3 after the three designated demand registrations. Advantica agreed to indemnify and hold harmless, to the fullest extent permitted by law, the Selling Stockholder against certain securities law liabilities (including, under certain circumstances, liabilities unrelated to the participation of the Selling Stockholder in a registered offering or sale of the Common Stock) and, in lieu thereof, to contribute to payments required to be made by such Selling Stockholder.

The obligations of Advantica to effect and maintain the effectiveness of any registration required by the Registration Rights Agreement terminates upon the earliest of (a) the sale of all shares of the Common Stock subject to the Registration Rights Agreement that are held by the Selling Stockholder; (b) upon notice from the Selling Stockholder that it no longer needs the benefits of the Registration Rights Agreement; and (c) when the Selling Stockholder owns or holds (on a fully-diluted basis) less than 10% of the shares of Common Stock

then outstanding (on a fully-diluted basis) and Advantica has delivered to the Selling Stockholder an opinion of recognized securities counsel to the effect that the Common Stock held by it may be freely resold by it without registration and without restriction or limitation under the Securities Act.

SELLING STOCKHOLDER

The following table provides certain information with respect to the Common Stock held by the Selling Stockholder as of January 7, 1998. The Selling Stockholder received the 9,301,820 shares offered hereunder (the "Shares") as a distribution under the Original Plan in respect of approximately $206,771,000 in principal amount of the 11.25% Debentures owned by the Selling Stockholder on behalf of the Loomis Managed Accounts prior to consummation of the Plan of Reorganization. In addition, the Selling Stockholder owned shares of the Old Preferred Stock on behalf of the Loomis Managed Accounts prior to consummation of the Plan of Reorganization, and received no distribution in respect thereof. The obligations of the Company in respect of the 11.25% Debentures and the Old Preferred Stock were discharged as a result of the Reorganization Cases. Other than the ownership of such securities and except as otherwise noted elsewhere in this Prospectus, the Selling Stockholder has not held any position, office, or other material relationship with Advantica or any of its predecessors or affiliates within the past three years other than as a result of the ownership of the Common Stock. The Shares may be offered from time to time by the Selling Stockholder named below:

Selling Stockholder	Number of Shares Owned and Registered Hereunder
Loomis Sayles & Company, L.P One Financial Center Boston, MA 02111	9,301,820

(1) According to the latest Schedule 13D filing by Loomis, Loomis is an investment adviser to the Loomis Managed Accounts, each of which is entitled to the pecuniary interest (including, without limitation, the sole right to receive dividends, proceeds and profits from sale) in Shares being sold which are allocated to such Loomis Managed Account. According to such Schedule 13D, as investment adviser to the Loomis Managed Accounts, Loomis retains the right to dispose of, and either retains or shares with the Loomis Managed Accounts the right to vote, such Shares. According to such Schedule 13D, no Loomis Managed Account holds more than 5% of the outstanding shares of Common Stock.

Because the Selling Stockholder may sell all, some or none of the Shares to be sold hereunder from time to time, the number of Shares and percentage of the class held by the Selling Stockholder after the offering cannot be determined at this time.

PLAN OF DISTRIBUTION

The Company will receive none of the proceeds from this offering. The Shares may be sold from time to time to purchasers in privately negotiated transactions or in open market transactions. The Selling Stockholder may from time to time offer the Shares directly or through underwriters, brokers, dealers or agents, pursuant to (a) a block trade in which a broker or dealer will attempt to sell the Shares as agent but may position and resell a portion of the block as principal to facilitate the transaction; (b) purchases by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this Prospectus; or (c) ordinary brokerage transactions and transactions in which the broker or dealer solicits purchasers. In effecting such sales, underwriters, brokers or dealers engaged by the Selling Stockholder, may arrange for other brokers or dealers to participate in the resales. Such sales may be effected at market prices and on terms prevailing at the time of sale, at prices related to such market prices, at negotiated prices or at fixed prices. In addition, the Selling Stockholder may engage in hedging or other similar transactions, and may pledge the Shares being offered, and, upon default, the pledgee may effect sales of the pledged shares pursuant to this Prospectus. In connection with any hedging transactions, broker-dealers may engage in short sales of the Shares registered hereunder in the course of hedging the positions they assume with the Selling Stockholder. The Selling Stockholder may also sell Common Stock short and redeliver the Shares to close out such short positions. The Selling Stockholder may also enter into option or other transactions with broker-dealers which require the delivery to the broker-dealer of the Shares registered hereunder. Underwriters, brokers, dealers and agents may receive compensation in the form of underwriting discounts, concessions or commissions from the Selling Stockholder or the purchasers of Shares for whom they may act as agent. The Selling Stockholder and any underwriters, dealers or agents that participate in any distribution of Shares may be deemed to be "underwriters" within the meaning of the Securities Act and any profit on the sale of Shares by them and any discounts, commissions or concessions received by any such underwriters, dealers or agents might be deemed to be underwriting discounts and commissions under the Securities Act.

At the time a particular offering of Shares is made, a Prospectus Supplement or a post-effective amendment to the Registration Statement, if required, will be distributed which will set forth the aggregate amount and type of Shares being offered and the terms of the offering, including the name or names of any underwriters, dealers or agents, any discounts, commissions and other terms constituting compensation from the Selling Stockholder and any discounts, commissions or concessions allowed or reallowed or paid to dealers.

There is no assurance that the Selling Stockholder will sell any of the Shares. In addition, any Shares covered by this Prospectus which qualify for sale pursuant to Rule 144 under the Securities Act or Section 1145 of the Bankruptcy Code may be sold pursuant to Rule 144 or Section 1145 rather than pursuant to this Prospectus.

The Common Stock is currently listed for trading as a NASDAQ National Market security on The NASDAQ Stock MarketSM, and its trading symbol is "DINE." There can be no assurance that an active trading market will be sustained for the Common Stock.

Pursuant to the Registration Rights Agreement, Advantica will pay substantially all of the expenses incident to the registration, offering and sale of the Shares to the public other than commissions, fees and discounts of underwriters, dealers or agents. Under the Registration Rights Agreement, Advantica will indemnify the Selling Stockholder and any underwriter

it may utilize against certain civil liabilities, including liabilities under the Securities Act and, in lieu thereof, will contribute to payments required to be made by the Selling Stockholder.

LEGAL MATTERS

Certain legal matters in connection with the Common Stock offered hereby will be passed upon for Advantica by Parker, Poe, Adams & Bernstein L.L.P., 2500 Charlotte Plaza, Charlotte, North Carolina 28244.

EXPERTS

The consolidated balance sheets as of December 31, 1996 and 1997 and the statements of consolidated operations and cash flows for the three years ended December 31, 1995, 1996 and 1997 of Advantica Restaurant Group, Inc. included in this Prospectus have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their report appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

ADVANTICA RESTAURANT GROUP, INC.

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheets of Advantica Restaurant Group, Inc. (formerly Flagstar Companies, Inc.) and subsidiaries (the "Company") as of December 31, 1996 and 1997, and the related statements of consolidated operations and consolidated cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1 to the financial statements, on November 12, 1997, the Bankruptcy Court entered an order confirming the plan of reorganization which became effective after the close of business on January 7, 1998. As described in Note 2, the change in ownership of the Company effected by the plan of reorganization requires that the Company apply "fresh-start reporting" effective January 7, 1998 in accordance with AICPA Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code", as a new entity with assets, liabilities, and a capital structure having carrying values not comparable with prior periods.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1997 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Greenville, South Carolina
February 20, 1998

ADVANTICA RESTAURANT GROUP, INC.

STATEMENTS OF CONSOLIDATED OPERATIONS

(In thousands, except per share amounts)	Year Ended December 31, 1995	1996	1997
Net company sales	$2,512,164	$2,471,247	$2,528,659
Franchise revenue	59,323	71,055	80,797
Operating revenue	2,571,487	2,542,302	2,609,456
Operating expenses:			
Product cost	867,141	746,680	760,974
Payroll and benefits	914,315	943,164	976,189
Depreciation and amortization expense	132,872	129,948	140,828
Utilities	98,212	104,477	110,138
Other	393,482	461,641	465,285
Provision for restructuring charges	15,873	--	10,540
Charge for impaired assets	51,358	--	15,074
	2,473,253	2,385,910	2,479,028
Operating income	98,234	156,392	130,428
Other charges (credits):			
Interest and debt expense (contractual interest for the year ended December 31, 1997 is $278,061)	232,874	261,633	227,110
Interest income	(3,725)	(6,926)	(722)
Other -- net	2,005	3,537	5,648
	231,154	258,244	232,036
Loss before reorganization items and taxes	(132,920)	(101,852)	(101,608)
Reorganization items	--	--	31,073
Loss before income taxes	(132,920)	(101,852)	(132,681)
(Benefit from) provision for income taxes	(14)	(16,392)	1,769
Loss from continuing operations	(132,906)	(85,460)	(134,450)
Gain on sale of discontinued operations, net of income tax provision of:			
1995 -- $10,092	77,877	--	--
Loss from discontinued operations, net of income tax benefit of:			
1995 -- $(1,361)	(636)	--	--
Loss before extraordinary items	(55,665)	(85,460)	(134,450)
Extraordinary items, net of income tax benefit of: 1995 -- $25	466	--	--
Net loss	(55,199)	(85,460)	(134,450)
Dividends on preferred stock	(14,175)	(14,175)	(14,175)
Net loss applicable to common shareholders	($ 69,374)	($ 99,635)	($ 148,625)
Per share amounts applicable to common shareholders:			
Basic and diluted earnings per share:			
Loss from continuing operations	$ (3.47)	$ (2.35)	$ (3.50)
Income from discontinued operations, net	1.82	--	--
Loss before extraordinary items	(1.65)	(2.35)	(3.50)
Extraordinary items, net	0.01	--	--
Net loss	$ 1.64)	$ 2.35)	$ 3.50)
Average outstanding and equivalent common shares	42,431	42,434	42,434

See notes to consolidated financial statements.

ADVANTICA RESTAURANT GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)	Historical December 31, 1996	Historical December 31, 1997
Assets		
Current Assets:		
Cash and cash equivalents	$ 92,369	$ 54,079
Receivables, less allowance for doubtful accounts of: 1996 -- $2,405; 1997--$4,177	17,812	12,920
Loan receivable from former officer	13,922	--
Merchandise and supply inventories	31,543	20,700
Net assets held for sale	5,114	242,479
Other	29,895	45,101
Restricted investments securing in-substance defeased debt	--	--
	190,655	375,279
Property:		
Property owned:		
Land	253,067	195,743
Buildings and improvements	891,512	588,140
Other property and equipment	536,886	406,315
Total property owned	1,681,465	1,190,198
Less accumulated depreciation	629,676	510,690
Property owned -- net	1,051,789	679,508
Buildings and improvements, vehicles, and other equipment held under capital leases	210,533	164,691
Less accumulated amortization	93,740	85,826
Property held under capital leases -- net	116,793	78,865
	1,168,582	758,373
Other Assets:		
Goodwill net of accumulated amortization of: 1996 -- $3,077; 1997-- $8,061	205,389	207,918
Other intangible assets, net of accumulated amortization: 1996 -- $20,611; 1997--$16,781	27,595	14,897
Deferred financing costs -- net	64,153	56,716
Other	30,996	25,885
Restricted investments securing in-substance defeased debt	--	--
Reorganization value in excess of amounts allocable to identifiable assets	--	--
	328,133	305,416
	$ 1,687,370	$ 1,439,068
Liabilities		
Current Liabilities:		
Current maturities of notes and debentures	$ 39,161	$ 37,572
Current maturities of capital lease obligations	23,729	19,657
Current maturities of in-substance defeased debt	--	--
Accounts payable	160,444	109,778
Accrued salaries and vacations	58,838	58,232
Accrued insurance	52,244	35,749
Accrued taxes	25,060	25,927
Accrued interest and dividends	47,676	15,487
Other	76,123	79,291
	483,275	381,693
Long-Term Liabilities:		
Notes and debentures, less current maturities	2,044,179	510,533
Capital lease obligations, less current maturities	136,497	87,703
In-substance defeased debt, less current maturities	--	--
Deferred income taxes	16,361	10,015
Liability for self-insured claims	57,665	54,669
Other non-current liabilities and deferred credits	176,920	144,505
	2,431,622	807,425
Total liabilities not subject to compromise	2,914,897	1,189,118
Liabilities subject to compromise	--	1,612,400
Total liabilities	2,914,897	2,801,518
Commitments and Contingencies		
Shareholders' Equity (Deficit):		
$2.25 Series A Cumulative Convertible Exchangeable Preferred Stock: $0.10 par value; 1995 and 1996, 25,000 shares authorized; 6,300 shares issued and outstanding;		

liquidation preference $157,500 excluding dividends in arrears	630	630
Common stock:		
$0.50 par value; shares authorized -- 200,000; issued and outstanding; 1996 and 1997--42,434	21,218	21,218
Pro forma -- $0.01 par value; shares authorized--100,000; issued and outstanding--40,000.	--	--
Paid-in capital	724,912	724,912
Deficit	(1,973,365)	(2,107,815)
Minimum pension liability adjustment	(922)	(1,395)
	(1,227,527)	(1,362,450)
	$ 1,687,370	$ 1,439,068

(In thousands)	Pro Forma December 31, 1997 (Unaudited)
Assets	
Current Assets:	
Cash and cash equivalents	$ 247,220
Receivables, less allowance for doubtful accounts of: 1996 -- $2,405; 1997--$4,177	12,341
Loan receivable from former officer	--
Merchandise and supply inventories	20,275
Net assets held for sale	--
Other	24,387
Restricted investments securing in-substance defeased debt	14,868
	319,091
Property:	
Property owned:	
Land	89,468
Buildings and improvements	468,748
Other property and equipment	152,633
Total property owned	710,849
Less accumulated depreciation	--
Property owned -- net	710,849
Buildings and improvements, vehicles, and other equipment held under capital leases	107,110
Less accumulated amortization	--
Property held under capital leases -- net	107,110
	817,959
Other Assets:	
Goodwill net of accumulated amortization of: 1996 -- $3,077; 1997-- $8,061	--
Other intangible assets, net of accumulated amortization: 1996 -- $20,611; 1997--$16,781.	222,822
Deferred financing costs -- net	36,397
Other	25,446
Restricted investments securing in-substance defeased debt	184,605
Reorganization value in excess of amounts allocable to identifiable assets	729,315
	1,198,585
	$2,335,635
Liabilities	
Current Liabilities:	
Current maturities of notes and debentures	$ 25,024
Current maturities of capital lease obligations	19,657
Current maturities of in-substance defeased debt	12,548
Accounts payable	109,778
Accrued salaries and vacations	58,232
Accrued insurance	35,749
Accrued taxes	25,927
Accrued interest and dividends	15,487
Other	116,957
	419,359
Long-Term Liabilities:	
Notes and debentures, less current maturities	987,304
Capital lease obligations, less current maturities	87,703
In-substance defeased debt, less current maturities	186,382
Deferred income taxes	5,170
Liability for self-insured claims	60,236
Other non-current liabilities and deferred credits	179,249
	1,506,044
Total liabilities not subject to compromise	1,925,403

Liabilities subject to compromise	--
Total liabilities	1,925,403
Commitments and Contingencies	
Shareholders' Equity (Deficit):	
$2.25 Series A Cumulative Convertible Exchangeable Preferred Stock: $0.10 par value; 1995 and 1996, 25,000 shares authorized; 6,300 shares issued and outstanding; liquidation preference $157,500 excluding dividends in arrears	--
Common stock: $0.50 par value; shares authorized -- 200,000; issued and outstanding; 1996 and 1997--42,434	--
Pro forma -- $0.01 par value; shares authorized--100,000; issued and outstanding--40,000.	400
Paid-in capital	409,832
Deficit	--
Minimum pension liability adjustment	--
	410,232
	$2,335,635

See notes to consolidated financial statements.

ADVANTICA RESTAURANT GROUP, INC.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(In thousands)	Year Ended December 31, 1995	1996	1997
Cash Flows from Operating Activities:			
Net loss	$ (55,199)	$ (85,460)	$ (134,450)
Adjustments to Reconcile Net loss to Cash Flows from Operating Activities:			
Provision for restructuring charges	15,873	--	10,540
Charge for impaired assets	51,358	--	15,074
Depreciation and amortization of property	126,488	120,059	127,529
Amortization of goodwill	--	3,077	5,081
Amortization of other intangible assets	6,384	6,812	8,218
Amortization of deferred gains	(2,867)	(11,188)	(16,581)
Amortization of deferred financing costs	7,504	8,920	9,551
Write-off of deferred financing costs	--	--	2,533
Deferred income tax benefit	(3,451)	(9,031)	(178)
Other	(17,161)	(7,816)	(25,412)
Loss from discontinued operations, net	636	--	--
Gain on sale of discontinued operations, net	(77,877)	--	--
Extraordinary items, net	(466)	--	--
Changes in Assets and Liabilities Net of Effects of Acquisition, Dispositions and Restructurings:			
Decrease (increase) in assets:			
Receivables	(4,713)	327	2,055
Inventories	(848)	(833)	2,981
Other current assets	(7,086)	(3,964)	(540)
Other assets	(2,622)	(5,456)	(8,220)
Increase (decrease) in liabilities:			
Accounts payable	21,896	21,932	(30,257)
Accrued salaries and vacations	(5,551)	4,560	3,944
Accrued taxes	(429)	(5,502)	325
Other accrued liabilities	(4,014)	(6,283)	63,188
Other noncurrent liabilities and deferred credits	(28,364)	(10,628)	29,777
Net cash flows from operating activities before reorganization activities	19,491	19,526	65,158
Increase in liabilities from reorganization activities	--	--	10,853
Net cash flows from operating activities	19,491	19,526	76,011
Cash Flows from Investing Activities:			
Purchase of property	(123,739)	(55,026)	(63,616)
Proceeds from dispositions of property	25,693	14,323	26,319
Advances to discontinued operations, net	(6,952)	--	--
Proceeds from sale of discontinued operations	172,080	--	--
Proceeds from sales of subsidiaries	122,500	62,992	--
Acquisition of business, net of cash acquired	--	(127,068)	--
Other long-term assets, net	(3,217)	(4,670)	1,250
Net cash flows provided by (used in) investing activities	186,365	(109,449)	(36,047)

See notes to consolidated financial statements.

ADVANTICA RESTAURANT GROUP, INC.

STATEMENTS OF CONSOLIDATED CASH FLOWS (Continued)

(In thousands)	Year Ended December 31, 1995	1996	1997
Cash Flows from Financing Activities:			
Net borrowings under credit agreements	$ --	$ 56,000	$ --
Deferred financing costs	--	(9,591)	(4,605)
Long-term debt payments	(56,035)	(44,108)	(61,949)
Net bank overdrafts	(5,400)	(2,800)	(11,700)
Cash dividends on preferred stock	(14,175)	(14,175)	--
Net cash flows used in financing activities	(75,610)	(14,674)	(78,254)
Increase (decrease) in cash and cash equivalents	130,246	(104,597)	(38,290)
Cash and Cash Equivalents at:			
Beginning of period	66,720	196,966	92,369
End of period	$ 196,966	$ 92,369	$ 54,079
Supplemental Cash Flow Information:			
Income taxes paid	$ 3,591	$ 2,196	$ 381
Interest paid	$ 238,832	$ 239,284	$ 123,278
Non-cash financing activities:			
Capital lease obligations	$ 5,505	$ 12,310	$ 19,170
Dividends declared but not paid	$ 3,544	$ --	$ --
Non-cash investing activities:			
Other investing	$ 8,185	$ --	$ 3,050

See notes to consolidated financial statements.

NOTE 1 REORGANIZATION AND BASIS OF REPORTING

Advantica (formerly Flagstar Companies, Inc.), through its wholly-owned subsidiaries, Denny's Holdings, Inc., Spartan Holdings, Inc. and FRD Acquisition Co. (and their respective subsidiaries), owns and operates the Denny's, El Pollo Loco, Quincy's Family Steakhouse, Coco's and Carrows restaurant brands and is the largest franchisee of Hardee's. Denny's, a family-style restaurant chain, operates in 49 states, two U.S. territories, and two foreign countries, with principal concentrations in California, Florida, Texas, Washington, Arizona, Pennsylvania, Illinois, and Ohio. Hardee's competes in the quick-service hamburger category and Quincy's operates in the family-steak restaurant category. The Company's Hardee's and Quincy's restaurant chains are located primarily in the southeastern United States. El Pollo Loco is a quick-service flame-broiled chicken concept which operates primarily in southern California. The Coco's and Carrows restaurant chains, acquired by Advantica in May 1996, compete in the family-style category and are located primarily in the western United States.

On January 7, 1998 (the "Effective Date"), Flagstar Companies, Inc. ("FCI") and Flagstar Corporation ("Flagstar") emerged from proceedings under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") pursuant to FCI and Flagstar's Amended Joint Plan of Reorganization dated as of November 7, 1997 (the "Plan"). On the Effective Date, Flagstar, a wholly-owned subsidiary of FCI, merged with and into FCI, the surviving corporation, and FCI changed its name to Advantica Restaurant Group, Inc. ("Advantica," or together with its subsidiaries, the "Company"). The bankruptcy proceedings began when FCI, Flagstar and Flagstar Holdings, Inc. ("Holdings") filed voluntary petitions for relief under the Bankruptcy Code in the Bankruptcy Court for the District of South Carolina. Holdings filed its petition on June 27, 1997, and Flagstar and FCI both filed their petitions on July 11, 1997 (the "Petition Date"). FCI's operating subsidiaries, Denny's Holdings, Inc., Spartan Holdings, Inc. and FRD Acquisition Co. (and their respective subsidiaries) did not file bankruptcy petitions and were not parties to the above mentioned Chapter 11 proceedings.

Material features of the Plan as it became effective as of January 7, 1998, are as follows:

(a) On the Effective Date, Flagstar merged with and into FCI, the surviving corporation, and FCI changed its name to Advantica Restaurant Group, Inc.;

(b) The following securities of FCI and Flagstar were canceled, extinguished and retired as of the Effective Date: (i) Flagstar's 10 7/8% Senior Notes due 2002 (the "10 7/8% Senior Notes") and 10 3/4% Senior Notes due 2001 (the "10 3/4% Senior Notes" and, collectively with the 10 7/8% Senior Notes due 2002, the "Old Senior Notes"), (ii) Flagstar's 11.25% Senior Subordinated Debentures due 2004 (the "11.25% Debentures") and 11 3/8% Senior Subordinated Debentures due 2003 (the "11 3/8% Debentures" and, collectively with the 11.25% Senior Subordinated Debentures due 2004, the "Senior Subordinated Debentures"), (iii) Flagstar's 10% Convertible Junior Subordinated Debentures due 2014 (the "10% Convertible Debentures"), (iv) FCI's $2.25 Series A Cumulative Convertible Exchangeable Preferred Stock (the "Old Preferred Stock") and
(v) FCI's $.50 par value common stock (the "Old Common Stock");

(c) Advantica had 100 million authorized shares of Common Stock (of which 40 million were deemed issued and outstanding on the Effective Date pursuant to the Plan subject to completion of the exchange of securities as contemplated by such Plan) and 25 million authorized shares of preferred stock (none of which are currently outstanding). Pursuant to the Plan, 10% of the number of shares of Common Stock issued and outstanding on the Effective Date, on a fully diluted basis, is reserved for issuance under a new management stock option program. Additionally, 4 million shares of Common Stock are reserved for issuance upon the exercise of new warrants expiring January 7, 2005 that were deemed issued and outstanding on the Effective Date and entitle the holders thereof to purchase in the aggregate 4 million shares of Common Stock at an exercise price of $14.60 per share (the "Warrants");

(d) Each holder of the Old Senior Notes received such holder's pro rata portion of 100% of Advantica's 11 1/4% Senior Notes due 2008 (the "New Senior Notes") in exchange for 100% of the principal amount of such holders' Old Senior Notes and accrued interest through the Effective Date;

(e) Each holder of the Senior Subordinated Debentures received each holder's pro rata portion of shares of Common Stock equivalent to 95.5% of the Common Stock issued on the Effective Date;

(f) Each holder of the 10% Convertible Debentures received such holder's pro rata portion of (i) shares of Common Stock equivalent to 4.5% of the Common Stock issued on the Effective Date and (ii) 100% of the Warrants issued on the Effective Date; and

NOTE 1 REORGANIZATION AND BASIS OF REPORTING -- Continued

(g) Advantica refinanced its prior credit facilities by entering the Credit Facility (as defined below).

Pursuant to the Plan, Advantica's certificates of incorporation and by-laws were amended and restated in their entirety.

FCI and Flagstar filed their Chapter 11 cases to implement their Prepackaged Plan which was developed in the course of negotiations with an ad hoc committee of holders of the Senior Subordinated Debentures and with the support of FCI's majority shareholder. During the Bankruptcy proceedings, the Prepackaged Plan's classification of the 10% Convertible Debentures as subordinate to the Senior Subordinated Debentures was challenged by certain holders of the 10% Convertible Debentures. As a result of litigation of this issue and subsequent negotiations with representatives of the holders of the 10% Convertible Debentures, on November 7, 1997 FCI and Flagstar filed the Plan which was confirmed by the Bankruptcy Court on November 12, 1997.

On the Effective Date, the automatic stay imposed by the Bankruptcy Code was terminated and, other than in certain limited circumstances pursuant to the terms of the Plan, Advantica is no longer subject to the jurisdiction and supervision of the Bankruptcy Court. Additionally, on January 12, 1998, a motion to dismiss the Chapter 11 case of Holdings pursuant to section 1112(b) of the Bankruptcy Code was filed with the Bankruptcy Court. No objections were filed and on March 6, 1998, the Bankruptcy Court entered an order dismissing the case.

In connection with the reorganization, the Company will realize a gain from the extinguishment of certain indebtedness. This gain will not be taxable since the gain results from a reorganization under the Bankruptcy Code. However, the Company will be required, as of the beginning of its 1999 taxable year, to reduce certain tax attributes related to Advantica, exclusive of its operating subsidiaries, including (i) net operating loss carryforwards ("NOLS"), (ii) certain tax credits and (iii) tax bases in assets in an amount equal to such gain on extinguishment.

The reorganization of the Company on January 7, 1998 constituted an ownership change under Section 382 of the Internal Revenue Code and therefore the use of any of the Company's NOLS and tax credits generated prior to the ownership change, that are not reduced pursuant to the provisions discussed above, will be subject to an overall annual limitation of approximately $21 million for NOLS or $7 million for tax credits.

The Company's financial statements as of December 31, 1997 have been presented in conformity with the American Institute of Certified Public Accountants' (the "AICPA") Statement of Position 90-7, "Financial Reporting By Entities In Reorganization Under the Bankruptcy Code" ("SOP 90-7"). Accordingly, all prepetition liabilities of the Debtors that are subject to compromise under the Plan (as defined in Note 7) are segregated in the Company's Consolidated Balance Sheet as liabilities subject to compromise. These liabilities are recorded at the amounts allowed as claims by the Bankruptcy Court in accordance with the Plan. In addition, SOP 90-7 requires the Company to report interest expense during the bankruptcy proceeding only to the extent that it will be paid during the proceedings or that it is probable to be an allowed priority, secured, or unsecured claim. Accordingly, and in view of the terms of the Plan, as of July 11, 1997, the Company ceased recording interest on its 11.25% Debentures, 11 3/8% Debentures and 10% Convertible Debentures. The contractual interest expense for the year ended December 31, 1997 is disclosed in the accompanying Statements of Consolidated Operations.

The following unaudited pro forma condensed consolidated balance sheets and unaudited pro forma condensed statements of consolidated operations give effect to the Plan discussed above and the disposition discussed in Note 18 as if such Plan and disposition had been consummated, for balance sheet purposes, on December 31, 1997 and, for statement of operations purposes, on January 1, 1997.

The pro forma information included herein is provided for informational purposes only and should not be construed to be indicative of the financial condition or results of operations of the company had the reorganization plan or the disposition been consummated on the respective dates indicated and is not intended to be predictive of future financial condition or results of operations of the Company at any future date or for any future period.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)	December 31, 1997 Historical	Adjustments for Reorganization(a)
Assets		
Current Assets:		
Cash and cash equivalents	$ 54,079	$ (8,900)
Net assets held for sale	242,479	
Other	78,721	
Restricted investments securing in-substance defeased debt	--	
	375,279	(8,900)
Property -- net	758,373	
Other Assets:		
Goodwill, net	207,918	
Other intangible assets, net	14,897	
Other	82,601	(20,319)
Restricted investments securing in-substance defeased debt	--	
Reorganization value in excess of amounts allocable to identifiable assets	--	
	305,416	(20,319)
	$ 1,439,068	$ (29,219)
Liabilities		
Current Liabilities:		
Current maturities of notes and debentures	$ 37,572	
Current maturities of capital lease obligations	19,657	
Current maturities of in-substance defeased debt	--	
Other current liabilities	324,464	
	381,693	
Long-Term Liabilities:		
Notes and debentures, less current maturities	510,533	$ 590,867
Capital lease obligations, less current maturities	87,703	
In-substance defeased debt, less current maturities	--	
Other non-current liabilities	209,189	
	807,425	590,867
Total liabilities not subject to compromise	1,189,118	590,867
Liabilities subject to compromise	1,612,400	(1,612,400)
Total liabilities	2,801,518	(1,021,533)
Shareholders' Equity:		
Capital stock	21,848	(21,448)
Paid-In capital	724,912	404,912
Deficit	(2,107,815)	608,850
Minimum pension liability adjustment	(1,395)	
	(1,362,450)	992,314
	$ 1,439,068	$ (29,219)

(In thousands)	Adjustments for Fresh Start Reporting(b)	After Reorganization and Fresh Start Reporting	Adjustments for Disposition of FEI(c)	After Reorganization, Fresh Start Reporting and Disposition
	December 31, 1997			
Assets				
Current Assets:				
Cash and cash equivalents		$ 45,179	$ 202,041	$ 247,220
Net assets held for sale	$ 121,821	364,300	(364,300)	--
Other	(1,004)	77,717	(20,714)	57,003
Restricted investments securing in-substance defeased debt		--	14,868	14,868
	120,817	487,196	(168,105)	319,091
Property -- net	59,586	817,959		817,959
Other Assets:				
Goodwill, net	(207,918)	--		--
Other intangible assets, net	207,925	222,822		222,822
Other	(439)	61,843		61,843
Restricted investments securing in-substance defeased debt		--	184,605	184,605
Reorganization value in excess of amounts allocable to identifiable assets	729,315	729,315		729,315
	728,883	1,013,980	184,605	1,198,585
	$ 909,286	$2,319,135	$ 16,500	$2,335,635
Liabilities				
Current Liabilities:				
Current maturities of notes and debentures		$ 37,572	$ (12,548)	$ 25,024
Current maturities of capital lease obligations		19,657		19,657
Current maturities of in-substance defeased debt		--	12,548	12,548
Other current liabilities	$ 21,166	345,630	16,500	362,130
	21,166	402,859	16,500	419,359
Long-Term Liabilities:				
Notes and debentures, less current maturities	72,286	1,173,686	(186,382)	987,304
Capital lease obligations, less current maturities		87,703		87,703
In-substance defeased debt, less current maturities		--	186,382	186,382
Other non-current liabilities	35,466	244,655		244,655
	107,752	1,506,044	--	1,506,044
Total liabilities not subject to compromise	128,918	1,908,903	16,500	1,925,403
Liabilities subject to compromise		--		
Total liabilities	128,918	1,908,903	16,500	1,925,403
Shareholders' Equity:				
Capital stock		400		400
Paid-In capital	(719,992)	409,832		409,832
Deficit	1,498,965	--		--
Minimum pension liability adjustment	1,395	--		--
	780,368	410,232		410,232
	$ 909,286	$2,319,135	$ 16,500	$2,335,635

(a) Reflects the cancellation of the Old Common Stock and Old Preferred Stock, the issuance of Common Stock to the holders of the Senior Subordinated Debentures, the issuance of Common Stock and Warrants to the holders of the 10% Convertible Debentures and the estimated gain on such transactions and the issuance of the New Senior Notes in exchange for the Old Senior Notes, including accrued and unpaid interest.

(b) In accordance with the principles of SOP 90-7, the reorganization will result in the application of fresh start reporting which results in the revaluation of assets and liabilities to estimated current fair value. The revaluation reflects adjustments for fresh start reporting, which include (i) the increase in the value of net assets held for sale to their fair value based on the terms of the definitive agreement, (ii) the adjustment of property, net to estimated fair value, (iii) the write-off of unamortized goodwill, and establishment of estimated fair value of other intangible assets (primarily franchise rights and tradenames), (iv) the establishment of reorganization value in excess of amounts allocable to identifiable assets, (v) the increase in value of debt to reflect estimated fair value, (vi) the recognition of liabilities associated with severance and other exit costs, and the adjustments to self-insured claims and contingent liabilities reflecting a change in methodology, and (vii) the adjustment to reflect the new value of common shareholders' equity based on reorganization value, which was determined by estimating the fair value of the Company. The fair value of identifiable assets and liabilities has been determined based on certain valuations and other studies which are not yet completed. Because the current valuation is preliminary in nature, further adjustments may be required (See Note 2).

(c) Reflects cash proceeds of $380.8 million and the incurrence of $16.5 million of estimated sale costs. Approximately $180 million of the proceeds (together with $20.7 million previously on deposit with respect to certain Mortgage Financings as herein defined) will be used to purchase Defeasance Eligible Investments (as defined in documents governing the Mortgage Financings) which will be deposited in an irrevocable trust to meet the debt service requirements under such Mortgage Financings through the stated maturity date in the year 2000. Cash flows from the investments will be used solely to satisfy the principal and interest obligations of the debt. Accordingly, the investment securities are reflected in the Pro Forma Consolidated Balance Sheets under the caption Investments securing in-substance defeased debt. The related Mortgage Financings are reflected under the caption In-substance defeased debt.

PRO FORMA CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS
(Unaudited)

	Year Ended December 31, 1997		
		Pro Forma	
	Historical	Adjustments for Reorganization (d)	
Operating revenue	$2,609,456		
Operating expenses	2,479,028		
Operating income	130,428		
Other charges:			
Interest and debt expense, net	226,388	$ (48,984)	
Other, net	5,648		
	232,036	(48,984)	
Income (loss) before reorganization expenses and taxes	(101,608)	48,984	
Reorganization expenses	31,073	(31,073)	
(Loss) income before income taxes	(132,681)	80,057	
Provision for (benefit from) income taxes	1,769		
Net (loss) income	$ (134,450)	$ 80,057	
Basic and diluted loss per share applicable to common shareholders	$ (3.50)		
Average outstanding and equivalent shares	42,434		

	Year Ended December 31, 1997			
	Pro Forma			
	Adjustments for Fresh-Start Reporting (e)	After Reorganization and Fresh Start Reporting	Adjustments for Disposition of FEI (f)	After Reorganization, Fresh Start Reporting and Disposition
Operating revenue		$2,609,456	$ (546,268)	$2,063,188
Operating expenses	161,587	2,640,615	(516,901)	2,123,714
Operating income	(161,587)	(31,159)	(29,367)	(60,526)
Other charges:				
Interest and debt expense, net	(12,430)	164,974	(7,129)	157,845
Other, net		5,648	(2,023)	3,625
	(12,430)	170,622	(9,152)	161,470
Income (loss) before reorganization expenses and taxes	(149,157)	(201,781)	(20,215)	(221,996)
Reorganization expenses				
(Loss) income before income taxes	(149,157)	(201,781)	(20,215)	(221,996)
Provision for (benefit from) income taxes	14	1,783	(40)	1,743
Net (loss) income	$ (149,171)	$ (203,564)	$ (20,175)	$ (223,739)
Basic and diluted loss per share				

applicable to common shareholders	$ (5.09)	$ (5.59)
Average outstanding and equivalent shares	40,000	40,000

(d) Reflects the elimination of the amortization of deferred financing costs and interest expense related to debt securities retired, the amortization of deferred financing costs on the Credit Facility, an increase in interest expense due to the exchange of the Old Senior Notes and the elimination of reorganization expenses which would not be reflected in the post-reorganization statement of operations.

(e) Reflects the amortization of the increase in intangible assets as a result of the application of fresh start reporting over the estimated useful lives of the related assets, including reorganization value in excess of amounts allocable to identifiable assets over a five-year period; tradenames over a 40-year period; and franchise rights over the estimated average remaining term of the related franchise agreements (10 years). Also reflects the estimated increase in depreciation expense as a result of the adjustment of property to fair value, the removal of the amortization of goodwill and the impact on interest expense of the amortization of net premium on long-term debt.

(f) Reflects the removal of the results of operations of Flagstar Enterprises, Inc.

NOTE 2 FRESH START REPORTING

As of the Effective Date of the Plan, Advantica will adopt fresh start reporting pursuant to the guidance provided by SOP 90-7. Fresh start reporting assumes that a new reporting entity has been created and requires assets and liabilities to be adjusted to their fair values as of the Effective Date in conformity with the procedures specified by Accounting Principles Board Opinion No. 16, "Business Combinations" ("APB 16"). In conjunction with the revaluation of assets and liabilities, a reorganization value for the entity will be determined which generally approximates the fair value of the entity before considering debt and approximates the amount a buyer would pay for the assets of the entity after reorganization. Under fresh start reporting, the reorganization value of the entity is allocated to the entity's assets. If any portion of the reorganization value cannot be attributed to specific tangible or identified intangible assets of the emerging entity, such amount is reported

NOTE 2 FRESH START REPORTING -- Continued

as "reorganization value in excess of amounts allocable to identifiable assets." Advantica intends to amortize such amount over a five-year amortization period. As a result of the application of fresh start reporting, the Company's financial statements issued subsequent to the Effective Date will not be comparable with those prepared before emergence, including the historical financial statements in this annual report.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and methods of their application that significantly affect the determination of financial position, cash flows and results of operations are as follows:

Consolidated Financial Statements. Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Certain prior year amounts have been reclassified to conform to the current year presentation.

Change in Fiscal Year. Effective January 1, 1997, the Company changed its fiscal year end from December 31 to the last Wednesday of the calendar year. Concurrent with this change, the Company changed to a four-four-five week quarterly closing calendar which is the restaurant industry standard, and generally results in four 13-week quarters during the year with each quarter ending on a Wednesday. Due to the timing of this change, the year ended December 31, 1997 includes more than 52 weeks of operations. Denny's includes an additional five days, El Pollo Loco includes an additional week and Hardee's and Quincy's each include an additional day.

Financial Statement Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period reported. Actual results could differ from those estimates.

Cash and Cash Equivalents. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories. Merchandise and supply inventories are valued primarily at the lower of average cost (first-in, first-out) or market.

Property and Depreciation. Owned property is stated at cost and is depreciated on the straight-line method over its estimated useful life. Property held under capital leases (at capitalized value) is amortized over its estimated useful life, limited generally by the lease period. The following estimated useful service lives were in effect during all periods presented in the financial statements:

Buildings -- Five to thirty years
Equipment -- Three to ten years
Leasehold Improvements -- Estimated useful life limited by the lease period.

Goodwill and Other Intangible Assets. The excess of cost over the fair value of the net assets acquired of FRI-M Corporation (see Note 4 for further details) is being amortized over a 40-year period on the straight-line method. Other intangible assets consist primarily of costs allocated to tradenames, franchise and other operating agreements. Such assets are being amortized on the straight-line basis over the useful lives of the franchise or the contract period of the operating agreements. The Company assesses the recoverability of goodwill and other intangible assets by projecting future net income related to the acquired business, before the effect of amortization of intangible assets, over the remaining amortization period of such assets.

Impairment of Long-Lived Assets. During 1995, the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS No. 121"). Pursuant to this statement, the Company reviews long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In addition, long-lived assets and certain identifiable intangibles

to be disposed of are reported at the lower of carrying amount or estimated fair value less costs to sell. See Note 5 for further discussion of the impairment of long-lived assets and Note 18 for further discussion of assets to be disposed of.

Deferred Financing Costs. Costs related to the issuance of debt are deferred and amortized as a component of interest and debt expense using the interest method over the terms of the respective debt issues.

Preopening Costs. The Company capitalizes certain direct incremental costs incurred in conjunction with the opening of restaurants and amortizes such costs over a 12-month period from the date of opening.

Insurance. Through June 30, 1997, the Company was primarily self-insured for workers' compensation, general liability, and automobile risks which are supplemented by stop-loss type insurance policies. As of July 1, 1997, the Company changed to a guaranteed cost program to cover workers' compensation insurance in most states. At December 31, 1997, the Company remains self-insured for workers' compensation in only six states. The liabilities for estimated incurred losses are discounted to their present value based on expected loss payment patterns determined by independent actuaries or experience. The total discounted self-insurance liabilities recorded at December 31, 1996 and 1997 were $100.1 million and $90.4 million respectively, reflecting a 4% discount rate for 1996 and a 5% discount rate for 1997. The related undiscounted amounts at such dates were $111.1 million and $100.6 million, respectively.

Interest Rate Exchange Agreements. As a hedge against fluctuations in interest rates, the Company from time to time has entered into interest rate exchange agreements to swap a portion of its fixed rate interest payment obligations for floating rates without the exchange of the underlying principal amounts. The Company does not speculate on the future direction of interest rates nor does the Company use these derivative financial instruments for trading purposes. Since such agreements are not entered into on a speculative basis, the Company uses the settlement basis of accounting. No such agreements were outstanding as of December 31, 1997.

Advertising Costs. Production costs for radio and television advertising are expensed as of the date the commercials are initially aired. Advertising expense for the years ended December 31, 1995, 1996 and 1997 was $93.0 million, $114.3 million, and $116.9 million, respectively.

Discontinued Operations. The Company has allocated to discontinued operations a pro-rata portion of interest and debt expense related to its acquisition debt based on a ratio of the net assets of its discontinued operations to its total consolidated net assets as of the 1989 acquisition date. Interest included in discontinued operations for the year ended December 31, 1995 was $18.9 million.

Deferred Gains. In September 1995, the Company sold its distribution subsidiary, Proficient Food Company ("PFC"), for approximately $122.5 million. In conjunction with the sale, the Company entered into an eight-year distribution contract with the acquirer of PFC, which was subsequently extended to ten years. This transaction resulted in a deferred gain of approximately $72.0 million that is being amortized over the life of the distribution contract as a reduction of product cost. During the third quarter of 1996, the Company sold Portion-Trol Foods, Inc. and the Mother Butler Pies division of Denny's, its two food processing operations. The sales were finalized in the fourth quarter of 1996 pursuant to the purchase price adjustment provisions of the related agreements. Consideration from the sales totaled approximately $72.1 million, including the receipt of approximately $60.6 million in cash. In conjunction with each of the sales, the Company entered into a five-year purchasing agreement with the acquirer. These transactions resulted in deferred gains totaling approximately $41.5 million that are being amortized over the lives of the respective purchasing agreements as a reduction of product cost. The portion of the deferred gains recognized as a reduction in product costs in 1995, 1996, and 1997 was approximately $2.8 million, $11.1 million, and $16.6 million, respectively.

Cash Overdrafts. The Company has included in accounts payable on the accompanying Consolidated Balance Sheets cash overdrafts totaling $51.6 million and $39.9 million at December 31, 1996 and 1997, respectively.

Franchise and License Fees. Initial franchise and license fees are recognized when all of the material obligations have been performed and conditions have been satisfied, typically when operations have commenced. Initial fees for all periods presented are insignificant. Continuing fees, based upon a percentage of net sales, are recorded as income on a monthly basis.

Gains on Sales of Company-Owned Restaurants. Gains on the sales of Company-owned restaurants to franchisees are recognized in accordance with Statement of Financial Accounting Standards No. 66, "Accounting for Sales of Real Estate." In this regard, gains on such sales are recognized when the cash proceeds from the sale exceed 20% of the sales price. During the years ended December 31, 1995, 1996, and 1997, the Company recognized gains related to sales of Company-owned restaurants of approximately $24.5 million, $8.4 million, and $6.2 million, respectively. Such gains are included as a reduction of other operating expenses in the accompanying Statements of Consolidated Operations. Cash proceeds received from sales of Company-owned restaurants totaled $26.1 million, $8.5 million and $7.9 million for the years ended December 31, 1995, 1996 and 1997, respectively. Deferred gains and the non-cash portion of proceeds related to such transactions are not significant.

Earnings per Share. The Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"), in the quarter ended December 31, 1997. SFAS 128 replaced the calculation of primary and fully diluted earnings (loss) per share with basic and diluted earnings (loss) per share. Unlike primary earnings (loss) per share, basic earnings (loss) per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings (loss) per share is very similar to the previously reported fully diluted earnings (loss) per share.

New Accounting Standards. In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which establishes standards for reporting and display of comprehensive income and its components in the financial statements. SFAS 130 is effective for fiscal years beginning after December 15, 1997. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company is in the process of determining its preferred presentation format under the new standard. The adoption of SFAS 130 will have no impact on the Company's consolidated results of operations, financial position or cash flows and will be implemented by the Company in the fourth quarter of 1998.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS 131 is effective for financial statements for fiscal years beginning after December 15, 1997. Financial statement disclosures for prior periods are required to be restated. The Company is in the process of evaluating the disclosure requirements. The adoption of SFAS 131 will have no impact on the Company's consolidated results of operations, financial position or cash flows and will be implemented by the Company in the fourth quarter of 1998.

In March, 1998 the AICPA issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"), which provides guidance on accounting for the costs of computer software developed or obtained for internal use. SOP 98-1 requires external and internal direct costs of developing or obtaining internal-use software to be capitalized as a long-lived asset and also requires training costs included in the purchase price of computer software and costs associated with research and development to be expensed as incurred. In addition, in the second quarter of 1998, the AICPA is expected to issue a statement of position which provides additional guidance on the financial reporting of start-up costs, requiring costs of start-up activities to be expensed as incurred.

Both statements of position are effective for fiscal years beginning after December 15, 1997. In accordance with the adoption of fresh start reporting upon emergence from bankruptcy (see Note 2), the Company will adopt both statements of position as of January 7, 1998. The adoption of the statement of position relative to start-up costs at January 7, 1998 will result in the write-off of previously capitalized pre-opening costs totaling $0.6 million. Subsequent to the Effective Date, pre-opening costs will be expensed as incurred. The adoption of SOP 98-1 at January 7, 1998 will result in the write-off of previously capitalized direct costs of obtaining computer software associated with research and development totaling $3.4 million. Subsequent to the Effective Date, similar costs will be expensed as incurred.

NOTE 4 ACQUISITION

On May 23, 1996, the Company, through FRD Acquisition Co. ("FRD"), a newly formed subsidiary, consummated the acquisition of the Coco's and Carrows restaurant chains consisting of 347 company-owned units within the family-style category. The acquisition price of $313.4 million plus acquisition costs (which was paid in exchange for all of the outstanding stock of FRI-M Corporation ("FRI-M"), the subsidiary of Family Restaurants Inc. ("FRI") which owns the Coco's and Carrows chains) was financed with $125.0 million in cash ($75.0 million of which was provided from the Company's cash balances and the remaining $50.0 million pursuant to bank term loans which totaled $56.0 million with the remaining $6.0 million being used to pay transaction fees), the issuance of $156.9 million in senior notes of FRD to the seller and the assumption of certain capital lease obligations of approximately $31.5 million. The acquisition was accounted for using the purchase method of accounting. Accordingly, the assets and liabilities and results of operations of Coco's and Carrows are included in the Company's consolidated financial statements for the periods subsequent to the acquisition.

In accordance with the purchase method of accounting, the purchase price has been allocated to the underlying assets and liabilities of FRI-M based on their estimated respective fair values at the date of acquisition. The purchase price exceeded the fair value of the net assets acquired by approximately $216 million, as adjusted. The resulting goodwill is being amortized on a straight-line basis over 40 years.

NOTE 5 RESTRUCTURING AND IMPAIRMENT OF LONG-LIVED ASSETS

During the fourth quarter of 1997, the Company approved a restructuring plan to significantly reduce the size of its Quincy's chain. In addition to the sale or closure of restaurants, the restructuring plan will result in the elimination of certain restaurant, field management and corporate support positions. As a result of this plan, the Company identified 88 underperforming units for sale or closure. In accordance with SFAS 121, the carrying value of these units has been written down to estimated fair value less costs to sell. In addition, six Quincy's units which will continue operating were identified as impaired, as the estimated future undiscounted cash flows of each of these units is insufficient to recover the related carrying value. Accordingly, the carrying values of these units were written down to the Company's estimate of fair value. Also included in the charge for impaired assets is the impact of the write-down to sales price less costs to sell of certain other long-lived assets held for sale. Such assets consist primarily of 19 Hardee's units which were disposed of prior to December 31, 1997.

In conjunction with the completion of the 1995 restructuring plan (as further described below), the Company recorded an additional restructuring charge of $3.8 million in 1997 representing the additional write-down of the carrying value of certain assets.

Charges attributable to the restructuring plan and the impairment of long-lived assets during the year ended December 31, 1997 are comprised of the following (in thousands):

Restructuring:	
Severance	$ 1,676
Reserve for operating leases	1,747
Adjustment of 1995 restructuring charge	3,758
Other	3,359
	$10,540
Impairment of long-lived assets:	
Write-down attributable to restaurant units the Company will continue operating	$ 3,109
Write-down attributable to restaurant units to be disposed of	11,965
	$15,074

Approximately $6.9 million of the restructuring charges represent cash charges of which an immaterial amount was paid in 1997. Unpaid amounts are included in other current liabilities in the accompanying Consolidated Balance Sheet. Of

NOTE 5 RESTRUCTURING AND IMPAIRMENT OF LONG-LIVED ASSETS -- Continued

the 88 units identified for disposal in 1997, 19 units were closed prior to December 31, 1997. The 88 units had aggregate operating revenues of approximately $80.4 million and negative operating income of $5.8 million during 1997, and an aggregate carrying value prior to the impairment write-down of approximately $48.5 million as of December 31, 1997. The Company anticipates completion of its restructuring plan by the end of 1998.

Effective in the fourth quarter of 1995, as a result of a comprehensive financial and operational review, the Company approved a restructuring plan. The plan generally involved a reduction in personnel and a decision to outsource the Company's information systems function. In addition, the Company adopted SFAS No. 121 during 1995 (see Note 3). In connection with such adoption, 99 restaurant units which the Company intended to continue operating were identified as impaired, as the future undiscounted cash flows of each of these units was estimated to be insufficient to recover the related carrying value. As such, the carrying values of these units were written down to the Company's estimate of fair value based on sales of similar units or other estimates of selling price.

During 1995, the Company also identified 36 underperforming units for sale or closure generally during 1996. The carrying value of these units was written down to estimated fair value, based on sales of similar units or other estimates of selling price, less costs to sell. The 36 units identified in 1995 for disposal had aggregate operating revenues of approximately $26.1 million, an operating loss of approximately $2.9 million during 1995, and an aggregate carrying value of approximately $5.8 million as of December 31, 1995. As of December 31, 1997, two units remain relative to the 1995 restructuring plan. Management intends to dispose of one of the remaining units and to continue operating the other. The unit to be disposed of had operating revenues of approximately $0.6 million and immaterial operating income during 1997 and an aggregate carrying amount of $0.2 million at December 31, 1997.

Charges attributable to the restructuring plan and the adoption of SFAS No. 121 during the year ended December 31, 1995 are comprised of the following:

(In thousands)	
Restructuring:	
Severance	$ 5,376
Write-down of computer hardware and software and other assets	7,617
Other	2,880
	$15,873
Impairment of Long-lived Assets:	
Write-down attributable to restaurant units the Company will continue operating	$41,670
Write-down attributable to restaurant units to be disposed of	9,688
	$51,358

The 1995 restructuring plan was substantially completed in 1997.

NOTE 6 REORGANIZATION ITEMS

Reorganization expenses included in the accompanying Statement of Consolidated Operations consist of the following items:

(In thousands)	December 31, 1997
Professional fees and other	$ 29,245
Debtor-in-possession financing expenses	3,062
Interest earned on accumulated cash	(1,234)
	$ 31,073

NOTE 7 LIABILITIES SUBJECT TO COMPROMISE

Liabilities subject to compromise are obligations which were outstanding on the Petition Date and are subject to compromise under the terms of the Plan (see Note 8 for additional information).

(In thousands)	December 31, 1997
10 3/4% Senior Notes due September 15, 2001, interest payable semi-annually	$ 270,000
10 7/8% Senior Notes due December 1, 2002, interest payable semi-annually	280,025
11.25% Senior Subordinated Debentures due November 1, 2004, interest payable semi-annually	722,411
11 3/8% Senor Subordinated Debentures due September 15, 2003, interest payable semi-annually	125,000
10% Convertible Junior Subordinated Debentures due 2014, interest payable semi-annually; convertible into Company common stock any time prior to maturity at $24.00 per share	99,259
Accrued interest	115,705
Total liabilities subject to compromise	$1,612,400

NOTE 8 DEBT

Long-term debt consists of the following:

(In thousands)	December 31, 1996	December 31, 1997	Pro Forma December 31, 1997 (Unaudited)
Notes and Debentures:			
10 3/4% Senior Notes due September 15, 2001, interest payable semi-annually	$ 270,000	(a)	--
10 7/8% Senior Notes due December 1, 2002, interest payable semi-annually	280,025	(a)	--
11.25% Senior Subordinated Debentures due November 1, 2004, interest payable semi-annually	722,411	(a)	--
11 3/8% Senior Subordinated Debentures due September 15, 2003, interest payable semi-annually	125,000	(a)	--
10% Convertible Junior Subordinated Debentures due 2014, interest payable semi-annually; convertible into Company common stock any time prior to maturity at $24.00 per share	99,259	(a)	--
11 1/4% Senior Notes due January 15, 2008, interest payable semi-annually	--	--	$ 590,867
12.5% Senior Notes of FRD due July 15, 2004, interest payable semi-annually	156,897	$156,897	156,897
Mortgage Notes Payable:			
10.25% Guaranteed Secured Bonds due 2000	190,164	177,615	--
11.03% Notes due 2000	160,000	160,000	160,000
Term loan of FRI-M, principal payable in quarterly installments	56,000	40,000	40,000
Other notes payable, maturing over various terms to 20 years, payable in monthly or quarterly installments with interest rates ranging from 7.5% to 13.25% (b)	14,844	10,077	10,077
Notes payable secured by equipment, maturing over various terms up to 7 years, payable in monthly installments with interest rates ranging from 8.5% to 9.64% (c)	8,740	3,516	3,516
Capital lease obligations (see Note 9)	160,226	107,360	107,360
In-substance defeased debt (See Note 1)	--	--	177,615
	2,243,566	655,465	1,246,332
Reorganization premium (discount):			
11 1/4% Senior Notes, effective rate 10.79%	--	--	26,589
12.5% Senior Notes of FRD, effective rate 10.95%	--	--	13,336
11.03% Notes, effective rate 8.18%	--	--	12,800
In-substance defeased debt, effective rate 5.29%	--	--	21,315
Other notes payable	--	--	(1,347)
Notes payable secured by equipment	--	--	(407)
Total	2,243,566	655,465	1,318,618
Less current maturities	62,890	57,229	57,229
Total long term debt	$2,180,676	$598,236	$1,261,389

(a) Included in liabilities subject to compromise at December 31, 1997 (See Note 7).

(b) Collateralized by restaurant and other properties with a net book value of $14.3 million at December 31, 1997.

(c) Collateralized by equipment with a net book value of $13.0 million at December 31, 1997.

NOTE 8 DEBT -- Continued

Aggregate annual maturities of long-term debt during the next five years, excluding capital lease obligations of FEI (See Note 18), are as follows:

(In millions)	December 31, 1997	Pro Forma December 31, 1997
Year:		
1998	$ 57.2	$ 57.2
1999	52.3	52.3
2000	328.8	328.8
2001	283.3	13.3
2002	287.1	7.1

As discussed in Note 1, pursuant to the Plan, Flagstar's Old Senior Notes, Senior Subordinated Debentures and 10% Convertible Debentures which are included in liabilities subject to compromise (See Note 7) in the accompanying Consolidated Balance Sheet at December 31, 1997, were canceled, extinguished and retired as of the Effective Date. In addition, each holder of the Old Senior Notes received such holder's pro rata portion of 100% of New Senior Notes in exchange for 100% of the principal amount of such holders' Old Senior Notes and accrued interest through the Effective Date. The above unaudited pro forma summary of long-term debt gives effect to these transactions as if they were consummated on December 31, 1997. The unaudited pro forma summary also gives effect to the revaluation of long-term debt to fair value as required under fresh start reporting (See Note 2) and the impact of the disposition of FEI. The fair value computations are based on market quotations for the same or similar debt issues or the estimated borrowing rates available to the Company.

On March 7, 1997, FCI's Second Amended and Restated Credit Agreement (the "Credit Agreement") was amended to provide for less restrictive financial covenants for measurement periods ending on March 31, 1997 and June 30, 1997, as well as to provide FCI flexibility to forego certain scheduled interest payments due in March, May and June 1997 without triggering a default under the agreement, unless any such debt was declared due and payable as a result of the failure to pay such interest.

On March 17, 1997, in connection with the financial restructuring discussed in Note 1, Flagstar elected not to make the interest payment due and payable as of that date to holders of the 11 3/8% Debentures. In addition, on May 1, 1997, also in connection with the restructuring, Flagstar elected not to make the interest payments due and payable as of that date to holders of the 11.25% Debentures and 10% Convertible Debentures. As a result of these nonpayments, and as a result of a continuation of such nonpayments for 30 days past their respective due dates, Flagstar was in default under the terms of the indentures governing such debentures. During the pendency of Flagstar's bankruptcy proceedings, Flagstar also failed to make the interest payments due September 15, 1997 on its 10 3/4% Senior Notes and 11 3/8% Debentures, the interest payments due November 1, 1997 on its 11.25% Debentures and 10% Convertible Debentures and the interest payment due December 1, 1997 on its 10 7/8% Senior Notes. The bankruptcy filings operate as an automatic stay of all collection and enforcement actions by the holders of the Senior Subordinated Debentures, 10% Convertible Debentures, the Old Senior Notes and the respective indentures trustees with respect to Flagstar's failure to make the interest payments when due.

On July 11, 1997 FCI entered into a $200 million debtor-in-possession financing facility (the "DIP Facility") between FCI, Flagstar, Holdings, certain subsidiaries of Flagstar and The Chase Manhattan Bank ("Chase") for working capital and general corporate purposes and letters of credit. The DIP Facility refinanced the Credit Agreement and is guaranteed by certain operating subsidiaries of FCI and generally is secured by liens on the same collateral that secured FCI's obligations under the Credit Agreement, including the stock of certain operating subsidiaries and certain of FCI's trade and service marks. At December 31, 1997, Advantica had no working capital advances outstanding under the DIP Facility; however, letters of credit outstanding were $84.5 million.

The DIP Facility and indentures under which the debt securities have been issued contain a number of restrictive covenants. Such covenants restrict, among other things, (i) the ability of Flagstar and its restricted subsidiaries to incur indebtedness, create liens, engage in business activities which are not in the same field as that in which the Company currently operates, (ii) mergers and acquisitions, (iii) sales of assets, (iv) transactions with affiliates and (v) the payment of dividends. In addition, the DIP Facility contains financial covenants including provisions for the maintenance of a minimum level of

NOTE 8 DEBT -- Continued

interest coverage (as defined), limitations on ratios of indebtedness (as defined) to earnings before interest, taxes, depreciation and amortization (EBITDA), and limitations on annual capital expenditures.

The Company was in compliance with the terms of the DIP Facility at December 31, 1997. Under the most restrictive provision of the DIP Facility (minimum EBITDA, as defined), for the month of December 1997, the Company's EBITDA could be $2.1 million less and the Company would still be in compliance.

On the Effective Date, Advantica entered into a credit agreement with Chase and other lenders named therein which established the $200 million senior secured Credit Facility (the "Credit Facility"). The Credit Facility refinances the DIP Facility and will be used for working capital advances, letters of credit and general corporate purposes by certain of Advantica's operating subsidiaries which are borrowers thereunder. The Credit Facility is guaranteed by Advantica and, subject to certain exceptions, by Advantica's subsidiaries that are not borrowers thereunder and generally is secured by liens on the same collateral that formerly secured Advantica's obligations under the Credit Agreement.

The Credit Facility includes a working capital and letter of credit facility of up to a total of $200 million. The Credit Facility matures on January 7, 2003 (the "Maturity Date"), subject to earlier termination on March 31, 2000 in the event that certain mortgage financings of Advantica have not, on or prior to such date, been refinanced with other indebtedness that (a) matures at least 90 days after the Maturity Date, and (b) is otherwise satisfactory to the lenders. The Credit Facility is subject to mandatory prepayments and commitment reductions under certain circumstances upon Advantica's sale of assets or incurrence of additional debt.

The Credit Facility contains covenants customarily found in credit agreements for leveraged financings that, among other things, place limitations on (i) dividends on capital stock; (ii) redemptions and repurchases of capital stock; (iii) prepayments, redemptions and repurchases of debt (other than loans under the Credit Facility); (iv) liens and sale-leaseback transactions; (v) loans and investments; (vi) incurrence of debt; (vii) capital expenditures;
(viii) operating leases: (ix) mergers and acquisitions; (x) asset sales; (xi) transactions with affiliates; (xii) changes in the business conducted by Advantica and its subsidiaries; and (xiii) amendment of debt and other material agreements. The Credit Facility also contains covenants that require Advantica and its subsidiaries on a consolidated basis to meet certain financial ratios and tests including provisions for the maintenance of a minimum level of interest coverage (as defined) and a minimum level of fixed charges coverage (as defined), limitations on ratios of indebtedness (as defined) to earnings before interest, taxes, depreciation and amortization (EBITDA) (as defined), and limitations on annual capital expenditures.

At December 31, 1997, the 10.25% guaranteed bonds were secured by, among other things, mortgage loans on 384 restaurants, a lien on the related restaurant equipment, assignment of intercompany lease agreements, and the stock of the issuing subsidiaries. At December 31, 1997, the restaurant properties and equipment had a net book value of $305.1 million. In addition, the bonds are insured with a financial guaranty insurance policy written by a company that engages exclusively in such coverage. Principal and interest on the bonds are payable semiannually; certain payments are made by the Company on a monthly basis. Principal payments total $12.5 million annually through 1999 and $152.6 million in 2000. The Company through its operating subsidiaries covenants that it will maintain the properties in good repair and expend annually (or on a five year average basis) to maintain the properties at least $20.6 million in 1998 and increasing each year to $23.7 million in 2000 (See Note 18 regarding the Company's plans to in-substance defease the 10.25% guaranteed bonds).

The 11.03% mortgage notes are secured by a pool of cross-collateralized mortgages on 240 restaurants with a net book value at December 31, 1997 of $218.1 million. In addition, the notes are collateralized by, among other things, a security interest in the restaurant equipment, the assignment of intercompany lease agreements and the stock of the issuing subsidiary. Interest on the notes is payable quarterly with the entire principal due at maturity in 2000. The notes are redeemable, in whole, at the issuer's option, upon payment of a premium. The Company through its operating subsidiary covenants that it will use each property as a food service facility, maintain the properties in good repair and expend at least $5.3 million per annum and not less than $33 million, in the aggregate, in any five-year period to maintain the properties.

In connection with the acquisition by FRD of Coco's and Carrows on May 23, 1996, FRI-M (the "Borrower"), a wholly-owned subsidiary of FRD, obtained a new credit facility (the "FRI-M Credit Facility") consisting of a $56 million, 39-month term loan (the "FRI-M Term Loan") and a $35 million working capital facility (the "FRI-M Revolver"). Proceeds

NOTE 8 DEBT -- Continued

from the FRI-M Term Loan were used to fund the Coco's and Carrows acquisition, and to pay the transactions costs associated therewith. Proceeds from the FRI-M Revolver are to be used for working capital requirements and other general corporate purposes, which may include the making of intercompany loans to any of the Borrower's wholly owned subsidiaries for their own working capital and other general corporate purposes. Letters of credit may be issued under the FRI-M Revolver for the purpose of supporting (i) workers' compensation liabilities of the Borrower or any of its subsidiaries; (ii) the obligations of third party insurers of the Borrower or any of its subsidiaries; and (iii) certain other obligations of the Borrower and its subsidiaries. At December 31, 1997, there were no working capital borrowings outstanding; however, letters of credit outstanding were $19.8 million. Beginning February 28, 1997, the principal installments of the FRI-M Term Loan were payable quarterly as follows: $4.0 million per quarter for four consecutive quarters; $5.0 million for four consecutive quarters beginning February 28, 1998; $6.0 million on February 28, 1999; and $7.0 million for two consecutive quarters beginning May 31, 1999. The FRI-M Credit Facility expires, and all amounts must be repaid, on August 31, 1999. All borrowings under the FRI-M Credit Facility accrue interest at a variable rate based on a base rate or an adjusted Eurodollar rate (8.4375% at December 31, 1997) and are secured by the issued and outstanding stock, as well as substantially all the assets, of FRD and its subsidiaries.

The FRI-M Credit Facility and the indenture under which the 12.5% senior notes have been issued contain a number of restrictive covenants which, among other things, limit (subject to certain exceptions) FRD and its subsidiaries with respect to the incurrence of debt, existence of liens, investments and joint ventures, the declaration or payment of dividends, the making of guarantees and other contingent obligations, mergers, the sale of assets, capital expenditures and material change in their business. In addition, the FRI-M Credit Facility contains certain financial covenants including provisions for the maintenance of a minimum level of interest coverage (as defined), limitations on ratios of indebtedness (as defined) to earnings before interest, taxes, depreciation and amortization (EBITDA), maintenance of a minimum level of EBITDA, and limitations on annual capital expenditures. The cash flows from FRD are required to be used to service the debt issued in the Coco's and Carrows acquisition (the FRI-M Credit Facility and the 12.5% Senior Notes), and, therefore, other than for the payment of certain management fees and tax reimbursements payable to Advantica under certain conditions, are currently unavailable to service the debt of Advantica and its other subsidiaries. FRD's cash flows from operating activities, included in the Company's total cash flow from operating activities, were $21.2 million in 1996 and $17.1 million in 1997.

FRD and its subsidiaries were in compliance with the terms of the FRI-M Credit Facility at December 31, 1997. Under the most restrictive provision of the FRI-M Credit Facility (ratio of indebtedness to EBITDA), at December 31, 1997, FRD could incur approximately $4.7 million of additional indebtedness.

The estimated fair value of the Company's long-term debt including long-term debt which has been reclassified to liabilities subject to compromise (excluding capital lease obligations) is approximately $1.5 billion at December 31, 1997. Such computations are based on market quotations for the same or similar debt issues or the estimated borrowing rates available to the Company.

NOTE 9 LEASES AND RELATED GUARANTEES

The Company's operations utilize property, facilities, equipment and vehicles leased from others. In addition, certain owned and leased property, facilities and equipment are leased to others.

Buildings and facilities leased from others primarily are for restaurants and support facilities. Restaurants are operated under lease arrangements which generally provide for a fixed basic rent, and, in some instances, contingent rental based on a percentage of gross operating profit or gross revenues. Initial terms of land and restaurant building leases generally are not less than 20 years exclusive of options to renew. Leases of other equipment primarily consist of restaurant equipment, computer systems and vehicles.

NOTE 9 LEASES AND RELATED GUARANTEES -- Continued

Information regarding the Company's leasing activities at December 31, 1997, excluding the capital lease obligations of FEI (See Note 18), is as follows:

	Capital Leases		Operating Leases	
	Minimum Lease Payments	Minimum Sublease Receipts	Minimum Lease Payments	Minimum Sublease Receipts
(In thousands)				
Year:				
1998	$ 31,723	$ 3,285	$ 56,186	$ 7,124
1999	27,283	2,722	52,564	6,658
2000	22,362	2,214	48,150	5,901
2001	18,345	1,771	43,371	5,132
2002	11,118	1,404	38,180	4,431
Subsequent years	51,731	6,573	201,974	20,233
Total	162,562	$17,969	$440,425	$49,479
Less imputed interest	55,202			
Present value of capital lease obligations	$107,360			

Payments for certain FRD operating leases are being made by FRI in accordance with the provisions of the Stock Purchase Agreement. As such, these payments have been excluded from the amount of minimum lease payments and minimum sublease receipts reported above.

The total rental expense included in the determination of operating income for the years ended December 31, 1995, 1996 and 1997 is as follows:

	Year Ended December 31,		
	1995	1996	1997
(In thousands)			
Base rents	$48,269	$59,322	$72,010
Contingent rents	11,274	10,929	13,241
Total	$59,543	$70,251	$85,251

Total rental expense does not reflect sublease rental income of $14.4 million, $16.3 million and $15.9 million for the years ended December 31, 1995, 1996, and 1997, respectively.

NOTE 10 INCOME TAXES

A summary of the provision for (benefit from) income taxes attributable to the loss before discontinued operations and extraordinary items is as follows:

(In thousands)	Year Ended December 31, 1995	1996	1997
Current:			
Federal	$ 1,940	$ (6,074)	$ --
State, Foreign and Other	1,497	(1,287)	1,947
	3,437	(7,361)	1,947
Deferred:			
Federal	--	(6,797)	--
State, Foreign and Other	(3,451)	(2,234)	(178)
	(3,451)	(9,031)	(178)
(Benefit from) provision for income taxes	$ (14)	$ (16,392)	$1,769
The total provision for (benefit from) income taxes related to:			
Loss before discontinued operations and extraordinary items	$ (14)	$ (16,392)	$1,769
Discontinued operations	8,731	--	--
Extraordinary items	25	--	--
Total provision for (benefit from) income taxes	$ 8,742	$ (16,392)	$1,769

For the year ended December 31, 1995, the provision for income taxes relating to discontinued operations was reduced due to the utilization of regular tax net operating loss carryforwards of approximately $75 million. In addition, for the year ended December 31, 1996, the Company recorded a $7.3 million deferred Federal tax benefit related to the reversal of certain reserves established in connection with proposed deficiencies from the Internal Revenue Service.

The following represents the approximate tax effect of each significant type of temporary difference and carryforward giving rise to deferred income tax liabilities or assets:

(In thousands)	December 31, 1996	1997
Deferred tax assets:		
Deferred income	$ 39,953	$ 29,312
Self-insurance reserves	43,006	35,056
Capitalized leases	19,869	14,961
Amortization of intangible assets	2,949	7,155
Other accruals and reserves	18,054	31,521
Alternative minimum tax credit carryforwards	10,459	10,459
General business credit carryforwards	19,232	50,840
Capital loss carryforwards	--	10,400
Net operating loss carryforwards	32,135	85,155
Less: valuation allowance	(83,828)	(212,375)
Total deferred tax assets	101,829	62,484
Deferred tax liabilities:		
Depreciation of fixed assets	118,190	72,499
Total deferred income tax liability	$ 16,361	$ 10,015

The Company has provided a valuation allowance for the portion of the deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

NOTE 10 INCOME TAXES -- Continued

The difference between the statutory federal income tax rate and the effective tax rate on loss from continuing operations before discontinued operations and extraordinary items is as follows:

	Year Ended December 31,		
	1995	1996	1997
Statutory rate	35%	35%	35%
Differences:			
State, foreign, and other taxes, net of federal income tax benefit	--	2	(1)
Amortization of goodwill	--	1	(1)
Reversal of certain reserves established in connection with proposed Internal Revenue Service deficiencies	--	7	--
Non-deductible costs related to the reorganization	--	--	(4)
Non-deductible wages related to the FICA tip credit	--	--	(2)
Portion of losses and income tax credits not benefited as a result of the establishment of valuation allowance	(35)	(29)	(28)
Effective tax rate	--%	16%	(1%)

At December 31, 1997, the Company has available, to reduce income taxes that become payable in the future, general business credit carryforwards of approximately $51 million, most of which expire in 2002 through 2007, and alternative minimum tax ("AMT") credits of approximately $10 million. The AMT credits may be carried forward indefinitely. In addition, the Company has available regular income tax net operating loss carryforwards of approximately $180 million which expire in 2007 through 2012 and AMT net operating loss carryforwards of approximately $142 million which expire in 2011 and 2012. Due to the recapitalization of the Company which occurred during 1992, the Company's ability to utilize general business credits and AMT credits which arose prior to the recapitalization is limited to a specified annual amount. The annual limitation for the utilization of the tax credit carryforwards is approximately $8 million. The net operating loss carryforward arose subsequent to the recapitalization and was not subject to any limitation as of the end of 1997.

In connection with the purchase of FRI-M in 1996, the Company acquired certain income tax attributes which may be used to offset FRI-M's separate taxable income. Approximately $33 million of regular net operating loss carryfowards and $26 million of regular and AMT capital loss carryforwards are available to reduce the future separate taxable income of FRI-M and its subsidiaries. Due to FRI-M's ownership changes in January 1994 and again in May 1996, FRI-M's ability to utilize these loss carryforwards, which arose prior to the ownership changes, is limited.

The annual limitation for the utilization of approximately $22 million of FRI-M's net operating loss carryforwards which were generated after January 1994 is approximately $4 million. The remaining $11 million of FRI-M's net operating loss carryforwards which were generated prior to January 1994 can only be utilized to offset any pre-January 1994 built-in-gains which are recognized in certain future periods. These net operating loss carryforwards expire principally in 2006 through 2010. FRI-M's remaining capital loss carryforward of $26 million can only be utilized to offset capital gains generated by FRI-M or its subsidiaries. FRI-M's capital loss carryforwards are also subject to the same $4 million annual limitation as the net operating losses generated after January 1994. In 1997, FRI-M recognized approximately $4 million of capital gains which were utilized to offset some of the capital loss carryover. The remaining capital loss carryforward of approximately $26 million will expire in 2000.

The Company's reorganization, which became effective January 7, 1998, will impact the Company's ability to utilize certain net operating loss, general business credit and AMT credit carryforwards. See Note 1 which discusses the reorganization including the impact on the Company's carryover tax benefits and its tax basis in its assets.

NOTE 11 EMPLOYEE BENEFIT PLANS

The Company maintains several defined benefit plans which cover a substantial number of employees. Benefits are based upon each employee's years of service and average salary. The Company's funding policy is based on the minimum amount required under the Employee Retirement Income Security Act of 1974. The Company also maintains defined contribution plans.

Total net pension cost of defined benefit plans for the years ended December 31, 1995, 1996, and 1997 amounted to $5.6 million, $3.5 million, and $4.9 million, respectively, of which $3.3 million is related to funded defined benefit plans for each year, and $2.3 million, $0.2 million and $1.6 million is related to nonqualified unfunded supplemental defined benefit plans for executives.

The components of net pension cost of the funded and unfunded defined benefit plans for the years ended December 31, 1995, 1996, and 1997 determined under SFAS No. 87 follow:

	Year Ended December 31,		
	1995	1996	1997
(In thousands)			
Service cost	$ 2,829	$ 3,151	$ 3,354
Interest cost on projected benefit obligations	2,651	2,895	2,926
Actual return on plan assets	(3,722)	(2,277)	(5,374)
Net amortization and deferral	2,074	(242)	2,636
Curtailment/settlement losses (due to early retirement of certain participants)	1,762	--	1,342
Net pension cost	$ 5,594	$ 3,527	$ 4,884

The following table sets forth the funded status and amounts recognized in the Company's balance sheet for its funded defined benefit plans:

	December 31,	
	1996	1997
(In thousands)		
Actuarial present value of accumulated benefit obligations:		
Vested benefits	$ 27,661	$ 34,736
Non-vested benefits	1,488	2,685
Accumulated benefit obligations	$ 29,149	$ 37,421
Plan assets at fair value	$ 31,109	$ 37,342
Projected benefit obligation	(36,416)	(46,800)
Funded status	(5,307)	(9,458)
Unrecognized net loss from past experience different from that assumed	6,890	10,774
Additional liability	--	(1,395)
Prepaid (accrued) pension costs	$ 1,583	$ (79)

Assets held by the Company's plans are invested in money market and other fixed income funds as well as equity funds.

NOTE 11 EMPLOYEE BENEFIT PLANS -- Continued

The following sets forth the funded status and amounts recognized in the Company's balance sheet for its unfunded defined benefit plans:

	December 31,	
	1996	1997
(In thousands)		
Actuarial present value of accumulated benefit obligations:		
Vested benefits	$ 4,924	$ 134
Non-vested benefits	33	168
Accumulated benefit obligations	$ 4,957	$ 302
Plan assets at fair value	$ --	$ --
Projected benefit obligation	(5,051)	(401)
Funded status	(5,051)	(401)
Unrecognized net loss (gain) from past experience different from that assumed	616	(49)
Unrecognized prior service cost	68	27
Unrecognized net asset at January 1, 1987 being amortized over 15 years	(9)	(1)
Additional liability	(974)	--
Accrued pension costs	$(5,350)	$(424)

Significant assumptions used in determining net pension cost and funded status information for all the periods shown above are as follows:

	1995	1996	1997
Discount rate	8.0%	8.0%	7.0%
Rates of salary progression	4.0%	4.0%	4.0%
Long-term rates of return on assets	10.0%	10.0%	10.0%

In addition, the Company has defined contribution plans whereby eligible employees can elect to contribute from 1%-15% of their compensation to the plans. Under these plans the Company makes matching contributions, with certain limitations. Amounts charged to income under these plans were $3.9 million and $2.4 million for the years ended December 31, 1995 and 1997, respectively. The Company made no matching contributions for the year ended December 31, 1996.

Incentive compensation plans provide for awards to management employees based on meeting or exceeding certain levels of income as defined by such plans. The amounts charged to income under the plans for the years ended December 31, 1995, 1996, and 1997 were as follows: $0.6 million, $1.9 million, and $3.8 million, respectively. In addition to these incentive compensation plans, certain operations have incentive plans in place under which regional, divisional and local management participate.

At December 31, 1997, the Company has two stock-based compensation plans, which are described below. The Company has adopted the disclosure-only provisions of Financial Accounting Standards Board Statement 123, "Accounting for Stock Based Compensation" ("SFAS 123") while continuing to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its stock-based compensation plans. Under APB 25, because the exercise price of the Company's employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The 1989 Stock Option Plan (the "1989 Plan") permits a Committee of the Board of Directors to grant options to key employees of the Company and its subsidiaries to purchase shares of Old Common Stock of the Company at a stated price established by the Committee. Such options are exercisable at such time or times either in whole or part, as determined by the Committee. The 1989 Plan authorizes grants of up to 6.5 million common shares. The exercise price of each option equals or exceeds the market price of the Company's stock on the date of grant. Options granted to officer level employees vest at a rate of 20% per annum beginning on the first anniversary date of the grant. Options granted to non-officer level

NOTE 11 EMPLOYEE BENEFIT PLANS -- Continued

employees prior to August 13, 1996 vest at a rate of 25% per annum. Those granted on August 13, 1996 or subsequent thereto, vest at a rate of 20% per annum. If not exercised, all options expire ten years from the date of grant.

During January 1995, the Company issued 65,306 shares of Old Common Stock (Note 13) and granted an option under the 1989 Stock Option Plan to purchase 800,000 shares of the Company's Old Common Stock to an executive officer, at market value at date of grant, for a ten year period. Such grant becomes exercisable at a rate of 20% per year beginning on January 9, 1996 and each anniversary thereafter.

On June 21, 1995, generally all of the outstanding options held by the then current employees of the Company under the 1989 Plan were repriced to $6.00 per share, the market value of the Old Common Stock on that date. All officer level employees were given the choice of either retaining their current options at their existing exercise prices and vesting schedule or surrendering their existing options in exchange for an option to purchase the same number of shares exercisable at a rate of 20% per annum beginning on the first anniversary date of the new grant. All non-officer employees received the new exercise price of $6.00 per share and retained their original vesting schedules for all of their outstanding options previously granted.

On December 13, 1996, the outstanding options of certain officers and senior staff, representing approximately 2.2 million outstanding options, were repriced to $1.25 per share, the closing price of the Old Common Stock on December 12, 1996. The repricing did not impact the option vesting schedules.

In 1990, the Board of Directors adopted a 1990 Non-qualified Stock Option Plan (the "1990 Plan") for its directors who do not participate in management and were not affiliated with Gollust Tierney & Oliver, Incorporated, a former shareholder of the Company. Such plan authorizes the issuance of up to 110,000 shares of Old Common Stock. The plan is substantially similar in all respects to the 1989 Plan described above. At both December 31, 1996 and 1997, options outstanding under the 1990 Option Plan totaled 10,000 shares.

During January 1997, the Company issued 291,000 options relative to the 1989 Plan. Options forfeited during the year totaled approximately 1,070,000. No options were exercised during the year. On the Effective Date of the Company's emergence from bankruptcy, pursuant to the Plan, FCI's Old Common Stock was canceled, extinguished and retired. As a result, all stock options outstanding as of that date, including those under both the 1989 Plan and the 1990 Plan, were effectively canceled. Due to the insignificant quantity of options issued during 1997 and the fact that all options were issued at an exercise price which exceeded the market price of the Old Common Stock upon issuance and through January 7, 1998, the date upon which all outstanding options were effectively canceled, the effect on the accompanying Statement of Consolidated Operations for the year ended December 31, 1997 of the compensation expense calculated under SFAS 123 related to such issuance is not material and accordingly, is not included in the pro forma information presented below.

Pro forma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options granted or repriced during 1995 and 1996 under the fair value method of that statement. The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1995 and 1996, respectively: dividend yield of 0.0% for both years; expected volatility of 0.438 for both years; risk-free interest rates of 5.6% and 5.7% and a weighted average expected life of the options of 8.3 years and 8.9 years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	Year Ended December 31,		
(in thousands)	1995	1996	1997
Pro forma net loss	$ (57,719)	$ (87,124)	$ (136,559)
Pro forma loss per share:			
Basic and diluted	(1.68)	(2.39)	(3.55)

NOTE 11 EMPLOYEE BENEFIT PLANS -- Continued

Due to the fact that the pro forma amounts above include only the impact of the application of fair value accounting to options issued in 1995 and 1996 as prescribed by Statement 123, they are not, and will not be, indicative of future pro forma amounts.

A summary of the Company's stock option plans as of December 31, 1996 and the changes during the year ended December 31, 1996 is presented below. This summary and the following summary of information about stock options outstanding are not updated for 1997 activity as discussed above, based on the insignificance of such activity and the cancellation of all stock option plans relative to the Old Common Stock effective January 7, 1998.

	1996	
	Options (000)	Weighted-Average Exercise Price
Outstanding at beginning of year	4,338	$ 8.02
Granted		
Exercise price equals fair value at grant date	687	2.75
Exercise price exceeds fair value at grant date	3,167	2.68
Exercised	--	--
Forfeited/Expired	(3,873)	6.05
Outstanding at end of year	4,319	$ 5.04
Exercisable at year-end	1,154	$ 9.84

The following table summarizes information about stock options outstanding at December 31, 1996:

Range of Exercise Prices	Number Outstanding at 12/31/96	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/96	Weighted-Average Exercise Price
$ 1.25-$ 1.25	2,210,895	9.06	$ 1.25	191,358	$ 1.25
$ 2.75-$ 2.75	126,700	9.62	2.75	--	--
$ 6.00-$ 6.13	1,381,280	7.71	6.07	482,475	6.04
$ 15.00-$17.50	600,000	1.88	17.08	480,000	17.08
	4,318,875	7.64	$ 5.04	1,153,833	$ 9.84

The weighted average fair value per option of options granted during the years ended December 31, 1995 and 1996 are as follows:

	1995	1996
Exercise price equals fair value at grant date	$ 3.06	$ 1.65
Exercise price exceeds fair value at grant date	2.97	.78

Pursuant to the Plan, and shortly after its effective date, the Company adopted The Advantica Restaurant Group Stock Option Plan (the "Non-Officer Plan") and The Advantica Restaurant Group Officer Stock Option Plan (the "Officer Plan" and, together with the Non-Officer Plan, the "New Stock Option Plans"). The New Stock Option Plans are designed to facilitate awarding stock options as incentives to employees and consultants of Advantica.

The New Stock Option Plans shall be administered by the Compensation and Incentives Committee of the Advantica Board, who shall have sole discretion to determine the exercise price, term and vesting schedule of options awarded under such plans. A total of 4,888,888 shares of Advantica Common Stock are authorized to be issued under these plans.

Under the terms of the plans, optionees who terminate for any reason other than cause or death will be allowed 60 days after the termination date to exercise "vested" options. "Vested" options are exercisable for one year when termination is by a reason other than voluntary termination or for cause. If termination is for cause, no option shall be exercisable after the termination date.

NOTE 11 EMPLOYEE BENEFIT PLANS -- Continued

In addition to the New Stock Option Plans, the Company has adopted The Advantica Restaurant Group Director Stock Option Plan (the "Director Plan"), the terms of which are substantially similar to the terms of the New Stock Option Plans. A total of 200,000 shares of Advantica Common Stock are authorized to be issued under the Director Plan. Both the Director Plan and the Officer Plan are contingent upon receiving shareholder approval at Advantica's 1998 annual shareholders' meeting.

NOTE 12 COMMITMENTS AND CONTINGENCIES

There are various claims and pending legal actions against or indirectly involving the Company, including actions concerned with civil rights of employees and customers, other employment related matters, taxes, sales of franchise rights and businesses, and other matters. Certain of these are seeking damages in substantial amounts. The amounts of liability, if any, on these direct or indirect claims and actions at December 31, 1997, over and above any insurance coverage in respect to certain of them, are not specifically determinable at this time.

In 1994, Flagstar was advised of proposed deficiencies from the Internal Revenue Service for federal income taxes totaling approximately $12.7 million. The proposed deficiencies relate to examinations of certain income tax returns filed by FCI and Flagstar for the seven taxable periods ended December 31, 1992. In the third quarter of 1996, this proposed deficiency was reduced by approximately $7.0 million as a direct result of the passage of the Small Business Jobs Protection Act ("the Act") in August 1996. The Act included a provision that clarified Internal Revenue Code Section 162(k) to allow for the amortization of borrowing costs incurred by a corporation in connection with a redemption of its stock. As the Company believes the remaining proposed deficiencies are substantially incorrect, it intends to continue to contest such proposed deficiencies.

It is the opinion of Management (including General Counsel), after considering a number of factors, including but not limited to the current status of the litigation (including any settlement discussions), the views of retained counsel, the nature of the litigation or proposed tax deficiencies, the prior experience of the consolidated companies, and the amounts which the Company has accrued for known contingencies, that the ultimate disposition of these matters will not materially affect the consolidated financial position or results of operations of the Company.

The Company's Hardee's restaurants are operated under licenses from Hardee's Food Systems, Inc. ("HFS"). The Company does not believe HFS has satisfied its contractual obligations to support the Hardee's franchise and on March 19, 1997, the Company notified HFS, pursuant to its various license agreements, that its subsidiary was seeking to arbitrate certain claims of the subsidiary against HFS. In its demand for arbitration, the Company's subsidiary makes a number of claims, including, (i) breach by HFS of its license agreements with the Company's subsidiary, (ii) breach of fiduciary duty and negligence by HFS in mishandling and misapplying funds of the Company's subsidiary held for advertising, and (iii) unfair trade practices. Such arbitration proceeding has been suspended by the parties as a result of the definitive agreement for the sale of Flagstar Enterprises, Inc. ("FEI"), the wholly-owned subsidiary which operates the Company's Hardee's restaurants, to HFS' parent company. If such proposed sale were not consummated and the arbitration proceeding were to resume, no assurance can be given as to the outcome of such proceeding or its impact on the Company's continuing Hardee's operations. If the proposed sale is consummated, all claims made by the Company against HFS would be released. See Note 18 regarding potential disposition of the Company's Hardee's restaurants.

On February 22, 1996, the Company entered into an agreement with IBM Global Services ("IBM") (formerly Integrated Systems Solutions Corporation). The ten-year agreement (as amended) for $358.1 million, which requires annual payments ranging from $24.0 million to $51.2 million, provides for IBM to manage and operate the Company's information systems, as well as develop and implement new systems and applications to enhance information technology for the Company's corporate headquarters, restaurants and field management. Under the agreement, IBM has full oversight responsibilities for the data center operations, applications development and maintenance, voice and data networking, help desk operations, and point-of-sale technology. The disposition of FEI will reduce the future commitment under the agreement with IBM. The Company is currently working with IBM to quantify this impact. Additionally, the Company expects to spend approximately $20 million in both 1998 and 1999, which is not included in this agreement, to develop or purchase new software.

NOTE 12 COMMITMENTS AND CONTINGENCIES -- Continued

In conjunction with the sales of Portion-Trol Foods, Inc. and the Mother Butler Pies division of Denny's, the Company entered into five-year purchasing agreements with the acquirers under which the Company is required to make minimum annual purchases over the contract terms. The aggregate estimated commitments remaining at December 31, 1997 relative to Portion-Trol Foods, Inc. and Mother Butler Pies, respectively, are approximately $360 million and $43 million.

NOTE 13 SHAREHOLDERS' EQUITY (DEFICIT)

(In thousands)	Total Other Equity	Deficit	Shareholders' Equity (Deficit)
Balance December 31, 1994	$745,400	$ (1,807,900)	$ (1,062,500)
Activity:			
Net loss	--	(55,199)	(55,199)
Dividends declared on Old Preferred Stock	--	(14,175)	(14,175)
Issuance of Common Stock (Note 11)	400	--	400
Minimum pension liability adjustment	497	--	497
Balance December 31, 1995	746,297	(1,877,274)	(1,130,977)
Activity:			
Net loss	--	(85,460)	(85,460)
Dividends declared on Old Preferred Stock	--	(10,631)	(10,631)
Minimum pension liability adjustment	(459)	--	(459)
Balance December 31, 1996	745,838	(1,973,365)	(1,227,527)
Activity:			
Net loss	--	(134,450)	(134,450)
Minimum pension liability adjustment	(473)	--	(473)
Balance December 31, 1997	$745,365	$ (2,107,815)	$ (1,362,450)

Each share of the $2.25 Series A Cumulative Convertible Exchangeable Preferred Stock (the "Old Preferred Stock") is convertible at the option of the holder, unless previously redeemed, into 1.359 shares of Old Common Stock. The Old Preferred Stock may be exchanged at the option of the Company, in up to two parts, at any dividend payment date for the Company's 9% Convertible Subordinated Debentures ("Exchange Debentures") due July 15, 2017 in a principal amount equal to $25.00 per share of $2.25 Old Preferred Stock. Each $25.00 principal amount of Exchange Debenture, if issued, would be convertible at the option of the holder into 1.359 shares of Old Common Stock of the Company.

The Old Preferred Stock may be redeemed at the option of the Company, in whole or in part, on or after July 15, 1994 at $26.80 per share if redeemed during the twelve month-period beginning July 15, 1994, and thereafter at prices declining annually to $25.00 per share on or after July 15, 2002.

The Company did not make the fourth quarter 1996 or the first, second, third and fourth quarter 1997 dividend payments on its Old Preferred Stock. Such cumulative dividends that have not been declared or paid total $17.7 million, or $.42 per share, at December 31, 1997.

At December 31, 1997, there are warrants outstanding which entitle the holder, an affiliate of Kohlberg, Kravis, Roberts & Co. ("KKR"), a shareholder of the Company at December 31, 1997, to purchase 15 million shares of Old Common Stock at $17.50 per share, subject to adjustment for certain events. Such warrants may be exercised through November 16, 2000.

As discussed in Note 1, pursuant to the Plan, Flagstar's 10% Convertible Debentures, FCI's $2.25 Series A Cumulative Convertible Exchangeable Preferred Stock and FCI's $.50 par value common stock were canceled, extinguished and retired as of the Effective Date. In addition, the warrants related to such Old Common Stock were also canceled.

NOTE 13 SHAREHOLDERS' EQUITY (DEFICIT) -- Continued

Pursuant to the Plan and as of the Effective Date, the Company is deemed to have issued warrants to purchase in the aggregate, 4 million shares of Common Stock. Each warrant, when exercised, will entitle the holder thereof to purchase one share of Common Stock at an exercise price of $14.60 per share, subject to adjustment for certain events. Such warrants may be exercised through January 7, 2005.

Also pursuant to the Plan, 10% of the number of shares of Common Stock issued and outstanding on the Effective Date, on a fully diluted basis, is reserved for issuance under a new management stock option program (See Note 11).

NOTE 14 EARNINGS (LOSS) PER SHARE APPLICABLE TO COMMON SHAREHOLDERS

The following table sets forth the computation of basic and diluted loss per share:

	1995	1996	1997
Numerator:			
Loss from continuing operations	$ (132,906)	$ (85,460)	$ (134,450)
Preferred stock dividends	(14,175)	(14,175)	(14,175)
Numerator for basic and diluted loss per share -- loss from continuing operations available to common shareholders	$ (147,081)	$ (99,635)	$ (148,625)
Denomininator:			
Denominator for basic and diluted loss per share -- weighted-average shares	42,431	42,434	42,434
Basic and diluted loss per share from continuing operations	$ (3.47)	$ (2.35)	$ (3.50)

The calculations of basic and diluted loss per share have been based on the weighted average number of Company shares outstanding. The warrants, options, $2.25 Preferred Stock and 10% Convertible Debentures have been omitted from the calculations because they have an antidilutive effect on loss per share. For additional disclosures regarding the warrants, options, $2.25 Preferred Stock and 10% Convertible Debentures, see Notes 1, 8, 11 and 13.

NOTE 15 EXTRAORDINARY ITEMS

The Company recorded losses from extraordinary items as follows:

	Year Ended December 31, 1995		
(In thousands)	Gain (Loss)	Income Tax Provision (Benefits)	Gain (Loss), Net of Taxes
Repurchase of Senior Indebtedness:			
Gain on repurchase of senior indebtedness	$1,461	$ 74	$1,387
Write-off of deferred financing costs on repurchase of senior indebtedness	(970)	(49)	(921)
Total	$ 491	$ 25	$ 466

During the third quarter of 1995, the Company recognized an extraordinary gain totaling $0.5 million, net of income taxes, which represents the repurchase of $25.0 million principal amount of certain senior indebtedness, net of the charge-off of the related unamortized deferred financing costs of $0.9 million.

NOTE 16 RELATED PARTY TRANSACTIONS

The Company recorded charges against income of approximately $1.3 million for the years ended December 31, 1995, 1996, and 1997 relative to KKR's financial advisory fees.

NOTE 16 RELATED PARTY TRANSACTIONS -- Continued

During January 1997, the Company settled its employment and benefits arrangements with, and loan receivable from, a former officer previously scheduled to mature in November 1997. The Company received net proceeds of $8.2 million and recorded a net charge of approximately $3.5 million which is included in other non-operating expenses in the 1996 Statement of Consolidated Operations.

Interest income for the loan receivable from the former officer for the years ended December 31, 1995 and 1996 totaled $886,000 and $935,000, respectively.

NOTE 17 DISCONTINUED OPERATIONS

During December 1995, the Company sold TW Recreational Services, Inc., a concession and recreation services subsidiary, for $98.7 million and Volume Services, Inc., a stadium concession services subsidiary for $75.8 million, and recognized gains totaling $77.9 million, net of income taxes.

The financial statements and related notes presented herein classify TW Recreational Services, Inc. and Volume Services, Inc. as discontinued operations in accordance with Accounting Principles Board Opinion No. 30. Revenue and operating income of the discontinued operations for the year ended December 31, 1995 were $32.6 million and $17.1 million, respectively.

NOTE 18 SUBSEQUENT EVENT

On February 18, 1998 Advantica entered into a definitive agreement with CKE Restaurants, Inc. ("CKE") for the sale of stock of Flagstar Enterprises, Inc. ("FEI"), a wholly-owned subsidiary which operates the Company's Hardee's restaurants under licenses from Hardee's Food Systems, Inc. ("HFS"), a wholly-owned subsidiary of CKE. As contemplated by such agreement, the Company would receive $380.8 million in cash (subject to certain adjustments) in exchange for all of the outstanding stock of FEI. In addition, CKE would assume $45.6 million of capital leases. The transaction is expected to be completed on or about April 1, 1998. Approximately $180 million of the proceeds of such transaction, if consummated, (together with $20.7 million previously on deposit with respect to certain Mortgage Financings defined herein) will be applied to effect an in-substance defeasance of the Company's 10.25% guaranteed bonds (the "Mortgage Financings") of FEI and Quincy's Restaurants, Inc. with a book value of $177.6 million (and a pro forma fair value of $198.9 million) at December 31, 1997, plus accrued interest of $2.3 million. Such Mortgage Financings are collateralized by certain assets of FEI and its wholly-owned subsidiary Spardee's Realty, Inc. and certain assets of Quincy's Restaurants, Inc. and its wholly-owned subsidiary Quincy's Realty, Inc. The Company intends to replace such collateral by purchasing Defeasance Eligible Investments (as defined in documents governing such Mortgage Financings) which will be deposited in an irrevocable trust to satisfy principal and interest payments under such Mortgage Financings through the stated maturity date in the year 2000. The proposed transaction would require consents of the lenders under the Credit Facility, and the Company is currently negotiating the terms of an amendment which would include such consent. The net assets of FEI are included in net assets held for sale in the accompanying Consolidated Balance Sheet at December 31, 1997, and consist of the following:

NOTE 18 SUBSEQUENT EVENT -- Continued

Assets	
Current assets	$ 8,715
Property owned, net	290,621
Property held under capital leases, net	32,619
Other assets	13,338
	345,293
Less liabilities	
Current liabilities	
Current portion of obligations under capital lease	3,874
Other current liabilities	28,368
	32,242
Long-term liabilities	
Obligations under capital lease, non current	41,339
Other long term liabilities	29,233
	70,572
Total liabilities	102,814
Net assets held for sale	$242,479

NOTE 19 QUARTERLY DATA (UNAUDITED)

The results for each quarter include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for interim periods. During the fourth quarter of 1997 the Company recorded a $5.8 million reduction in operating expenses resulting from various non-recurring items consisting primarily of an insurance recovery. The consolidated financial results on an interim basis are not necessarily indicative of future financial results on either an interim or an annual basis.

Selected consolidated financial data for each quarter within 1996 and 1997 are as follows:

(In thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 1996:				
Operating revenue	$ 550,425	$ 626,570	$ 703,838	$ 661,469
Operating expenses:				
Product costs	160,752	185,499	207,390	193,039
Payroll and benefits	213,807	234,948	258,000	236,409
Depreciation and amortization expense	29,047	30,006	33,555	37,340
Utilities expense	22,754	24,329	30,698	26,696
Other	96,579	108,428	125,868	130,766
Operating income	$ 27,486	$ 43,360	$ 48,327	$ 37,219
Loss before extraordinary item	$ (27,310)	$ (17,435)	$ (12,519)	$ (28,196)
Net loss applicable to common shareholders	$ (30,854)	$ (20,979)	$ (16,062)	$ (31,740)
Basic and diluted loss per share applicable to common shareholders:				
Net loss	$ (0.73)	$ (0.49)	$ (0.38)	$ (0.75)
Year Ended December 31, 1997:				
Operating revenue	$ 675,775	$ 659,428	$ 654,153	$ 620,100
Operating expenses:				
Product costs	197,692	192,261	191,026	179,995
Payroll and benefits	256,787	243,446	235,826	240,130
Depreciation and amortization expense	34,682	33,546	38,672	33,928
Utilities expense	27,480	26,508	28,968	27,182
Other	136,107	117,505	115,394	96,279
Provision for restructuring charges	--	--	--	10,540
Charge for impaired assets	--	--	--	15,074
Operating income	$ 23,027	$ 46,162	$ 44,267	$ 16,972
Loss before extraordinary item	$ (51,728)	$ (32,271)	$ (17,759)	$ (32,692)
Net loss applicable to common shareholders	$ (55,272)	$ (35,815)	$ (21,302)	$ (36,236)
Basic and diluted loss per share applicable to common shareholders:				
Net loss	$ (1.30)	$ (0.84)	$ (0.50)	$ (0.86)

No dealer, salesman or any other person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The delivery of this Prospectus at any time does not imply that the information contained herein is correct as of any time subsequent to its date.

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Advantica Restaurant Group, Inc.

9,301,820 Shares of Common Stock

PROSPECTUS

, 1998

PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth an estimate of the expenses that will be incurred by the registrant in connection with the distribution of the securities being registered hereby:

SEC registration fee	$ 27,401
Legal fees and expenses	135,000
Accounting fees and expenses	100,000
Printing costs	100,000
Miscellaneous	12,599
Total	$375,000

Item 14. Indemnification and Limitation of Liability of Directors and Officers.

Advantica is a Delaware corporation. Reference is made to Section 102(b)(7) of the Delaware General Corporation Law (the "DGCL"), which enables a corporation in its original certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,
(iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit.

Reference is also made to Section 145 of the DGCL, which provides that a corporation may indemnify any persons, including officers and directors, who are, or are threatened to be made, parties to any threatened, pending or completed legal action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such officer, director, employee or agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. A Delaware corporation may indemnify officers, directors, employees and agents in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer, director, employee or agent is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses that such officer, director, employee or agent actually and reasonably incurred.

Advantica's Restated Certificate of Incorporation and By-Laws that were adopted pursuant to the Plan of Reorganization provide for indemnification of its officers and directors to the full extent permitted under Delaware law. Specifically, Articles Sixth and Seventh of the Restated Certificate of Incorporation provide for indemnification of officers and directors to the extent permitted by Section 145 of the DGCL and the elimination of liability of directors to the extent permitted by Section 102(b)(7) of the DGCL, and Article 5, Section 14 of the By-Laws provides for indemnification of officers and directors to the extent permitted by Section 145 of the DGCL. The Adamson Employment Agreement (attached as Exhibit 10.30 to this Registration Statement) also provides for indemnification by the Company to the extent permitted by Delaware law and, in connection therewith, calls for the advancement of attorney's fees and expenses (subject to repayment in certain circumstances). The Registration Rights Agreement (attached as Exhibit 4.2 to this Registration Statement) provides for indemnification by Advantica of the holder of registrable securities that is a party thereto for control person liability, if any, in respect of certain claims under the Securities Act.

Item 15. Recent Sales of Unregistered Securities.

On January 7, 1998 (the Effective Date of the Plan of Reorganization (as defined and described in the Prospectus)) 40,000,000 shares of Common Stock, par value $.01 per share, of Advantica (the "Common Stock"), and warrants to purchase up to 4,000,000 shares of Common Stock at a per share exercise price of $14.60, were deemed issued by Advantica and distributed pursuant to the Plan of Reorganization, subject to completion of exchange of securities as contemplated by

the Plan of Reorganization. Such issuance of Common Stock and Warrants was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 1145(a)(1) of Chapter 11, Title 11 of the United States Code.

On or about April 14, 1998, Advantica issued a total of 2,259 shares of Common Stock to its directors in lieu of director fees. Such issuance was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

The following is a complete list of Exhibits filed as part of this Registration Statement, which are incorporated herein:

Exhibit No.	Description
*2.1	Joint Plan of Reorganization of FCI and Flagstar, as amended November 7, 1997 and as confirmed by order of the United States Bankruptcy Court for the District of South Carolina entered November 12, 1997 (incorporated by reference to Exhibit 2.1 to FCI's Form 8-K, filed November 21, 1997 (the "1997 Form 8-K")).
*3.1	Restated Certificate of Incorporation of Advantica dated January 7, 1998 (incorporated by reference to Exhibit 3.1 to Form 8-A of Advantica filed January 7, 1998 relating to the Common Stock (the "Form 8-A")).
**3.2	Certificate of Ownership and Merger of Advantica dated January 7, 1998.
*3.3	By-Laws of Advantica as amended through January 7, 1998 (incorporated by reference to Exhibit 3.2 to the Form 8-A).
4.1	Specimen certificate of Common Stock of Advantica.
*4.2	Registration Rights Agreement (incorporated by reference to Exhibit 10.1 to the Form 8-A).
*4.3	Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing, and Assignment of Leases and Rents, from Denny's Realty, Inc. to State Street Bank and Trust Company, dated July 12, 1990 (incorporated by reference to Exhibit 4.9 to Post-effective Amendment No. 1 to the Registration Statement on Form S-1 (No. 33-29769) of FCI (the "Form S-l Amendment")).
*4.4	Lease between Denny's Realty, Inc. and Denny's, Inc., dated as of December 29, 1989, as amended and restated as of July 12, 1990 (incorporated by reference to Exhibit 4.10 to the Form S-l Amendment).
*4.5	Indenture dated as of July 12, 1990 between Denny's Realty, Inc. and State Street Bank and Trust Company relating to certain mortgage notes (incorporated by reference to Exhibit 4.11 to the Form S-l Amendment).
*4.6	Mortgage Note in the amount of $10,000,000 of Denny's Realty, Inc., dated as of July 12, 1990 (incorporated by reference to Exhibit 4.15 to the Registration Statement on Form S-4 (No. 33-48923) of Flagstar (the "11.25% Debentures S-4")).
*4.7	Mortgage Note in the amount of $52,000,000 of Denny's Realty, Inc., dated as of July 12, 1990 (incorporated by reference to Exhibit 4.16 to the 11.25% Debentures S-4).
*4.8	Mortgage Note in the amount of $98,000,000 of Denny's Realty, Inc., dated as of July 12, 1990 (incorporated by reference to Exhibit 4.16 to the 11.25% Debentures S-4).
*4.9	Indenture between Secured Restaurants Trust and The Citizens and Southern National Bank of South Carolina, dated as of November 1, 1990, relating to certain secured bonds (incorporated by reference to Exhibit 4.18 to the 11.25% Debentures S-4).
*4.10	Amended and Restated Trust Agreement between Spartan Holdings, Inc., as Depositor for Secured Restaurants Trust, and Wilmington Trust Company, dated as of October 15, 1990 (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-11 (No. 33-36345) of Secured Restaurants Trust (the "Form S-11")).
*4.11	Credit Agreement, dated as of May 23, 1996, among FRD, FRI-M, certain lenders and co-agents named therein, and Credit Lyonnais New York Branch as administrative agent (the "FRI-M Credit Agreement") (incorporated by reference to Exhibit 10.1 to the Registration Statement on Forms S-1 and S-4 (No. 333-07601) of FRD (the "FRD Form S-l/S-4").
*4.12	First Amendment to the FRI-M Credit Agreement, dated July 1, 1996 (incorporated by reference to Exhibit 10.3.1 to FCI's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).
*4.13	Second Amendment to the FRI-M Credit Agreement, dated November 19, 1996 (incorporated by reference to Exhibit 4.24 to FCI's 1996 Form 10-K, File No. 0-18051 (the "1996 Form 10-K")).
*4.14	Indenture dated as of May 23, 1996 between FRD and the Bank of New York, as Trustee (the "FRD Indenture") (incorporated by reference to Exhibit 4.1 to the FRD Form S-l/S-4).

Exhibit No.	Description
*4.15	Form of First Supplemental Indenture to the FRD Indenture dated as of August 23, 1996 (incorporated by reference to Exhibit 4.1.1 to the FRD Form S-l/S-4).
*4.16	Stock Purchase Agreement dated as of March 1, 1996 by and among FCI, Flagstar, FRD and FRI (incorporated by reference to Exhibit 4.2 to the FRD Form S-l/S-4).
*4.17	Indenture relating to the New Senior Notes (including the form of security) dated as of January 7, 1998, between Advantica and First Trust National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Advantica's Form 8-K filed January 15, 1998 (the "1998 Form 8-K").
*4.18	Warrant Agreement (including the form of Warrant) (incorporated by reference to Exhibit 10.1 to the Form 8-A).
*4.19	Third Amendment to the FRI-M Credit Agreement, dated as of March 17, 1997 (incorporated by reference to Exhibit 4.2 to FCI's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 (the "1997 First Quarter Form 10-Q")).
*4.20	Fourth Amendment and Limited Waiver, dated July 9, 1997 to the FRI-M Credit Agreement (incorporated by reference to Exhibit 4.2 to FCI's quarterly report on Form 10-Q for the quarter ended October 1, 1997 (the "1997 Third Quarter Form 10-Q")).
**4.21	Fifth Amendment to the FRI-M Credit Agreement, dated as of December 9, 1997.
5.1	Opinion of Parker, Poe, Adams & Bernstein L.L.P regarding the legality of securities to be issued.
*10.1	Consent Order dated March 26, 1993 between the U.S. Department of Justice, Flagstar and Denny's, Inc. (incorporated by reference to Exhibit 10.42 to the Registration Statement on Form S-2 (No. 33-49843) of Flagstar (the "Form S-2")).
*10.2	Fair Share Agreement dated July 1, 1993 between Flagstar and the NAACP (incorporated by reference to Exhibit 10.43 to the Form S-2).
*10.3	Form of Agreement providing certain supplemental retirement benefits (incorporated by reference to Exhibit 10.7 to FCI's 1992 Form 10-K, File No. 0-18051 (the "1992 Form 10-K")).
*10.4	Form of Supplemental Executive Retirement Plan Trust of Advantica (incorporated by reference to Exhibit 10.8 to the 1992 Form 10-K).
*10.5	Form of Mortgage related to Secured Restaurants Trust transaction (incorporated by reference to Exhibit 10.1 to the Form S-11).
*10.6	Mortgage Note in the amount of $521,993,982, made by Flagstar Enterprises, Inc. in favor of Spartan Holdings, Inc., dated as of February 1, 1990, as amended and restated November 15, 1990 (incorporated by reference to Exhibit 10.12 to the 11.25% Debentures S-4).
*10.7	Mortgage Note in the amount of $210,077,402, made by Quincy's Restaurants, Inc. in favor of Spartan Holdings, Inc., dated as of February 1, 1990, as amended and restated November 15, 1990 (incorporated by reference to Exhibit 10.13 to the 11.25% Debentures S-4).
*10.8	Loan Agreement between Secured Restaurants Trust and Spardee's Realty, Inc., dated as of November 1, 1990 (incorporated by reference to Exhibit 10.14 to the 11.25% Debentures S-4).
*10.9	Loan Agreement between Secured Restaurants Trust and Quincy's Realty, Inc., dated as of November 1, 1990 (incorporated by reference to Exhibit 10.15 to the 11.25% Debentures S-4).
*10.10	Insurance and Indemnity Agreement, dated as of November 1, 1990, related to Secured Restaurants Trust transaction (incorporated by reference to Exhibit 10.16 to the 11.25% Debentures S-4).
*10.11	Intercreditor Agreement, dated as of November 1, 1990, related to Secured Restaurants Trust transaction (incorporated by reference to Exhibit 10.17 to the 11.25% Debentures S-4).
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*10.20	Spartan Guaranty, dated as of November 1, 1990, related to Secured Restaurants Trust transaction (incorporated by reference to Exhibit 10.26 to the 11.25% Debentures S-4).
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*10.22	Stock Pledge Agreement among Flagstar Enterprises, Inc. and Secured Restaurants Trust, dated as of November 1, 1990 (incorporated by reference to Exhibit 10.28 to the 11.25% Debentures S-4).
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* Certain of the exhibits to this Registration Statement on Form S-1, indicated by an asterisk, are hereby incorporated by reference to other documents on file with the Commission with which they are physically filed, to be part hereof as of their respective dates.

** Previously filed.

(b) Financial Statement Schedules:

No schedules are filed herewith because of the absence of conditions under which they are required or because the information called for is in the Consolidated Financial Statements or Notes thereto.

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions in Item 14 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in such Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the registrant of expenses incurred or paid by a director or officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in such Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and

price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the Plan of Distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Spartanburg, State of South Carolina, on April 20, 1998.

ADVANTICA RESTAURANT GROUP, INC.

By: /s/ RHONDA J. PARISH

Rhonda J. Parish

Executive Vice President, General Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	Director, Chairman, President and Chief Executive Officer (Principal Executive Officer)	April 20, 1998
(James B. Adamson)		
/s/ RONALD B. HUTCHISON	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 20, 1998
(Ronald B. Hutchison)		
*	Director	April 20, 1998
(Robert H. Allen)		
*	Director	April 20, 1998
(Ronald E. Blaylock)		
*	Director	April 20, 1998
(Vera King Farris)		
*	Director	April 20, 1998
(James J. Gaffney)		
*	Director	April 20, 1998
(Irwin N. Gold)		
*	Director	April 20, 1998
(Robert E. Marks)		
*	Director	April 20, 1998
(Charles F. Moran)		
*	Director	April 20, 1998
(Elizabeth A. Sanders)		
*	Director	April 20, 1998
(Donald R. Shepherd)		
*By: /s/ RHONDA J. PARISH		
(Rhonda J. Parish)		
(attorney-in-fact for each of the persons indicated)		

EXHIBIT INDEX

Exhibit No.	Description	Sequence No.
*2.1	Joint Plan of Reorganization of FCI and Flagstar, as amended November 7, 1997 and as confirmed by order of the United States Bankruptcy Court for the District of South Carolina entered November 12, 1997 (incorporated by reference to Exhibit 2.1 to FCI's Form 8-K, filed November 21, 1997 (the "1997 Form 8-K")).	
*3.1	Restated Certificate of Incorporation of Advantica dated January 7, 1998 (incorporated by reference to Exhibit 3.1 to Form 8-A of Advantica filed January 7, 1998 relating to the Common Stock (the "Form 8-A")).	
**3.2	Certificate of Ownership and Merger of Advantica dated January 7, 1998.	
*3.3	By-Laws of Advantica as amended through January 7, 1998 (incorporated by reference to Exhibit 3.2 to the Form 8-A).	
4.1	Specimen certificate of Common Stock of Advantica.	
*4.2	Registration Rights Agreement (incorporated by reference to Exhibit 10.1 to the Form 8-A).	
*4.3	Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing, and Assignment of Leases and Rents, from Denny's Realty, Inc. to State Street Bank and Trust Company, dated July 12, 1990 (incorporated by reference to Exhibit 4.9 to Post-effective Amendment No. 1 to the Registration Statement on Form S-1 (No. 33-29769) of FCI (the "Form S-l Amendment")).	
*4.4	Lease between Denny's Realty, Inc. and Denny's, Inc., dated as of December 29, 1989, as amended and restated as of July 12, 1990 (incorporated by reference to Exhibit 4.10 to the Form S-l Amendment).	
*4.5	Indenture dated as of July 12, 1990 between Denny's Realty, Inc. and State Street Bank and Trust Company relating to certain mortgage notes (incorporated by reference to Exhibit 4.11 to the Form S-l Amendment).	
*4.6	Mortgage Note in the amount of $10,000,000 of Denny's Realty, Inc., dated as of July 12, 1990 (incorporated by reference to Exhibit 4.15 to the Registration Statement on Form S-4 (No. 33-48923) of Flagstar (the "11.25% Debentures S-4")).	
*4.7	Mortgage Note in the amount of $52,000,000 of Denny's Realty, Inc., dated as of July 12, 1990 (incorporated by reference to Exhibit 4.16 to the 11.25% Debentures S-4).	
*4.8	Mortgage Note in the amount of $98,000,000 of Denny's Realty, Inc., dated as of July 12, 1990 (incorporated by reference to Exhibit 4.16 to the 11.25% Debentures S-4).	
*4.9	Indenture between Secured Restaurants Trust and The Citizens and Southern National Bank of South Carolina, dated as of November 1, 1990, relating to certain secured bonds (incorporated by reference to Exhibit 4.18 to the 11.25% Debentures S-4).	
*4.10	Amended and Restated Trust Agreement between Spartan Holdings, Inc., as Depositor for Secured Restaurants Trust, and Wilmington Trust Company, dated as of October 15, 1990 (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-11 (No. 33-36345) of Secured Restaurants Trust (the "Form S-11")).	
*4.11	Credit Agreement, dated as of May 23, 1996, among FRD, FRI-M, certain lenders and co-agents named therein, and Credit Lyonnais New York Branch as administrative agent (the "FRI-M Credit Agreement") (incorporated by reference to Exhibit 10.1 to the Registration Statement on Forms S-1 and S-4 (No. 333-07601) of FRD (the "FRD Form S-l/S-4").	
*4.12	First Amendment to the FRI-M Credit Agreement, dated July 1, 1996 (incorporated by reference to Exhibit 10.3.1 to FCI's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).	
*4.13	Second Amendment to the FRI-M Credit Agreement, dated November 19, 1996 (incorporated by reference to Exhibit 4.24 to FCI's 1996 Form 10-K, File No. 0-18051 (the "1996 Form 10-K")).	
*4.14	Indenture dated as of May 23, 1996 between FRD and the Bank of New York, as Trustee (the "FRD Indenture") (incorporated by reference to Exhibit 4.1 to the FRD Form S-l/S-4).	

Exhibit No.	Description	Sequence No.
*4.15	Form of First Supplemental Indenture to the FRD Indenture dated as of August 23, 1996 (incorporated by reference to Exhibit 4.1.1 to the FRD Form S-l/S-4).	
*4.16	Stock Purchase Agreement dated as of March 1, 1996 by and among FCI, Flagstar, FRD and FRI (incorporated by reference to Exhibit 4.2 to the FRD Form S-l/S-4).	
*4.17	Indenture relating to the New Senior Notes (including the form of security) dated as of January 7, 1998, between Advantica and First Trust National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Advantica's Form 8-K filed January 15, 1998 (the "1998 Form 8-K").	
*4.18	Warrant Agreement (including the form of Warrant) (incorporated by reference to Exhibit 10.1 to the Form 8-A).	
*4.19	Third Amendment to the FRI-M Credit Agreement, dated as of March 17, 1997 (incorporated by reference to Exhibit 4.2 to FCI's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 (the "1997 First Quarter Form 10-Q")).	
*4.20	Fourth Amendment and Limited Waiver, dated July 9, 1997 to the FRI-M Credit Agreement (incorporated by reference to Exhibit 4.2 to FCI's quarterly report on Form 10-Q for the quarter ended October 1, 1997 (the "1997 Third Quarter Form 10-Q")).	
**4.21	Fifth Amendment to the FRI-M Credit Agreement, dated as of December 9, 1997.	
5.1	Opinion of Parker, Poe, Adams & Bernstein L.L.P regarding the legality of securities to be issued.	
*10.1	Consent Order dated March 26, 1993 between the U.S. Department of Justice, Flagstar and Denny's, Inc. (incorporated by reference to Exhibit 10.42 to the Registration Statement on Form S-2 (No. 33-49843) of Flagstar (the "Form S-2")).	
*10.2	Fair Share Agreement dated July 1, 1993 between Flagstar and the NAACP (incorporated by reference to Exhibit 10.43 to the Form S-2).	
*10.3	Form of Agreement providing certain supplemental retirement benefits (incorporated by reference to Exhibit 10.7 to FCI's 1992 Form 10-K, File No. 0-18051 (the "1992 Form 10-K")).	
*10.4	Form of Supplemental Executive Retirement Plan Trust of Advantica (incorporated by reference to Exhibit 10.8 to the 1992 Form 10-K).	
*10.5	Form of Mortgage related to Secured Restaurants Trust transaction (incorporated by reference to Exhibit 10.1 to the Form S-11).	
*10.6	Mortgage Note in the amount of $521,993,982, made by Flagstar Enterprises, Inc. in favor of Spartan Holdings, Inc., dated as of February 1, 1990, as amended and restated November 15, 1990 (incorporated by reference to Exhibit 10.12 to the 11.25% Debentures S-4).	
*10.7	Mortgage Note in the amount of $210,077,402, made by Quincy's Restaurants, Inc. in favor of Spartan Holdings, Inc., dated as of February 1, 1990, as amended and restated November 15, 1990 (incorporated by reference to Exhibit 10.13 to the 11.25% Debentures S-4).	
*10.8	Loan Agreement between Secured Restaurants Trust and Spardee's Realty, Inc., dated as of November 1, 1990 (incorporated by reference to Exhibit 10.14 to the 11.25% Debentures S-4).	
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ARG

THIS CERTIFICATE MAY BE PRESENTED
FOR TRANSFER IN JERSEY CITY, N.J.
OR NEW YORK, N.Y.

ADVANTICA RESTAURANT GROUP, INC.

COMMON STOCK
SEE REVERSE FOR CERTAIN DEFINITIONS
CUSIP 007588 10 9

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

This Certifies That
is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

ADVANTICA RESTAURANT GROUP, INC. (hereinafter called the corporation), transferable upon the books of the corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.
Witness the seal of the corporation and the signatures of its duly authorized officers.
Dated

COUNTERSIGNED AND REGISTERED:
CONTINENTAL STOCK TRANSFER & TRUST COMPANY
(JERSEY CITY, N.J.)
TRANSFER AGENT
AND REGISTRAR
BY:
AUTHORIZED OFFICER

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
SECRETARY

THE CORPORATION WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM --
TEN ENT --
JT TEN --

as tenants in common
as tenants by the entireties
as joint tenants with right
of survivorship and not as tenants

in common

UNIF GIFT MIN ACT-- Custodian
(Cust) (Minor)
under Uniform Gifts to Minors
Act
(State)

Additional abbreviations may also be used though not in the above list.

For value received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

shares

of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

Attorney

to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.
Dated

Notice:
The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular, without alteration or enlargement or any change whatever.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE
17Ad-15.

EXHIBIT 5.1

Parker, Poe, Adams & Bernstein L.L.P.
2500 Charlotte Plaza
Charlotte, NC 28244

April 20, 1998

Board of Directors
Advantica Restaurant Group, Inc.
203 East Main Street
Spartanburg, South Carolina 29319-9966

Dear Ladies and Gentlemen:

We are acting as counsel to Advantica Restaurant Group, Inc., a Delaware corporation (the "Company"), in connection with the preparation, filing and processing, with the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Act of 1933, as amended (the "Act"), of a Registration Statement (No. 333-45811) on Form S-1 (as amended through the date hereof, the "Registration Statement") and the offer and sale of the Shares referred to below. This opinion is furnished to you for filing with the Commission pursuant to Item 601(b)(5) of Regulation S-K promulgated under the Act.

The Registration Statement covers the offer and sale from time to time of 9,301,820 shares (the "Shares") of the Company's common stock, par value $.01 per share (the "Common Stock") by Loomis Sayles & Company, L.P. as a selling shareholder (the "Selling Shareholder").

In our representation of the Company, we have examined the Registration Statement, the Company's Restated Certificate of Incorporation and Bylaws, as amended to date, all actions of the Company's Board of Directors recorded in the Company's minute book, a specimen certificate evidencing the Common Stock, a certificate of good standing from the State of Delaware, and such other documents as we have considered necessary for purposes of rendering the opinions expressed below.

Based upon the foregoing, we are of the following opinion:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

2. When sold by the Selling Shareholder in accordance with an effective Registration Statement, the Shares will be, duly authorized, validly issued, fully paid and nonassessable.

The opinions expressed herein are limited to the laws of the State of North Carolina, the General Corporation Law of the State of Delaware and the Act.

We hereby consent to the use of this opinion letter as Exhibit 5.1 to the Registration Statement and to the use of our name under the heading "Legal Matters" in related prospectuses. In giving this consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

PARKER, POE, ADAMS & BERNSTEIN L.L.P.

EX 10.47
EXECUTION COPY

SECOND AMENDMENT TO LOAN AGREEMENT

This SECOND AMENDMENT TO LOAN AGREEMENT, dated as of April 1, 1998 (the "Amendment"), to that certain Loan Agreement dated as of November 1, 1990, as amended by First Amendment to Loan Agreement thereto dated as of November 1, 1991 (together, the "Existing Loan Agreement"), between SPARDEE'S REALTY, INC., an Alabama corporation (formerly a Delaware corporation) ("Borrower") and SECURED RESTAURANTS TRUST, a Delaware statutory business trust ("Issuer") existing pursuant to an amended and restated Trust Agreement dated as of October 15, 1990.

RECITALS

A. All capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Existing Loan Agreement. The Existing Loan Agreement, as amended by this Amendment, is referred to herein as the "Loan Agreement." References to the Collateral Assignment Agreement mean the Collateral Assignment Agreement as defined in the Existing Loan Agreement, as amended by the First Amendment to Collateral Assignment Agreement dated as of April 1, 1998.

B. Borrower and Issuer desire to amend the Existing Loan Agreement as set forth below and in connection with an in-substance defeasance of the Mortgage Notes to occur as of April 1, 1998.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the mutual promises and agreements set forth herein, the parties hereto, intending to be legally bound, agree as follows:

1. The following Articles and Sections of the Existing Loan Agreement are void and of no effect whatsoever from the date hereof: Section 2.05, Section 2.08, Section 2.09, Section 2.10, Section 2.11, Article III, Article IV, Section 5.01, Section 5.10, Section 5.12, Section 5.16, Section 5.17(a), Section 5.19,
Section 5.21, Section 5.23, Section 6.07, Section 6.11, Section 6.18(b) and Sections 7.01(c), (d), (k), (l) and (n). The restrictions on sale of the Properties set forth in Section 5.13 are void and have no effect.

2. The following Sections of the Existing Loan Agreement shall be void and of no effect whatsoever from the date as of which the Borrower owns no Properties or other real estate: Section 5.03, Section 5.06, Section 5.07,
Section 5.08, Section 5.09, Section 5.11, Section 5.15, Sections 5.17(b) and (c) and Section 5.22.

3. Effective from the date as of which the Borrower owns no Properties or other real estate: (a) the words "any of its Properties or the present use thereof or" shall be deleted from

Section 5.04 of the Existing Loan Agreement, (b) the words "or the Properties" shall be deleted from Section 5.05 of the Existing Loan Agreement, (c) the words "the Properties, Equipment, the Lease or" shall be deleted from Section 5.14(a) of the Existing Loan Agreement, (d) the words "the Properties, the Lease or" and the words "except for the Lease" shall be deleted from Section 5.14(b) of the Existing Loan Agreement and (e) the words "or that of any of the Properties" shall be deleted from Section 6.19(f) of the Existing Loan Agreement.

4. Effective from the date as of which the Borrower owns no Properties or other real estate, Section 6.12 of the Existing Loan Agreement shall read as follows:

Section 6.12. No Other Agreements. Except for this Agreement and agreements contemplated by this transaction, Borrower is not a party to any other agreement.

5. Section 6.16 of the Existing Loan Agreement shall be amended by inserting the following paragraph (d):

(d) Conditions to Delivery. The audited financial statements required pursuant to Section (a) above shall not be required to be delivered if a special purpose entity is substituted as the Borrower, prior to April 1, 1999, pursuant to the Letter Agreement, dated April 1, 1998, between Financial Security, Quincy's Realty, Inc., Quincy's Restaurants, Inc. and Advantica Restaurants Group, Inc.

6. Section 6.23(iii) of the Existing Loan Agreement shall be limited to the following by inserting the following provision at the end of such section:

The Borrower shall cause to be delivered on April 1, 1999, and April 1, 2000 an opinion of counsel (a) addressed to Financial Security, the Collateral Agent and the Issuer, (b) in form and substance, and from a law firm, acceptable to Financial Security and (c) to the effect that the Collateral Agent has a first priority perfected security interest in all Borrower Collateral.

7. The following Section is added to the Existing Loan Agreement:

Section 6.24. Disposition of Properties. At any time or from time to time, the Borrower may sell, transfer or otherwise dispose of (but may not create a lien against) any or all of the Properties

8.(a) The representations and warranties contained in Sections 6.01, 6.02, 6.03, 6.04, 6.05 and 6.06 of the Existing Loan Agreement are correct on and as of the date hereof, as though made on and as of the date hereof.

(b) The Borrower hereby represents and warrants that the execution, delivery and performance by Borrower of this Amendment and the Assignment and Assumption Agreement (as defined in the Collateral Assignment Agreement) are within Borrower's corporate powers,

have been duly authorized by all necessary corporate action and do not (i) contravene Borrower's charter or bylaws, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Borrower, any of its affiliates or any of their properties.

(c) The Borrower hereby represents and warrants that no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by Borrower of this Amendment or the Assignment and Assumption Agreement.

(d) The Borrower hereby represents and warrants that this Amendment and the Assignment and Assumption Agreement have been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law) and that no Event of Default exists under the Loan Agreement.

9. The following provisions are added as Section 2.12 of the Loan Agreement:

(a) As security for Borrower's obligations under this Agreement and the Mortgage Notes, including, without limitation, its obligations to pay to the Issuer the amounts payable under the Mortgage Notes and under this Agreement, and the performance of all of its representations, warranties, covenants, agreements and obligations under this Agreement and under the Mortgage Notes, Borrower hereby expressly grants to Issuer for the benefit of Financial Security and the Trustee, as secured parties, a first priority interest in and to all of Borrower's right, title and interest in (i) the cash deposited with the Collateral Agent pursuant to this Agreement, (ii) all Defeasance Eligible Investments, (iii) the Accounts (as defined in the Collateral Assignment Agreement) and any amounts deposited therein, and (iv) proceeds thereof, all additions to and substitutions therefor, all proceeds and collections derived from or in connection therewith, together with all investments made with such proceeds and collections and all proceeds thereof and all powers and rights of Borrower, including rights of enforcement thereunder (collectively, the "Borrower Collateral").

Borrower intends such grant to be prior to all others to the full extent of applicable law and shall take all actions reasonably necessary to confer a first priority perfected security interest in the Borrower Collateral granted hereunder. It is the intention of Borrower that, with respect to the Borrower Collateral, this Agreement shall constitute a security agreement under applicable law, and the Issuer shall have all of the rights and remedies of a secured party and creditor under the UCC and other applicable law as in force in the relevant jurisdictions.

The Borrower and the Issuer hereby agree that the Collateral Agent shall accept Delivery of the Borrower Collateral on behalf of the Issuer and that the Issuer has pledged and assigned all of its right, title and interest in the Borrower Collateral to the Collateral Agent, for the benefit of Financial Security and the Trustee, pursuant to the Collateral Assignment Agreement.

(b) On the Defeasance Date, Borrower shall deposit with the Collateral Agent, for the benefit of the Issuer, $100,038,869 in immediately available funds. The Collateral Agent will accept such funds and will use such funds, together with cash held in the name of the Borrower already on deposit in the Accounts (as defined in the Collateral Assignment Agreement) after liquidation of all Eligible Investments therein held in the name of the Borrower (other than existing Defeasance Eligible Investments), to purchase the Defeasance Eligible Investments listed on Exhibit A hereto.

(c) The Issuer and the Borrower agree as follows with respect to the Defeasance Eligible Investments, and the proceeds thereof, held by the Collateral Agent from time to time in the Prepayment Account pursuant to the Collateral Assignment Agreement:

(i) any Defeasance Eligible Investment that is held in deposit accounts shall be made in the name of the Collateral Agent and shall be subject to the exclusive custody and control of the Collateral Agent, and the Collateral Agent shall have sole signature authority with respect thereto;

(ii) any Defeasance Eligible Investment that constitutes Physical Property (as defined in the definition of Delivery) shall be delivered to the Collateral Agent in accordance with paragraph (i) of the definition of "Delivery" and shall be held, pending maturity or disposition, solely by the Collateral Agent or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Collateral Agent;

(iii) any Defeasance Eligible Investment that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph
(ii) of the definition of "Delivery" and shall be maintained by the Collateral Agent, pending maturity or disposition, through continued book-entry registration of such Defeasance Eligible Investment as described in such paragraph; and

(iv) any Defeasance Eligible Investment that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (iii) above shall be delivered to the Collateral Agent in accordance with paragraph (iii) of the definition of "Delivery" and shall be maintained by the Collateral Agent, pending maturity or disposition, through continued registration of the Collateral Agent's (or its nominee's) ownership of such security directly or through one or more securities intermediaries.

(d) In the event of any change of law regarding matters relating to the perfection of security interests in any Account, the amounts or any Defeasance Eligible Investments held therein, Borrower shall cause to be furnished to the Collateral Agent, the Trustee and Financial Security an opinion of counsel, in form and substance satisfactory to Financial Security, addressing such matters, and, if necessary, Borrower shall cooperate with the Collateral Agent in taking all actions necessary to comply with the change in law.

(e) Borrower hereby represents, warrants and covenants as follows:

(i) GOOD TITLE; ABSENCE OF LIENS; SECURITY INTEREST. Borrower is the owner of, and has good and marketable title to, the Borrower Collateral free and clear of all liens (other than the lien of the secured parties hereunder) and has full right, corporate power and lawful authority to assign, transfer and pledge the Borrower Collateral (and any documents which are a part thereof) and all such substitutions therefor and additions thereto delivered hereunder. Pursuant to the Collateral Assignment Agreement, the Collateral Agent has a valid and perfected first priority security interest in the Borrower Collateral free and clear of all liens.

(ii) SOLVENT ENTITY. After giving effect to the defeasance of the Mortgage Notes, Borrower will have sufficient capital to pay its debts as they become due. Borrower is not engaged in any business, or about to engage in any business or any transaction, for which it has, or will have after engaging in such business or transaction, unreasonably small capital in relation to such business or transaction. Borrower does not intend to incur, or believe that it will incur, additional debts that would be beyond its ability to pay as such debts become due.

(iii) NO INTENT TO DEFRAUD. Borrower has valid business reasons for entering into the transactions contemplated by the defeasance and has not entered into the transactions contemplated by the defeasance or this Loan Agreement with any intent to hinder, delay or defraud any entity to which Borrower is or may become indebted.

(iv) PROHIBITED ACTIONS. Borrower covenants that it will not take any actions with respect to the Borrower Collateral or otherwise that the Issuer is prohibited from taking pursuant to Section 3.01 of the Collateral Assignment Agreement.

(e) "Delivery," when used with respect to any Defeasance Eligible Investments, means:

(i) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-105(1)(i) of the UCC and are susceptible of physical delivery, transfer thereof by physical delivery to the Collateral Agent endorsed to, or registered in the name of, the Collateral Agent or its nominee or endorsed to, or registered in the name of, the Collateral Agent or its nominee or endorsed in blank, and, with respect to a certificated security (as defined in Section 8-102 of the UCC) transfer thereof (A) by delivery of such certificated security to the Collateral Agent in accordance with the provisions of Section 8-301(a) of the UCC, and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of or a security interest in any such Defeasance Eligible Investment to the Collateral Agent, consistent with changes in applicable law or regulations or the interpretation thereof;

(ii) with respect to any security issued by the U.S. Treasury, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations, the following procedures, all in accordance with applicable law,

including applicable federal regulations and Articles 8 and 9 of the UCC; the crediting of such Defeasance Eligible Investment to a securities account maintained with a Federal Reserve Bank by a securities intermediary; the indication by such securities intermediary that such Defeasance Eligible Investment has been credited to the Collateral Agent's securities account at the securities intermediary; and such additional or alternative procedures as may hereafter become appropriate to effect complete transfer of ownership of or a security interest in any such Defeasance Eligible Investment to the Collateral Agent, consistent with changes in applicable law or regulations or the interpretation thereof; and

(iii) with respect to any Defeasance Eligible Investment that is an uncertificated security under Article 8 of the UCC and that is not governed by clause (ii) above, registration on the books and records of the issuer thereof in the name of the Collateral Agent or another Person (other than a "securities intermediary" (as defined in
Section 8-102(a)(4) of the UCC)) acting on behalf of the Collateral Agent.

10. This Amendment may be executed in counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

11. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

12. This Amendment shall be construed in connection with, and as part of, the Existing Loan Agreement. The terms, conditions, representations, warranties, covenants, agreements, rights, remedies, powers and privileges set forth in the Existing Loan Agreement, as amended or otherwise modified hereby, are hereby confirmed in all respects by the parties hereto and shall continue in full force and effect.

13. Each reference to the Loan Agreement, or words of similar import in the Existing Loan Agreement or any notice, communication, certificate, instrument or other document executed and delivered in connection therewith after the date hereof shall be deemed to be a reference to the Existing Loan Agreement, as amended, supplemented and otherwise modified hereby, and, as the same may be amended, supplemented or otherwise modified from time to time after the date hereof, unless the context requires otherwise.

14. This Amendment shall be binding upon, shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns.

15. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to Loan Agreement to be executed effective as of the date first above written.

SECURED RESTAURANTS TRUST

By Wilmington Trust Company, not in its
individual capacity, but solely as Issuer Trustee

By /s/ Mary St. Amand

Mary St. Amand
Assistant Vice President

SPARDEE'S REALTY, INC.

By /s/ Kenneth E. Jones

Kenneth E. Jones
Vice President and Treasurer

The following parties consent to the execution of the Second Amendment to Loan Agreement in accordance with the terms of this Amendment.

FINANCIAL SECURITY ASSURANCE INC.

By /s/ Bruce E. Stern
Bruce E. Stern
General Counsel and Managing Director

THE BANK OF NEW YORK, as Trustee and Collateral Agent

By /s/ Sandra Carreker
Sandra Carreker
Title Agent

Exhibit 10.48

EXECUTION COPY

SECOND AMENDMENT TO LOAN AGREEMENT

This SECOND AMENDMENT TO LOAN AGREEMENT, dated as of April 1, 1998 (the "Amendment"), to that certain Loan Agreement dated as of November 1, 1990, as amended by First Amendment to Loan Agreement thereto dated as of November 1, 1991 (together, the "Existing Loan Agreement"), between QUINCY'S REALTY, INC., an Alabama corporation (formerly a Delaware corporation) ("Borrower") and SECURED RESTAURANTS TRUST, a Delaware statutory business trust ("Issuer") existing pursuant to an amended and restated Trust Agreement dated as of October 15, 1990.

RECITALS

A. All capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Existing Loan Agreement. The Existing Loan Agreement, as amended by this Amendment, is referred to herein as the "Loan Agreement." References to the Collateral Assignment Agreement mean the Collateral Assignment Agreement as defined in the Existing Loan Agreement, as amended by the First Amendment to Collateral Assignment Agreement dated as of April 1, 1998.

B. Borrower and Issuer desire to amend the Existing Loan Agreement as set forth below and in connection with an in-substance defeasance of the Mortgage Notes to occur as of April 1, 1998.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the mutual promises and agreements set forth herein, the parties hereto, intending to be legally bound, agree as follows:

1. The following Articles and Sections of the Existing Loan Agreement are void and of no effect whatsoever from the date hereof: Section 2.05, Section 2.08, Section 2.09, Section 2.10, Section 2.11, Article III, Article IV, Section 5.01, Section 5.10, Section 5.12, Section 5.16, Section 5.17(a), Section 5.19,
Section 5.21, Section 5.23, Section 6.07, Section 6.11, Section 6.18(b) and Sections 7.01(c), (d), (k), (l) and (n). The restrictions on sale of the Properties set forth in Section 5.13 are void and have no effect.

2. The following Sections of the Existing Loan Agreement shall be void and of no effect whatsoever from the date as of which the Borrower owns no Properties or other real estate: Section 5.03, Section 5.06, Section 5.07,
Section 5.08, Section 5.09, Section 5.11, Section 5.15, Sections 5.17(b) and (c) and Section 5.22.

3. Effective from the date as of which the Borrower owns no Properties or other real estate: (a) the words "any of its Properties or the present use thereof or" shall be deleted from

Section 5.04 of the Existing Loan Agreement, (b) the words "or the Properties" shall be deleted from Section 5.05 of the Existing Loan Agreement, (c) the words "the Properties, Equipment, the Lease or" shall be deleted from
Section 5.14(a) of the Existing Loan Agreement, (d) the words "the Properties, the Lease or" and the words "except for the Lease" shall be deleted from
Section 5.14(b) of the Existing Loan Agreement and (e) the words "or that of any of the Properties" shall be deleted from Section 6.19(f) of the Existing Loan Agreement.

4. Effective from the date as of which the Borrower owns no Properties or other real estate, Section 6.12 of the Existing Loan Agreement shall read as follows:

Section 6.12. No Other Agreements. Except for this Agreement and agreements contemplated by this transaction, Borrower is not a party to any other agreement.

5. Section 6.16 of the Existing Loan Agreement shall be amended by inserting the following paragraph (d):

(d) Conditions to Delivery. The audited financial statements required pursuant to Section (a) above shall not be required to be delivered if a special purpose entity is substituted as the Borrower, prior to April 1, 1999, pursuant to the Letter Agreement, dated April 1, 1998, between Financial Security, Quincy's Realty, Inc., Quincy's Restaurants, Inc. and Advantica Restaurants Group, Inc.

6. Section 6.23(iii) of the Existing Loan Agreement shall be limited to the following by inserting the following provision at the end of such section:

The Borrower shall cause to be delivered on April 1, 1999, and April 1, 2000 an opinion of counsel (a) addressed to Financial Security, the Collateral Agent and the Issuer, (b) in form and substance, and from a law firm, acceptable to Financial Security and (c) to the effect that the Collateral Agent has a first priority perfected security interest in all Borrower Collateral.

7. The following Section is added to the Existing Loan Agreement:

Section 6.24. Disposition of Properties. At any time or from time to time, the Borrower may sell, transfer or otherwise dispose of (but may not create a lien against) any or all of the Properties

8.(a) The representations and warranties contained in Sections 6.01, 6.02, 6.03, 6.04, 6.05 and 6.06 of the Existing Loan Agreement are correct on and as of the date hereof, as though made on and as of the date hereof.

(b) The Borrower hereby represents and warrants that the execution, delivery and performance by Borrower of this Amendment and the Assignment and Assumption Agreement (as defined in the Collateral Assignment Agreement) are within Borrower's corporate powers,

have been duly authorized by all necessary corporate action and do not (i) contravene Borrower's charter or bylaws, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Borrower, any of its affiliates or any of their properties.

(c) The Borrower hereby represents and warrants that no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by Borrower of this Amendment or the Assignment and Assumption Agreement.

(d) The Borrower hereby represents and warrants that this Amendment and the Assignment and Assumption Agreement have been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law) and that no Event of Default exists under the Loan Agreement.

9. The following provisions are added as Section 2.12 of the Loan Agreement:

(a) As security for Borrower's obligations under this Agreement and the Mortgage Notes, including, without limitation, its obligations to pay to the Issuer the amounts payable under the Mortgage Notes and under this Agreement, and the performance of all of its representations, warranties, covenants, agreements and obligations under this Agreement and under the Mortgage Notes, Borrower hereby expressly grants to Issuer for the benefit of Financial Security and the Trustee, as secured parties, a first priority interest in and to all of Borrower's right, title and interest in (i) the cash deposited with the Collateral Agent pursuant to this Agreement, (ii) all Defeasance Eligible Investments, (iii) the Accounts (as defined in the Collateral Assignment Agreement) and any amounts deposited therein, and (iv) proceeds thereof, all additions to and substitutions therefor, all proceeds and collections derived from or in connection therewith, together with all investments made with such proceeds and collections and all proceeds thereof and all powers and rights of Borrower, including rights of enforcement thereunder (collectively, the "Borrower Collateral").

Borrower intends such grant to be prior to all others to the full extent of applicable law and shall take all actions reasonably necessary to confer a first priority perfected security interest in the Borrower Collateral granted hereunder. It is the intention of Borrower that, with respect to the Borrower Collateral, this Agreement shall constitute a security agreement under applicable law, and the Issuer shall have all of the rights and remedies of a secured party and creditor under the UCC and other applicable law as in force in the relevant jurisdictions.

The Borrower and the Issuer hereby agree that the Collateral Agent shall accept Delivery of the Borrower Collateral on behalf of the Issuer and that the Issuer has pledged and assigned all of its right, title and interest in the Borrower Collateral to the Collateral Agent, for the benefit of Financial Security and the Trustee, pursuant to the Collateral Assignment Agreement.

(b) On the Defeasance Date, Borrower shall deposit with the Collateral Agent, for the benefit of the Issuer, $73,105,326 in immediately available funds. The Collateral Agent will accept such funds and will use such funds, together with cash held in the name of the Borrower already on deposit in the Accounts (as defined in the Collateral Assignment Agreement) after liquidation of all Eligible Investments therein held in the name of the Borrower (other than existing Defeasance Eligible Investments), to purchase the Defeasance Eligible Investments listed on Exhibit A hereto.

(c) The Issuer and the Borrower agree as follows with respect to the Defeasance Eligible Investments, and the proceeds thereof, held by the Collateral Agent from time to time in the Prepayment Account pursuant to the Collateral Assignment Agreement:

(i) any Defeasance Eligible Investment that is held in deposit accounts shall be made in the name of the Collateral Agent and shall be subject to the exclusive custody and control of the Collateral Agent, and the Collateral Agent shall have sole signature authority with respect thereto;

(ii) any Defeasance Eligible Investment that constitutes Physical Property (as defined in the definition of Delivery) shall be delivered to the Collateral Agent in accordance with paragraph (i) of the definition of "Delivery" and shall be held, pending maturity or disposition, solely by the Collateral Agent or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Collateral Agent;

(iii) any Defeasance Eligible Investment that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph
(ii) of the definition of "Delivery" and shall be maintained by the Collateral Agent, pending maturity or disposition, through continued book-entry registration of such Defeasance Eligible Investment as described in such paragraph; and

(iv) any Defeasance Eligible Investment that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (iii) above shall be delivered to the Collateral Agent in accordance with paragraph (iii) of the definition of "Delivery" and shall be maintained by the Collateral Agent, pending maturity or disposition, through continued registration of the Collateral Agent's (or its nominee's) ownership of such security directly or through one or more securities intermediaries.

(d) In the event of any change of law regarding matters relating to the perfection of security interests in any Account, the amounts or any Defeasance Eligible Investments held therein, Borrower shall cause to be furnished to the Collateral Agent, the Trustee and Financial Security an opinion of counsel, in form and substance satisfactory to Financial Security, addressing such matters, and, if necessary, Borrower shall cooperate with the Collateral Agent in taking all actions necessary to comply with the change in law.

(e) Borrower hereby represents, warrants and covenants as follows:

(i) GOOD TITLE; ABSENCE OF LIENS; SECURITY INTEREST. Borrower is the owner of, and has good and marketable title to, the Borrower Collateral free and clear of all liens (other than the lien of the secured parties hereunder) and has full right, corporate power and lawful authority to assign, transfer and pledge the Borrower Collateral (and any documents which are a part thereof) and all such substitutions therefor and additions thereto delivered hereunder. Pursuant to the Collateral Assignment Agreement, the Collateral Agent has a valid and perfected first priority security interest in the Borrower Collateral free and clear of all liens.

(ii) SOLVENT ENTITY. After giving effect to the defeasance of the Mortgage Notes, Borrower will have sufficient capital to pay its debts as they become due. Borrower is not engaged in any business, or about to engage in any business or any transaction, for which it has, or will have after engaging in such business or transaction, unreasonably small capital in relation to such business or transaction. Borrower does not intend to incur, or believe that it will incur, additional debts that would be beyond its ability to pay as such debts become due.

(iii) NO INTENT TO DEFRAUD. Borrower has valid business reasons for entering into the transactions contemplated by the defeasance and has not entered into the transactions contemplated by the defeasance or this Loan Agreement with any intent to hinder, delay or defraud any entity to which Borrower is or may become indebted.

(iv) PROHIBITED ACTIONS. Borrower covenants that it will not take any actions with respect to the Borrower Collateral or otherwise that the Issuer is prohibited from taking pursuant to Section 3.01 of the Collateral Assignment Agreement.

(e) "Delivery," when used with respect to any Defeasance Eligible Investments, means:

(i) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-105(1)(i) of the UCC and are susceptible of physical delivery, transfer thereof by physical delivery to the Collateral Agent endorsed to, or registered in the name of, the Collateral Agent or its nominee or endorsed to, or registered in the name of, the Collateral Agent or its nominee or endorsed in blank, and, with respect to a certificated security (as defined in Section 8-102 of the UCC) transfer thereof (A) by delivery of such certificated security to the Collateral Agent in accordance with the provisions of Section 8-301(a) of the UCC, and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of or a security interest in any such Defeasance Eligible Investment to the Collateral Agent, consistent with changes in applicable law or regulations or the interpretation thereof;

(ii) with respect to any security issued by the U.S. Treasury, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations, the following procedures, all in accordance with applicable law,

including applicable federal regulations and Articles 8 and 9 of the UCC; the crediting of such Defeasance Eligible Investment to a securities account maintained with a Federal Reserve Bank by a securities intermediary; the indication by such securities intermediary that such Defeasance Eligible Investment has been credited to the Collateral Agent's securities account at the securities intermediary; and such additional or alternative procedures as may hereafter become appropriate to effect complete transfer of ownership of or a security interest in any such Defeasance Eligible Investment to the Collateral Agent, consistent with changes in applicable law or regulations or the interpretation thereof; and

(iii) with respect to any Defeasance Eligible Investment that is an uncertificated security under Article 8 of the UCC and that is not governed by clause (ii) above, registration on the books and records of the issuer thereof in the name of the Collateral Agent or another Person (other than a "securities intermediary" (as defined in
Section 8-102(a)(4) of the UCC)) acting on behalf of the Collateral Agent.

10. This Amendment may be executed in counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

11. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

12. This Amendment shall be construed in connection with, and as part of, the Existing Loan Agreement. The terms, conditions, representations, warranties, covenants, agreements, rights, remedies, powers and privileges set forth in the Existing Loan Agreement, as amended or otherwise modified hereby, are hereby confirmed in all respects by the parties hereto and shall continue in full force and effect.

13. Each reference to the Loan Agreement, or words of similar import in the Existing Loan Agreement or any notice, communication, certificate, instrument or other document executed and delivered in connection therewith after the date hereof shall be deemed to be a reference to the Existing Loan Agreement, as amended, supplemented and otherwise modified hereby, and, as the same may be amended, supplemented or otherwise modified from time to time after the date hereof, unless the context requires otherwise.

14. This Amendment shall be binding upon, shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns.

15. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to Loan Agreement to be executed effective as of the date first above written.

SECURED RESTAURANTS TRUST

By Wilmington Trust Company, not in its
individual capacity, but solely as Issuer Trustee

By /s/ Mary St. Amand
Mary St. Amand
Assistant Vice President

QUINCY'S REALTY, INC.

By /s/ Kenneth E. Jones
Kenneth E. Jones
Vice President and Treasurer

The following parties consent to the execution of the Second Amendment to Loan Agreement in accordance with the terms of this Amendment.

FINANCIAL SECURITY ASSURANCE INC.

By /s/ Bruce E. Stern
Bruce E. Stern
General Counsel and Managing Director

THE BANK OF NEW YORK, as Trustee and Collateral Agent

By /s/ Sandra Carreker
Sandra Carreker
Title Agent

Exhibit 10.49

EXECUTION COPY

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement is made and entered into as of the 1st day of April, 1998, by and between Spardee's Realty, Inc., an Alabama corporation (the "Assignor"), and Quincy's Realty, Inc., an Alabama corporation (the "Assignee").

Reference is made to that certain Loan Agreement, dated as of November 1, 1990, between the Assignor, as borrower, and Secured Restaurants Trust (the "Issuer") in the original principal amount of One Hundred Thirty Million Dollars ($130,000,000) (as amended as of the date hereof, the "Spardee's Loan Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Spardee's Loan Agreement. The Spardee's Loan Agreement was entered into concurrently with that certain Loan Agreement, dated as November 1, 1990, between Assignee, as borrower, and the Issuer, in the original principal amount of Ninety-Five Million Dollars ($95,000,000) (as amended as of the date hereof, the "Quincy's Loan Agreement", and collectively with the Spardee's Loan Agreement, the "Loan Agreements"), and certain other agreements and instruments relating to the Loan Agreements (the "SRT Financing Documents").

Reference is also made to the Stock Purchase Agreement dated February 18, 1998 among Advantica Restaurant Group, Inc. ("Advantica"), Spartan Holdings, Inc. ("Spartan"), Flagstar Enterprises, Inc. ("FEI"), and CKE Restaurants, Inc. ("Purchase Agreement") pursuant to which Spartan has this day sold to CKE Restaurants, Inc. (the "Buyer") the stock of FEI (the "FEI Stock Sale"). The Assignor is the wholly owned subsidiary of FEI. Under the provisions of the Purchase Agreement, Advantica and Spartan are required, among other things, as applicable, to deliver to Buyer evidence of the release of FEI and the Assignor and their assets from any obligations and liens relating to the SRT Financing Documents.

Concurrently with the closing of the FEI Stock Sale (the "Closing") and in order to effect the release of certain obligations and liens relating to the SRT Financing Documents in connection therewith, Advantica, Spartan, the Assignor and the Assignee, together with the other requisite parties to the SRT Financing Documents, have undertaken to effect a defeasance of the Mortgage Notes underlying the Loan Agreements in accordance with the terms of such Loan Agreements (and certain waivers, consents, and directions from the Controlling Party provided pursuant to the terms and provisions of the SRT Financing Documents) (the "Defeasance Transaction"). As a result of the Defeasance Transaction, among other things, FEI and the Assignor and their assets shall be released from any obligations and liens relating to the SRT Financing Documents, and the other Collateral under the Collateral Assignment Agreement (other than the Borrower Collateral (as defined in the Second Amendment to the Loan Agreement)) shall be released from any lien, security interest or encumbrance, charge or other claim of any kind, character or nature whatsoever securing, arising out of or in any way connected with or relating to the SRT Financing Documents.

In order to effect such Defeasance Transaction and the release of FEI and the Assignor in connection therewith, Assignee is required to (a) assume all of the obligations and take an assignment of the rights of Assignor under the Spardee's Loan Agreement and the Mortgage Notes thereunder and (b) take an assignment of all amounts held (including all cash, Eligible Investments and Defeasance Eligible Investments already on deposit with the Collateral Agent) by the Collateral Agent in the name of Assignor in the Accounts (as defined in the Collateral Assignment Agreement) (the "Spardee's Reserve Amount"). Concurrently with the execution and delivery of this Assignment and Assumption Agreement, and the consummation of the FEI Stock Sale, Assignee shall also receive a portion of the proceeds of the FEI Stock Sale to be used for the purchase of Defeasance Eligible Investments sufficient, together with the (i) Spardee's Reserve Amount, and (ii) all amounts (including all cash, Eligible Investments (to be liquidated in connection herewith) and Defeasance Eligible Investments already on deposit with the Collateral Agent) held by the Collateral Agent in the name of Assignee in the Accounts, and application of all such cash and Eligible Investments described in (i) and (ii) to purchase Defeasance Eligible Investments to effect the Defeasance Transaction.

In consideration of the foregoing, the Assignor hereby transfers and assigns to Assignee all of Assignor's right, title and interest in and to the Spardee's Loan Agreement and the Mortgage Notes thereunder and any related Loan Documents, as applicable, and all of Assignor's right, title and interest in and to the Spardee's Reserve Amount, and Assignee hereby assumes all liabilities and obligations and agrees to perform and discharge each and all obligations of Assignor under the Spardee's Loan Agreement and the Mortgage Notes thereunder and any related Loan Documents, as applicable, and in respect of the Spardee's Reserve Amount, when and as the same become due.

This Assignment and Assumption Agreement shall automatically become effective, without any further action of the undersigned required, upon the occurrence of the Closing. In the event that the Closing does not occur and the Purchase Agreement is terminated for any reason, this Assignment and Assumption Agreement shall have no force or effect and shall automatically be extinguished and terminated as a result of the termination of the Purchase Agreement.

IN WITNESS WHEREOF, each party has caused this Assignment and Assumption Agreement to be executed in its corporate name as of the day and year first above written.

SPARDEE'S REALTY, INC.

By:_____
Title: Vice President and Treasurer

QUINCY'S REALTY, INC.

By:_____
Title: Vice President and Treasurer

Exhibit 10.50

EXECUTION COPY

FIRST AMENDMENT TO STOCK PLEDGE AGREEMENT

This FIRST AMENDMENT TO STOCK PLEDGE AGREEMENT, dated as of April 1, 1998 (this "Amendment"), to that certain Stock Pledge Agreement dated as of November 1, 1990 (the "Existing Agreement") among QUINCY'S RESTAURANTS, INC., an Alabama corporation ("Pledgor") and SECURED RESTAURANTS TRUST, a Delaware statutory business trust ("Issuer") existing pursuant to an Amended and Restated Trust Agreement dated as of October 15, 1990.

RECITALS

A. All capitalized terms used herein and not otherwise defined shall have the same meanings as set forth in the Existing Agreement. The Existing Agreement, as amended by this Amendment, is referred to as this "Pledge Agreement."

B. In consideration of Financial Security Assurance Inc., a New York stock insurance company ("Financial Security") giving its consent to an in-substance defeasance of mortgage notes made by affiliates of Pledgor, Pledgor and Issuer desire to amend the Existing Agreement as set forth below.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the mutual promises and agreements set forth herein, the parties hereto, intending to be legally bound, agree as follows:

1. Because the Guaranty and the Leases are being terminated, Section 6 of the Existing Agreement is amended to read as follows: "The occurrence of any one or more (a) Events of Default under (i) the Loan Agreement dated as of November 1, 1990 between the Pledged Entity and the Issuer, as amended by Amendment No. 1 thereto dated as of November 1, 1991 and Amendment No. 2 thereto dated as of April 1, 1998, (ii) the Loan Agreement dated as of November 1, 1990 between Spardee's Realty, Inc. ("Spardee's") and the Issuer as amended by Amendment No. 1 thereto dated as of November 1, 1991 and Amendment No. 2 thereto dated as of April 1, 1998 (each of (i) and (ii) are a "Loan Agreement"), (iii) any Mortgage Note (as defined in either Loan Agreement), or (iv) this Pledge Agreement shall constitute an Event of Default hereunder.

2. Because the Guaranty and the Leases are being terminated, Section 9 of the Existing Agreement is amended to provide for certain restrictions to be set forth in this Pledge Agreement and shall provide as follows: "Pledgor agrees it shall not cause the Pledged Entity to declare or make payment of (i) any dividend or other distribution on any shares of its capital stock, including without limitation any dividends payable in cash or other assets or (ii) any payment on account of the purchase, redemption, retirement or acquisition of any option, warrant

or other right to acquire shares of stock of the Pledged Entity. If the Pledged Entity declares or makes any such dividend, it shall be an "Event of Default" under this Pledge Agreement."

3. Section 24 of the Existing Agreement is amended to read as follows:
"This Pledge Agreement shall terminate when the "Substitution" occurs. The "Substitution" shall occur when certain conditions precedent thereto, as set forth in a Letter Agreement dated as of April 1, 1998, between Financial Security, the Pledgor, the Pledged Entity and Advantica Restaurants Group Inc., are satisfied and the Release (as defined in such Letter Agreement) occurs.

4. Because the Guaranty and the Leases are being terminated, the following Sections are added to the Existing Agreement.

Section 27 Voting Proxy. Pledgor hereby grants to the Collateral Agent for the benefit of Financial Security an irrevocable proxy to vote the Pledged Stock with respect to the dissolution, insolvency, liquidation, consolidation, merger, sale of assets, transfer of shares or amendment of the certificate of incorporation or the bylaws of the Pledged Entity, which proxy is coupled with an interest and shall continue until this Pledge Agreement terminates. Pledgor represents and warrants that it has directed the Pledged Entity to reflect the Collateral Agent's right to vote the Pledged Stock, on behalf of Financial Security, on the Pledged Entity's books. Upon the request of the Collateral Agent or Financial Security, Pledgor shall deliver to the Collateral Agent such further evidence of such irrevocable proxy or such further irrevocable proxy to vote the Collateral as the Collateral Agent or Financial Security may reasonably request. Any violation of this Section shall constitute an Event of Default under this Pledge Agreement.

Section 28 Third-Party Beneficiary. Financial Security shall be a third-party beneficiary of this Pledge Agreement and entitled to enforce the provisions hereof directly, as if a party hereto.

5. This Amendment may be executed in counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

6. This Amendment shall be construed in connection with, and as part of, the Existing Agreement. The terms, conditions, representations, warranties, covenants, agreements, rights, remedies, powers and privileges set forth in the Existing Agreement, as amended or otherwise modified hereby, are hereby confirmed in all respects by the parties hereto and shall continue in full force and effect.

7. Each reference to the Pledge Agreement, or words of similar import in the Existing Agreement or any notice, communication, certificate, instrument or other document executed and delivered in connection therewith after the date hereof shall be deemed to be a reference to the Existing Agreement, as amended, supplemented and otherwise modified hereby, and, as the same may be amended, supplemented or otherwise modified from time to time after the date hereof, unless the context requires otherwise.

8. This Amendment shall be binding upon, shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns.

9. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Stock Pledge Agreement to be executed effective as of the date first above written.

SECURED RESTAURANTS TRUST

By Wilmington Trust Company, not in its
individual capacity, but solely as Issuer Trustee

By /s/ Mary St. Amand
Mary St. Amand
Assistant Vice President

QUINCY'S RESTAURANTS, INC.

By /s/ Kenneth E. Jones
Kenneth E. Jones
Vice President and Treasurer

The following parties consent to the First Amendment to Stock Pledge Agreement in accordance with the terms of this Amendment.

FINANCIAL SECURITY ASSURANCE INC.

By /s/ Bruce E. Stern
Bruce E. Stern
General Counsel and Managing Director

THE BANK OF NEW YORK, as Collateral Agent

By /s/ Sandra Carreker
Sandra Carreker
Title Agent

Exhibit 10.51

EXECUTION COPY

FIRST AMENDMENT TO COLLATERAL ASSIGNMENT AGREEMENT

Among

SECURED RESTAURANTS TRUST,

FINANCIAL SECURITY ASSURANCE INC.

and

THE BANK OF NEW YORK,
as Trustee and Collateral Agent.

Dated as of April 1, 1998

FIRST AMENDMENT TO
COLLATERAL ASSIGNMENT AGREEMENT

THIS FIRST AMENDMENT TO COLLATERAL ASSIGNMENT AGREEMENT (this "Amendment") is dated as of April 1, 1998 among SECURED RESTAURANTS TRUST, a Delaware statutory business trust (the "Issuer") existing pursuant to the Amended and Restated Trust Agreement dated as of October 15, 1990 between Spartan Holdings, Inc. and Wilmington Trust Company, FINANCIAL SECURITY ASSURANCE INC. ("Financial Security") and THE BANK OF NEW YORK, as Trustee under the Indenture (in such capacity, the "Trustee") and as Collateral Agent hereunder (in such capacity, the "Collateral Agent").

This Amendment amends and supplements the Collateral Assignment Agreement, dated as of November 1, 1990, among the Issuer, Financial Security and The Citizens and Southern National Bank of South Carolina, as Trustee and Collateral Agent (as succeeded in such capacities by The Bank of New York) (the "Original Agreement," and as amended by this Amendment, the "Collateral Assignment Agreement"), as set forth below.

Terms used in this Amendment and not otherwise defined in this Amendment have the meanings assigned to such terms in the Original Agreement.

RECITALS

A. The Issuer has entered into separate Loan Agreements with Quincy's Realty, Inc. ("Quincy's") and Spardee's Realty Inc. ("Spardee's") pursuant to which the Issuer made a Loan to each of Quincy's and Spardee's, which Loans were in the aggregate initial outstanding principal amount of $225,000,000.

B. Each of Quincy's and Spardee's owned its Properties and executed and delivered to the Issuer certain Mortgage Notes to evidence its borrowings pursuant to the related Loan Agreement.

C. As security for its obligations under the related Loan Agreement and its Mortgage Notes, each of Quincy's and Spardee's executed and delivered to the Issuer one or more Mortgages and certain other Collateral.

D. In order to obtain sufficient funds for the making of the Loans, the Issuer issued Bonds in the initial aggregate principal amount of $225,000,000 pursuant to the Indenture between the Issuer and the Trustee.

E. Financial Security issued its Policy, under which Financial Security has guaranteed the scheduled payment of interest and principal payable on the Bonds.

F. As an inducement to Financial Security to issue and deliver the Policy and the Liquidity Policy, the Issuer and Financial Security executed and delivered the Insurance Agreement.

G. As additional inducement to Financial Security to issue the Policy and the Liquidity Policy and to execute the Insurance Agreement, and as security for the repayment of all sums paid by Financial Security under the Policy and the Liquidity Policy and the payment and performance by the Issuer of all of its obligations then or thereafter existing under the Insurance Agreement, pursuant to the Original Agreement, the Issuer assigned certain of its property as Collateral to the Collateral Agent, as agent for (i) Financial Security and (ii) the Trustee, as trustee for the holders of the Bonds, as the interests of Financial Security and the Trustee may appear, upon the terms and conditions set forth in the Original Agreement.

H. Quincy's and Spardee's now desire to defease the Mortgage Notes by causing the deposit with the Collateral Agent of Defeasance Eligible Investments and cash sufficient to pay the principal of and interest on each Mortgage Note as the same becomes due.

I. On the date of this Amendment, pursuant to an Assignment and Assumption Agreement, made as of April 1, 1998 by and between Spardee's and Quincy's (the "Assignment and Assumption Agreement") Spardee's has assigned to Quincy's, and Quincy's has assumed, all obligations and liabilities of Spardee's under the Spardee's Loan Agreement and under the related Mortgage Notes, and, as consideration for such assumption by Quincy's, there has been delivered to Quincy's by or on behalf of Spardee's immediately available funds sufficient to purchase Defeasance Eligible Investments to defease the Spardee's Mortgage Notes.

J. On the Defeasance Date, Quincy's shall deliver to the Collateral Agent immediately available funds which, together with funds on deposit in the Accounts, after liquidation of all Eligible Investments held therein (other than existing Defeasance Eligible Investments), shall be sufficient to purchase Defeasance Eligible Investments, which together with the Defeasance Eligible Investments currently held by the Collateral Agent, are sufficient to defease all remaining payments due under the Mortgage Notes.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. The following capitalized terms have the meanings set forth below for purposes of the Collateral Assignment Agreement.

"BORROWER" or "BORROWERS" means Quincy, both in its capacity as one of the original Borrowers (as defined in the Original Agreement) and as assignee of Spardee's obligations as one of the original Borrowers (as defined in the Original Agreement).

"BORROWER COLLATERAL" has the meaning set forth in the Loan Agreements, as amended.

"CHASE LETTER OF CREDIT" has the meaning set forth in Section 6(c) of this Amendment.

"COLLATERAL" means Collateral (as defined in the Original Agreement, as amended by this Amendment) and the Borrower Collateral.

"COLLATERAL ASSIGNMENT AGREEMENT" means the Original Agreement, as amended by this Amendment.

"DEFEASANCE DATE" means April 1, 1998.

"DELIVERY," when used with respect to any Defeasance Eligible Investments, means:

(i) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "instruments" within the meaning of Section 9-105(1)(i) of the UCC and are susceptible of physical delivery, transfer thereof by physical delivery to the Collateral Agent endorsed to, or registered in the name of, the Collateral Agent or its nominee or endorsed in blank, and, with respect to a certificated security (as defined in Section 8-102 of the UCC) transfer thereof (A) by delivery of such certificated security to the Collateral Agent in accordance with the provisions of
Section 8-301(a) of the UCC, and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of or a security interest in any such Defeasance Eligible Investment to the Collateral Agent, consistent with changes in applicable law or regulations or the interpretation thereof;

(ii) with respect to any security issued by the U.S. Treasury, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations, the following procedures, all in accordance with applicable law, including applicable federal regulations and Articles 8 and 9 of the UCC; the crediting of such Defeasance Eligible Investment to a securities account maintained with a Federal Reserve Bank by a securities intermediary; the indication by such securities intermediary that such Defeasance Eligible Investment has been credited to the Collateral Agent's securities account at the securities intermediary; and such additional or alternative procedures as may hereafter become appropriate to effect complete transfer of ownership of or a security interest in any such Defeasance Eligible Investment to the Collateral Agent, consistent with changes in applicable law or regulations or the interpretation thereof; and

(iii) with respect to any Defeasance Eligible Investment that is an uncertificated security under Article 8 of the UCC and that is not governed by clause (ii) above, registration on the books and records of the issuer thereof in the name of the Collateral Agent or another Person (other than a "securities intermediary" (as defined in
Section 8-102(a)(4) of the UCC)) acting on behalf of the Trustee.

"STOCK PLEDGE" means the Stock Pledge Agreement, dated as of November 1, 1990, among Quincy's Restaurants, Inc. and the Issuer, as amended by the First Amendment to Stock Pledge Agreement, dated as of April 1, 1998, and any further amendments thereto.

SECTION 2. SECURITY AGREEMENTS.

(a) Section 2.01(a) of the Original Agreement is hereby amended by adding the word "and" at the end of subsection (vi) and adding the following new subsection (vii) thereto:

"(vii) the Borrower Collateral."

(b) The Issuer hereby restates and confirms the provisions set forth in the first paragraph of Section 2.01 of the Original Agreement with respect to the granting of a security interest in the Collateral (as amended by this Agreement) and hereby collaterally assigns, transfers, sets over, pledges and conveys to the Collateral Agent, as agent for Financial Security and the Trustee, as trustee for the holders of the Bonds, and their respective successors and assigns, as the interests of Financial Security and the Trustee may appear, all of the right, title, interest and estate of the Issuer, whether now or hereafter acquired in, to and under the Collateral (as such term is defined in the Original Collateral Agreement, as amended by this Amendment).

(c) Section 2.01 of the Original Agreement is hereby further amended by adding the following new subsections thereto:

"(c) As of the date hereof, Quincy's has deposited with the Collateral Agent $173,144,195 in immediately available funds. The Collateral Agent hereby accepts such funds and will use such funds, together with all funds on deposit in the Accounts, after liquidation of all Eligible Investments held in or credited to the Accounts (other than any existing Defeasance Eligible Investments), to purchase the Defeasance Eligible Securities listed on Exhibit A attached hereto.

(d) The Collateral Agent agrees as follows with respect to the Defeasance Eligible Investments, and the proceeds thereof, held from time to time in the Prepayment Account:

(i) any Defeasance Eligible Investment that is held in deposit accounts shall be made in the name of the Collateral Agent and shall be subject to the exclusive custody and control of the Collateral Agent, and the Collateral Agent shall have sole signature authority with respect thereto;

(ii) any Defeasance Eligible Investment that constitutes Physical Property (as defined in the definition of Delivery) shall be delivered to the Collateral Agent in accordance with paragraph (i) of the definition of "Delivery" and shall be held, pending maturity or disposition, solely by the Collateral Agent or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Collateral Agent;

(iii) any Defeasance Eligible Investment that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph (ii) of the definition of "Delivery" and shall be maintained by the Collateral Agent, pending maturity or disposition, through continued book-entry registration of such Defeasance Eligible Investment as described in such paragraph; and

(iv) any Defeasance Eligible Investment that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (iii) above shall be delivered to the Collateral Agent in accordance with paragraph (iii) of the definition of "Delivery" and shall be maintained by the Collateral Agent, pending maturity or disposition, through continued registration of the Collateral Agent's (or its nominee's) ownership of such security directly or through one or more securities intermediaries."

SECTION 3. REPRESENTATIONS AND WARRANTIES.

(a) The Issuer hereby confirms that, as of the Defeasance Date, its representations and warranties set forth in Section 3.01, of the Original Agreement are true and correct with respect to this Collateral Assignment Agreement.

(b) The Collateral Agent hereby confirms that, as of the Defeasance Date, its representations and warranties set forth in Section 3.04(b), (c), (d), (e) and (f) of the Original Agreement are true and correct with respect to this Collateral Assignment Agreement and hereby makes the following representation:

"The Collateral Agent is a state banking corporation organized and existing under the laws of the State of New York; and is duly qualified to do business, is in good standing and has obtained all necessary licenses, permits, charters, registrations and approvals (together, "approvals") necessary for their performance of its obligations under this Agreement."

SECTION 4. DELETION OF PROVISIONS. The Original Agreement is hereby amended by deleting the following Sections thereof: Section 3.02, Sections 4.02(f) and (g) and Sections 4.10(a), (c), (d), (e), (f), (g) and (i). Section 4.10(h) of the Original Agreement is hereby amended and restated to provide as follows:

"The Borrower or the Issuer will deliver to the Collateral Agent, and the Collateral Agent shall maintain on file, copies of all financing statements required to be prepared by the Controlling Party."

SECTION 5. COLLECTIONS AND ACCOUNTS.

(a) Section 6.02(f) of the Original Agreement is hereby amended and restated in its entirety to provide as follows:

"The Collateral Agent will deposit the proceeds of any drawing under the Chase Letter of Credit in the Collection Account and apply such funds solely as directed by Financial Security."

(b) Section 6.02(g) of the Original Agreement is amended and restated to provide as follows:

"(g) Within the Prepayment Account, the Collateral Agent shall maintain a Defeasance Collateral Subaccount and shall deposit in and maintain within such subaccount the Defeasance Eligible Investments delivered by, or purchased with cash by the Collateral Agent at the direction of the Issuer in connection with the defeasance of the Mortgage Notes. Prior to their maturity, such Defeasance Eligible Investments shall not be liquidated or otherwise transferred to the Mortgage Payment Account or any other Account and shall be used solely to make payments due and payable on the Bonds, or otherwise in accordance with the Collateral Assignment Agreement. All payments and collections on the Defeasance Eligible Investments will be deposited in the Prepayment Account on the day of receipt."

(c) Section 6.03(i) of the Original Agreement is hereby amended and restated to provide as follows:

"(i) by 10:00 on each Payment Date, the Collateral Agent shall transfer from the Prepayment Account to the Mortgage Payment Account funds equal to the aggregate amount of principal and interest due on the Bonds on such Payment Date;"

Sections 6.03(ii), (iii) and (iv) of the Original Agreement are hereby deleted in their entirety.

(d) Sections 6.03(v) and (vi) of the Original Agreement are hereby amended and restated to provide as follows:

"(v) by 10:30 a.m. on each Payment Date, moneys on deposit in the Mortgage Payment Account shall be applied first as set forth in Section 6.04(a), and then as set forth in
Section 6.04(c) below;

(vi) by 11:00 a.m. on each Payment Date, moneys on deposit in the Mortgage Payment Account shall be applied as set forth in Section 6.04(d) below;"

(e) Sections 6.03(vii), (viii), (ix), (x), (xi), (xii),
(xiii), (xiv), (xv), (xvi) and (xvii) are hereby deleted in their entirety.

(f) Sections 6.04(b), (e), (f), (g), (j), (k) and (l) and
Section 6.06 of the Original Agreement are hereby deleted in their entirety.

(g) Section 6.08(a) of the Original Agreement is hereby deleted in its entirety.

SECTION 6. MISCELLANEOUS.

(a) Section 7.08 of the Original Agreement is hereby amended and restated to provide as follows:

"Section 7.08. NOTICES. All demands, notices and other communications to be given hereunder shall be in writing (except as otherwise specifically provided herein) and shall be mailed by overnight delivery or personally delivered or telecopied to the recipient as follows:

(b) To Financial Security: Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
Facsimile Nos.: (212) 339-3518
(212) 339-3527

(in each case in which notice or other communication to Financial Security refers to a Security Event, Event of Default, a claim on the Policy or with respect to which failure on the part of Financial Security to respond shall be deemed to constitute consent or acceptance, then a copy of such notice or other communication should also be sent to the attention of each of the General Counsel and the Head-Financial Guaranty Group and shall be marked to indicate "URGENT MATERIAL ENCLOSED.")

(c) To the Issuer: Secured Restaurants Trust
Wilmington Trust Company
Rodney Square North
Wilmington, DE 19890
Attention: Corporate Trust
Administration
Telephone No.: (302) 651-1284
Telex No.: 835437
Answer Back: WILM-TR
Facsimile No.: (302) 651-1576

with a copy to
the Manager: Advantica Restaurant Group, Inc.
203 East Main Street
Spartanburg, SC 29301
Attention: Legal Department
Telephone No.: (803) 596-8000
Facsimile No.: (803) 596-8327

(d) To the Trustee: The Bank of New York
Towermarc Plaza
10161 Centurion Parkway
Jacksonville, FL 32256
Attention: Corporate Trust Department
Telephone No.: (904) 998-4700
Fax No.: (904) 645-1932

(e) To the Collateral Agent: The Bank of New York
Towermarc Plaza
10161 Centurion Parkway
Jacksonville, FL 32256
Attention: Corporate Trust Department
Telephone No.: (904) 998-4700
Fax No.: (904) 645-1932

(f) To the Borrower: Quincy's Realty, Inc.
201 East Main Street
Spartanburg, SC 29301
Attention: Legal Department
Telephone No.: (803) 596-8000
Facsimile No.: (803) 596-8327

A party may specify an additional or different address or addresses by writing mailed or delivered to the other parties as aforesaid. Except as may be otherwise specified herein, all such notices and other communications shall be effective two Business Days after being sent. Any notice required to be given to any Non-Controlling Party shall also be given to the Controlling Party."

(g) Notwithstanding any provision in the Original Agreement to the contrary, each of the Collateral Agent and the Trustee acknowledges and agrees that all of their fees and expenses due and payable on or prior to the Defeasance Date, and fees due thereafter, have been paid in full by or on behalf of Quincy's, and neither the Trustee nor the Collateral Agent has any lien on the Collateral for payment thereof or for any expenses incurred in connection with this Collateral Assignment Agreement or the Indenture. Financial Security hereby agrees that if, at the direction of Financial Security, the Collateral Agent takes any action to enforce a Mortgage Note, a Loan Agreement, this Agreement or takes action against the Borrower or its Properties, Financial Security will reimburse the Collateral Agent for any reasonable expenses incurred in connection with taking such actions. The Collateral Agent agrees to assist with such actions described in the preceding sentence as it is reasonably requested to take.

(h) On the Defeasance Date, Quincy's will deliver to the Collateral Agent, to hold for the benefit of Financial Security, a letter of credit having an aggregate available amount of $1 million issued by The Chase Manhattan Bank (the "Chase Letter of Credit"). The Collateral Agent will (i) hold the Chase Letter of Credit on behalf of

Financial Security in accordance with the terms of this Collateral Assignment Agreement (ii) make drawings thereunder, at the times and for the amounts directed in writing by Financial Security, in accordance with the terms of the Chase Letter of Credit, and (iii) release such Chase Letter of Credit, only at the time and as directed in writing by Financial Security. If the Collateral Agent receives notice from The Chase Manhattan Bank that the Chase Letter of Credit will expire and will not be automatically extended, the Collateral Agent shall provide a copy of such notice to Financial Security within two Business Days.

(i) This Amendment may be executed in counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

(j) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(k) This Amendment shall be construed in connection with, and as part of, the Original Agreement. The terms, conditions, representations, warranties, covenants, agreements, rights, remedies, powers and privileges set forth in the Original Agreement, as amended or otherwise modified hereby, are hereby confirmed in all respects by the parties hereto and shall continue in full force and effect.

(l) Each reference to the Collateral Assignment Agreement, or words of similar import in the Original Agreement or any notice, communication, certificate, instrument or other document executed and delivered in connection therewith after the date hereof shall be deemed to be a reference to the Original Agreement, as amended, supplemented and otherwise modified hereby, and as the same may be amended, supplemented or otherwise modified from time to time after the date hereof, unless the context requires otherwise.

(m) This Amendment shall be binding upon, shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns.

(n) Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Collateral Assignment Agreement as of the date set forth on the first page hereof.

SECURED RESTAURANTS TRUST

By Wilmington Trust Company, not in its
individual capacity but solely as Issuer Trustee

By /s/ Mary St. Amand
Mary St. Amand
Assistant Vice President

FINANCIAL SECURITY ASSURANCE INC.

By /s/ Bruce E. Stern
Bruce E. Stern
General Counsel and Managing Director

THE BANK OF NEW YORK, in its capacity as Trustee

By /s/ Sandra Carreker
Sandra Carreker
Title Agent

THE BANK OF NEW YORK, in its capacity as Collateral Agent

By /s/ Sandra Carreker
Sandra Carreker
Title Agent

EXHIBIT A

DEFEASANCE ELIGIBLE INVESTMENTS

[List to be Attached]

Exhibit 10.52 April 1, 1998

Advantica Restaurant Group, Inc.
203 East Main Street
Spartanburg, SC 29319

Quincy's Restaurants, Inc.
203 East Main Street
Spartanburg, SC 29319

Quincy's Realty, Inc.
203 East Main Street
Spartanburg, SC 29319

Ladies and Gentlemen:

This Letter Agreement (this "Agreement") sets forth the conditions precedent to the following releases and terminations (collectively, the "Release"): (a) release of the SPE LOC (defined below); (b) termination of the Reimbursement Agreement, dated as of April 1, 1998 (the "Reimbursement Agreement"), between Advantica Restaurant Group, Inc. ("Advantica") and Financial Security Assurance Inc. ("Financial Security"); (c) termination of the Stock Pledge Agreement, dated as of November 1, 1990 (the "Quincy's Stock Pledge Agreement"), between Quincy's Restaurants, Inc. and Secured Restaurants Trust (the "Issuer"), as amended, and (d) release of Quincy's Realty, Inc. ("Quincy's") from all obligations as Borrower under each of the two Loan Agreements, each dated as of November 1, 1990, as amended, and the Mortgage Notes thereunder. One Loan Agreement is between Quincy's and the Issuer. Quincy's has assumed all of the obligations of Spardee's Realty, Inc. under the second Loan Agreement, and the Mortgage Notes thereunder, pursuant to an Assignment and Assumption Agreement, dated as of April 1, 1998. The two Loan Agreements are referred to herein as the "Loan Agreements."

Capitalized terms used herein but not defined herein shall have the meanings given to such terms in the Loan Agreements.

On the date hereof, Advantica will provide two letters of credit to or for the benefit of Financial Security from The Chase Manhattan Bank. One letter of credit (the "Overcollateralization LOC") will have an initial stated amount of $1 million and shall be available to be drawn by the Collateral Agent for the benefit of Financial Security (i) to pay any expenses associated with the transaction contemplated to be paid by the Borrower pursuant to the Loan Agreements, if the Defeasance Eligible Investments deposited with the Collateral Agent are insufficient to pay such costs and expenses, including any amounts due and payable on the

Bonds, or (ii) if such letter of credit is not extended on each anniversary hereof, to draw the full available amount prior to termination. Such Overcollateralization LOC shall be returned for cancellation upon the return for cancellation of the Policy. The second letter of credit (the "SPE LOC") shall have an initial stated amount equal to $1 million and shall be drawable by Financial Security in increments of $250,000 under the following circumstances. If the SPE described below has not been formed and the Substitution (defined below) and Release has not occurred by July 1, 1998, October 1, 1998, January 1, 1999 or April 1, 1999, Financial Security may make a drawing under the SPE LOC on or after each such date for an amount equal to $250,000. The SPE LOC shall not reinstate for any amount so drawn.

The conditions precedent consist of the following:

(i) Formation by Advantica of a single-purpose, bankruptcy-remote entity (the "SPE") to be substituted for Quincy's as the "Borrower" under the Loan Agreements and the Mortgage Notes (the "Substitution"). The SPE shall meet all standard rating agency requirements for special purpose entities in an "AAA/Aaa"rated transactions, and Financial Security and its counsel shall have reviewed the organizational documents of the SPE and confirmed that the SPE is a single-purpose bankruptcy-remote entity;

(ii) The SPE shall have assumed in writing all obligations of Quincy's under the existing Loan Agreements and the Mortgage Notes and shall make all representations, warranties and covenants set forth in the Loan Agreements and the Mortgage Notes related to the Borrower's obligations thereunder and its operations as a special purpose entity and maintenance of its single-purpose bankruptcy-remote nature;

(iii) Counsel to the SPE shall have delivered to Financial Security , the Trustee and the Collateral Agent legal opinions, in form and substance satisfactory to Financial Security, addressing matters typically required in connection with formation of a special purpose entity to serve as an Issuer in an "AAA/Aaa" rated mortgage backed securities transaction, including opinions regarding enforceability of the assumption of all obligations of the SPE as Borrower under the Loan Agreements and the Mortgage Notes, corporate matters, preference issues, nonconsolidation issues and fraudulent conveyance issues and that the first priority perfected security interest of the Collateral Agent in the Borrower Collateral will continue to have such status after the Substitution;

(iv) No Event of Default exists under the Loan Agreements or the Mortgage Notes;

(v) The owners of the equity interests in the SPE, or if the SPE is a limited partnership or a limited liability company, the owners of the special purpose entity which serves as the general partner or the special purpose member, as applicable, shall execute a Stock Pledge Agreement substantially in the form provided to Advantica on or prior to the date of this Agreement, together with a legal opinion, in form and substance satisfactory to Financial Security, with respect to the enforceability thereof; and

(vi) Advantica shall have paid all costs and expenses of Financial Security, the Trustee and the Collateral Agent incurred in connection with the Substitution, including reasonable fees and disbursements of legal counsel.

If the conditions precedent set forth above are satisfied in full, Financial Security will give its written consent to terminate the Quincy's Stock Pledge Agreement and the Reimbursement Agreement, to release the SPE LOC and to the Substitution under the Loan Agreements and the Mortgage Notes.

[Signature page follows]

Your signature below indicates your agreement and acceptance of the terms and conditions set forth above.

Yours truly,

Financial Security Assurance Inc.

By /s/ Bruce E. Stern
Bruce E. Stern
General Counsel and Managing Director

Letter Agreement Acknowledged and
Agreed:

Advantica Restaurant Group Inc.

By /s/ Kenneth E. Jones *Date: April 1, 1998*
Name Kenneth E. Jones
Title Vice President and Treasurer

Quincy's Restaurants, Inc.

By /s/ Kenneth E. Jones *Date: April 1, 1998*
Name Kenneth E. Jones
Title Vice President and Treasurer

Quincy's Realty, Inc.

By /s/ Kenneth E. Jones *Date: April 1, 1998*
Name Kenneth E. Jones
Title Vice President and Treasurer

AMENDMENT NO. 1 AND WAIVER, dated as of March 16, 1998 (this "AMENDMENT"), to the Credit Agreement dated as of January 7, 1998 (the "CREDIT AGREEMENT"), among DENNY'S, INC., a California corporation, EL POLLO LOCO, INC., a Delaware corporation, FLAGSTAR ENTERPRISES, INC., an Alabama corporation, FLAGSTAR SYSTEMS, INC., a Delaware corporation, QUINCY'S RESTAURANTS, INC., an Alabama corporation (each of the foregoing, individually, a "BORROWER" and, collectively, the "BORROWERS"), ADVANTICA RESTAURANT GROUP, INC., a Delaware Corporation ("PARENT"), the Lenders (as defined in Article I of the Credit Agreement) and THE CHASE MANHATTAN BANK, a New York banking corporation, as swingline lender (in such capacity, the "SWINGLINE LENDER"), as issuing bank, as administrative agent (in such capacity, the "ADMINISTRATIVE AGENT") and as collateral agent (in such capacity, the "COLLATERAL AGENT") for the Lenders.

A. The Lenders have extended credit to the Borrowers, and have agreed to extend credit to the Borrowers, in each case pursuant to the terms and subject to the conditions set forth in the Credit Agreement.

B. Parent and the Borrowers have requested that the Required Lenders (i) grant certain waivers of compliance by Parent and the Borrowers with certain provisions of the Credit Agreement as provided herein and (ii) agree to amend certain provisions of the Credit Agreement as provided herein.

C. The Required Lenders are willing to grant such waivers and agree to such amendments, in each case on the terms and subject to the conditions set forth herein.

D. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Credit Agreement.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Waivers. (a) The Required Lenders hereby waive compliance by Parent and the Borrowers with Section 5.11 of the Credit Agreement to the extent, but only to the extent, necessary to permit any newly-formed, special purpose subsidiary of Parent (the "SPC") the only assets of which are
(i) Defeasance Eligible Investments (as defined in the Real Estate Financing Documents) that were acquired or retained in connection with the SRT Defeasance (as defined below) and the earnings thereon and proceeds thereof and (ii) cash in an amount necessary to effect the SRT Defeasance not to execute a Subsidiary Guarantee Agreement, an Indemnity, Subrogation and Contribution Agreement or any Security Document until such time when the SPC is no longer subject to a contractual prohibition on doing so.

(b) The Required Lenders hereby waive compliance by Parent and the Borrowers with Sections 5.12, 6.04, 6.05 and 6.08 of the Credit Agreement to the extent, but only to the extent, necessary to permit (i) the use of a portion of the proceeds of the Enterprises Sale (as defined in the Credit Agreement as amended by this Amendment) to

cause (A) the defeasance in full of (1) the Mortgage Notes of Spardee's Realty (the "Spardee's Mortgage Notes") relating to the 10.25% Guaranteed Secured Bonds due 2000 of Secured Restaurants Trust and (2) the Mortgage Notes of Quincy's Realty (the "Quincy's Mortgage Notes") relating to the 10.25% Guaranteed Secured Bonds due 2000 of Secured Restaurants Trust in accordance with their respective terms (or otherwise on terms reasonably satisfactory to the Administrative Agent) or (B) the defeasance in full of the 10.25% Guaranteed Secured Bonds due 2000 of Secured Restaurants Trust in accordance with their terms (or otherwise on terms reasonably satisfactory to the Administrative Agent) and, in the case of this clause (B), in consideration of such defeasance, the extinguishment of all obligations of the Subsidiaries in respect of the Spardee's Mortgage Notes and the Quincy's Mortgage Notes (the transactions referred to in clause (i)(A) or (i)(B) above, the "SRT DEFEASANCE"), (ii) the transfer of the Defeasance Eligible Investments and cash deposited to effect the SRT Defeasance to the SPC (the "SPC Transfer") and (iii) waivers, amendments and supplements to the Real Estate Financing Documents in connection with the implementation of the SRT Defeasance reasonably acceptable to the Administrative Agent, among other things, (A) to provide for reimbursement or indemnification by Parent of certain costs of Financial Security Assurance Inc. ("FSA"), (B) to impose limitations on distributions by Quincy's Realty and (C) to require the posting of a $1,000,000 letter of credit as part of the SRT Defeasance.

SECTION 2. Amendment. (a) Section 1.01 of the Credit Agreement is hereby amended as follows:

(i) by inserting the following definitions in the appropriate alphabetical order:

"'DENNY'S MORTGAGE NOTES' shall mean the 11.03% Mortgage Notes of Denny's Realty due 2000."

"'ENTERPRISES SALE' shall have the meaning assigned to such term in Section 6.05(h)."

"'QUINCY'S MORTGAGE NOTES' shall mean the Mortgage Notes of Quincy's Realty relating to the 10.25% Guaranteed Secured Bonds due 2000 of Secured Restaurants Trust."

"'SPARDEE'S MORTGAGE NOTES' shall mean the Mortgage Notes of Spardee's Realty relating to the 10.25% Guaranteed Secured Bonds due 2000 of Secured Restaurants Trust."

"'SRT BONDS' shall mean the 10.25% Guaranteed Secured Bonds due 2000 of Secured Restaurants Trust."

"'SRT DEFEASANCE' shall have the meaning assigned to such term in Section 6.05(h).";

(ii) by inserting at the end of the definition of the term "Consolidated EBITDA" before the period the following proviso:

"; provided, however, that (a) prior to the occurrence of an Enterprises Sale, Consolidated EBITDA for each period will be determined assuming that the consolidated results of operations of Enterprises and its subsidiaries are attributable to continuing operations of Parent and the Subsidiaries, whether or not such consolidated results of operations are at the time being classified by Parent in its consolidated financial statements as the results of discontinued operations, (b) upon and after the occurrence of an Enterprises Sale, Consolidated EBITDA for each period that includes the date of occurrence of such Enterprises Sale will, solely for purposes of determining compliance with Sections 6.11, 6.12, 6.13 and 6.14, be determined on a pro forma basis, as if Enterprises had been sold on the first day of such period and (c) after the occurrence of any acquisition of any person by Parent, any Borrower or any Specified Subsidiary, Consolidated EBITDA for each period that includes the date of occurrence of such acquisition will, solely for purposes of determining compliance with Sections 6.11 and 6.12, be determined on a pro forma basis, based on the actual historical results of operations of such person, as if such acquisition had occurred on the first day of such period";

(iii) by inserting at the end of the definition of the term "Consolidated Interest Expense" after the period the following sentence:

"Notwithstanding the foregoing, (a) prior to the occurrence of an Enterprises Sale, Consolidated Interest Expense for each period will be determined assuming that the consolidated interest expense (net of interest income) of Enterprises and its subsidiaries is attributable to continuing operations of Parent and the Subsidiaries, whether or not the consolidated results of operations of Enterprises and its subsidiaries are at the time being classified by Parent in its consolidated financial statements as the results of discontinued operations, and (b) upon and after the occurrence of an Enterprises Sale, Consolidated Interest Expense (i) for each period that includes the date of occurrence of such Enterprises Sale will, for all purposes in this Agreement, be determined on a pro forma basis, as if Enterprises had been sold and the SRT Defeasance had been effected on the first day of such period and (ii) for each period will, for all purposes in this Agreement, be determined without regard to (A) interest expense in respect of the Spardee's Mortgage Notes, the Quincy's Mortgage Notes and the SRT Bonds and (B) interest income in respect of the Defeasance Eligible Investments (as defined in the Real Estate Financing Documents).";

(iv) by inserting at the end of the definition of the term "Consolidated Lease Expense" after the period the following sentence:

"Notwithstanding the foregoing, (a) prior to the occurrence of an Enterprises Sale, Consolidated Lease Expense for each period will be determined assuming that the consolidated payment obligations of Enterprises and its subsidiaries for such period under Operating Leases are

attributable to continuing operations of Parent and the Subsidiaries, whether or not the consolidated results of operations of Enterprises and its subsidiaries are at the time being classified by Parent in its consolidated financial statements as the results of discontinued operations, and (b) upon and after the occurrence of an Enterprises Sale, Consolidated Lease Expense for each period that includes the date of occurrence of such Enterprises Sale will, for all purposes of this Agreement, be determined on a pro forma basis, as if Enterprises had been sold on the first day of such period.";

(v) by inserting at the end of the definition of the term "Consolidated Total Debt" before the period the following text:

", MINUS, at any time after the Enterprises Sale and the SRT Defeasance have occurred, the lesser of (x) $170,000,000, (y) the Net Cash Proceeds of such Enterprises Sale that have not previously been applied to incur Consolidated Capital Expenditures (or investments in lieu thereof permitted under
Section 6.04(k)), pay Indebtedness, effect the SRT Defeasance or make investments or for any other purpose and (z) the aggregate amount of all cash and cash equivalents of Parent, the Borrowers and the Specified Subsidiaries (excluding the Defeasance Eligible Investments (as defined in the Real Estate Financing Documents) acquired in connection with the SRT Defeasance) that would be set forth on a consolidated balance sheet of Parent, the Borrowers and the Specified Subsidiaries prepared as of such date in accordance with GAAP";

(vi) by inserting immediately before the words "the fair market value" in the last sentence of the definition of the term "Indebtedness" the text "(a)" and inserting at the end of such definition before the period the following text:

"and (b) if the SRT Defeasance has occurred and remains effective, the aggregate amount of Indebtedness outstanding in respect of the Quincy's Mortgage Notes and the Spardee's Mortgage Notes or the SRT Bonds, as the case may be"; and

(vii) by deleting the words "each series of the Mortgage Notes" set forth in the first line of the definition of the term "Real Estate Refinancing" and substituting therefor the following words:

"(a) each series of the Mortgage Notes or (b) if the SRT Defeasance has occurred and remains effective, the Denny's Mortgage Notes".

(b) Section 6.04 of the Credit Agreement is hereby amended as follows:

(i) by inserting immediately before the word "Subsidiaries" in
Section 6.04(k) the word "Domestic", by inserting immediately before the words "any Borrower" in Section 6.04(k) the text "any of Parent," and by deleting the word "and" at the end of Section 6.04(k); and

(ii) by deleting the period at the end of Section 6.04(l) and substituting therefor the text "; and" and by inserting after Section 6.04(l) the following new section:

"(m) Defeasance Eligible Investments (as defined in the Real Estate Financing Documents) acquired in connection with the SRT Defeasance.".

(c) Section 6.05 of the Credit Agreement is hereby amended as follows:

(i) by deleting the word "$5,000,000" in clause (ii) of
Section 6.05(e) and substituting therefor the word "$10,000,000";

(ii) by inserting at the end of Section 6.05(f) immediately before the semicolon the following:

", except that during the three-fiscal-year period ending on or about December 31, 2000, Quincy's and its subsidiaries may dispose of additional underperforming restaurants (as determined in the good faith judgment of Parent) pursuant to this Section 6.05(f), having an aggregate Fair Market Value of not more than $45,000,000";

(iii) by deleting the word "and" set forth at the end of
Section 6.05(f); and

(iv) by inserting after Section 6.05(g) the word "and" and the following new sections:

"(h) Spartan may sell all the capital stock of Enterprises (the "ENTERPRISES SALE"), provided that (i) at the time of such sale and immediately after giving effect thereto no Event of Default or Default shall have occurred and be continuing,
(ii) such sale is consummated in accordance with the terms of the Stock Purchase Agreement among Parent, Spartan, Enterprises and CKE Restaurants, Inc. dated as of February 18, 1998 (without giving effect to any amendments, waivers, supplements or other modifications thereto that are adverse to the Lenders) (the "Purchase Agreement"), and applicable law and regulations and otherwise on terms reasonably satisfactory to the Administrative Agent, (iii) Spartan shall have received gross cash proceeds of not less than $380,799,679 (subject to adjustment as provided in the Purchase Agreement) from such sale, (iv) a portion of the cash proceeds of the Enterprises Sale is used immediately (A) to defease in full (1) the Spardee's Mortgage Notes and (2) the Quincy's Mortgage Notes in accordance with their respective terms (or otherwise on terms reasonably satisfactory to the Administrative Agent) or (B) to defease in full the SRT Bonds in accordance with their terms (or otherwise on terms reasonably satisfactory to the Administrative Agent) in exchange for the extinguishment of all obligations of the Subsidiaries in respect of the Spardee's Mortgage Notes and the Quincy's Mortgage Notes and
(v) all Liens under or related to the Spardee's Mortgage Notes and the Quincy's Mortgage Notes affecting the Properties (as defined in the Spartan Indenture, but excluding the Defeasance Eligible Investments (as defined in the Real Estate Financing Documents) and cash deposited to effect the SRT Defeasance) are released and eliminated (the transactions

referred to in clause (iv)(A) or (iv)(B) above, together with the transactions referred to in clause (v) above, the "SRT DEFEASANCE");".

(d) Section 6.08 of the Credit Agreement is hereby amended by inserting after the word "that" in the first proviso to Section 6.08(a) the word "(i)" and inserting at the end of such proviso before the semicolon the following:

"and (ii) Parent or the Subsidiaries may make up to an aggregate of $2,000,000 in prepayments of Indebtedness of Enterprises retained or to be retained by Parent or any Subsidiary in connection with the Enterprises Sale".

(e) Section 6.10 of the Credit Agreement is hereby amended by inserting at the end thereof before the period the following proviso:

", PROVIDED FURTHER, that, after the occurrence of an Enterprises Sale, in addition to the Consolidated Capital Expenditures (or investments in lieu thereof permitted under
Section 6.04(k)) permitted to be incurred pursuant to the foregoing provisions of this Section, Parent, the Borrowers and the Specified Subsidiaries may from time to time incur Consolidated Capital Expenditures (or investments in lieu thereof permitted under Section 6.04(k)) in an aggregate amount during the term of this Agreement not to exceed the lesser of (a) $170,000,000 and (b) the Net Cash Proceeds of such Enterprises Sale that have not previously been applied to incur Consolidated Capital Expenditures (or investments in lieu thereof permitted under Section 6.04(k)), pay Indebtedness, effect the SRT Defeasance or make investments or for any other purpose";

(f) Section 6.13 of the Credit Agreement is hereby amended, effective upon the occurrence of the Enterprises Sale and the SRT Defeasance, by deleting the second through ninth lines of the table set forth therein and substituting therefor the following:

Date	Ratio
March 31, 1998	1.45 to 1.00
June 30, 1998	1.45 to 1.00
September 30, 1998	1.45 to 1.00
December 31, 1998	1.50 to 1.00
March 31, 1999	1.60 to 1.00
June 30, 1999	1.60 to 1.00
September 30, 1999	1.75 to 1.00
December 31, 1999	1.75 to 1.00

(g) Section 6.14 of the Credit Agreement is hereby amended, effective upon the occurrence of the Enterprises Sale and the SRT Defeasance, by deleting the second through ninth lines of the table set forth therein and substituting therefor the following:

Date Ratio

March 31, 1998	1.25 to 1.00
June 30, 1998	1.25 to 1.00
September 30, 1998	1.25 to 1.00
December 31, 1998	1.28 to 1.00
March 31, 1999	1.32 to 1.00
June 30, 1999	1.32 to 1.00
September 30, 1999	1.40 to 1.00
December 31, 1999	1.40 to 1.00

SECTION 3. Additional Agreements. Parent and the Borrowers hereby agree (a) to effect the SPC Transfer and (b) in connection therewith, to obtain (i) the release of (A) Quincy's Realty from all obligations under the Quincy's Mortgage Notes and the Spardee's Mortgage Notes and (B) Parent from all reimbursement and indemnification obligations related thereto and (ii) the release and elimination of the pledge of, and any other Liens affecting, the capital stock of Quincy's Realty under or related to the Quincy's Mortgage Notes or the Spardee's Mortgage Notes within 30 days after the date of occurrence of the Enterprises Sale. Parent and the Borrowers hereby further agree not to permit (a) Quincy's Realty or, after the SPC Transfer, the SPC to transfer the Defeasance Eligible Investments (as defined in the Real Estate Financing Documents) or any earnings thereon or proceeds thereof to any other person or to use the Defeasance Eligible Investments or any earnings thereon or proceeds thereof for any purpose, in each case other than to satisfy the obligations of Quincy's Realty or the SPC, as applicable, in respect of the Quincy's Mortgage Notes, the Spardee's Mortgage Notes or the other Real Estate Financing Documents, or (b) the SPC to engage in any business or activity other than holding such assets and using them for such purpose. The failure of Parent and the Borrowers to comply with this Section 3 will be deemed to constitute an Event of Default under the Credit Agreement.

SECTION 4. Representations and Warranties. Parent and the Borrowers represent and warrant to the Administrative Agent and to each of the Lenders that:

(a) This Amendment has been duly authorized, executed and delivered by Parent and each of the Borrowers and constitutes their legal, valid and binding obligations, enforceable in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(b) Before and after giving effect to this Amendment, the representations and warranties set forth in Article III of the Credit Agreement are true and correct in all material respects with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date.

(c) The execution, delivery and performance by Parent and each necessary Loan Party of the Purchase Agreement, and the completion of both the Enterprises Sale and the SRT Defeasance (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of Parent, any Borrower or any Subsidiary, (B) any order of any Governmental Authority or

(C) any provision of any indenture, agreement or other instrument to which Parent, any Borrower or any Subsidiary is a party or by which any of them or any of their property is or may be bound or (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such indenture, agreement or other instrument.

(d) Before and after giving effect to this Amendment, no Event of Default or Default has occurred and is continuing.

SECTION 5. Conditions to Effectiveness. This Amendment shall become effective as of the date first above written when the Administrative Agent shall have received counterparts of this Amendment that, when taken together, bear the signatures of Parent, each of the Borrowers and the Required Lenders.

SECTION 6. Credit Agreement. Except as specifically amended hereby, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof as in existence on the date hereof. After the date hereof, any reference to the Credit Agreement shall mean the Credit Agreement as amended hereby.

SECTION 7. Loan Document. This Amendment shall be a Loan Document for all purposes.

SECTION 8. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement.

SECTION 10. Expenses. Parent and the Borrowers agree to reimburse the Administrative Agent for its out-of-pocket expenses in connection with this Amendment, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

ADVANTICA RESTAURANT GROUP, INC.,

by

Name:

Title:

DENNY'S, INC.,

by

Name:

Title:

EL POLLO LOCO, INC.,

by

Name:

Title:

FLAGSTAR ENTERPRISES, INC.,

by

Name:

Title:

FLAGSTAR SYSTEMS, INC.,

by

Name:

Title:

QUINCY'S RESTAURANTS, INC.,

by

Name:

Title:

THE CHASE MANHATTAN BANK, individually
and as Administrative Agent, Collateral
Agent, Swingline Lender and Issuing
Bank,

by

Name:

Title:

SIGNATURE PAGE TO
AMENDMENT NO. 1,
CONSENT AND WAIVER DATED AS OF
March 16, 1998

To approve the Amendment:

Name of Institution _____

by

Name:

Title:

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-45811 on Form S-1 of Advantica Restaurant Group, Inc. (formerly Flagstar Companies, Inc.) of our report dated February 20, 1998, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ DELOITTE & TOUCHE LLP

Greenville, South Carolina
April 20, 1998

End of Filing

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