

## **FRISCH'S RESTAURANTS, INC. CORPORATE GOVERNANCE GUIDELINES**

The following corporate governance guidelines (the "Guidelines") have been adopted by the Board of Directors (the "Board") of Frisch's Restaurants, Inc ("Frisch's"). These principles, along with Frisch's Articles of Incorporation, Code of Regulations, charters of the various committees of the Board, Frisch's Code of Conduct, and Frisch's Code of Ethics for Chief Executive Officers and Financial Professionals, provide the foundation for the company's corporate governance.

### **1. Roles of the Board of Directors and Management**

Frisch's Board is elected by our shareholders and is the ultimate decision making body of Frisch's, except with respect to those matters reserved to our shareholders. Frisch's business is conducted by our employees and officers under the direction of Frisch's Chief Executive Officer and subject to the oversight of the Board. Both management and the Board seek to enhance the value of Frisch's for the benefit of our shareholders. In doing so, Frisch's recognizes that the interests of our shareholders also will be advanced by responsibly taking into account the concerns of our other constituencies, including customers, employees, the communities in which we do business, the public at large and the governmental entities which regulate our businesses.

In carrying out its role, the Board does the following:

- Monitors critical business and financial strategies of the company.
- Oversees the material risks facing the company and the management of those risks.
- Approves and monitors major corporate actions.
- Oversees processes designed to ensure the company's and its employees' compliance with applicable laws and regulations and the company's Code of Conduct and Code of Ethics for Chief Executive Officers and Financial Professionals.
- Oversees processes designed to ensure the accuracy and completeness of the company's financial statements and public reports.
- Monitors the effectiveness of the company's internal controls.
- Selects, evaluates, monitors the performance of, and sets appropriate compensation for, the company's Chief Executive Officer and oversees succession planning for the Chief Executive Officer position.
- Reviews the recommendations of company management for, elects, and monitors the performance of, the company's principal officers.
- Oversees the compensation of the company's principal officers elected by the Board.

## **2. Director Responsibilities**

The core responsibility of each director is to exercise his or her business judgment in good faith to act in what the director reasonably believes to be in the best interests of Frisch's and our shareholders. In discharging this responsibility, Frisch's requires that each director shall:

- Preserve the confidential nature of material information given or presented to the Board.
- Disclose to the other directors any potential conflicts of interest he or she may have with respect to any matter under discussion and, if appropriate, refrain from voting on such a matter.
- Not serve as a director, officer or employee of any entity which is in competition with Frisch's and not misappropriate any opportunity or asset belonging to Frisch's for his or her direct or indirect benefit.
- Consistent with the Board's belief that management speaks for Frisch's, refer all inquiries from the press, investors and others to the Chief Executive Officer or such other officers as required by Frisch's disclosure policies, provided, however, that a director may, from time to time, meet or otherwise communicate with various third parties about Frisch's, but only with the knowledge and advance approval of management or if requested by management.
- Establish a financial stake in Frisch's by developing a meaningful ownership position in Frisch's over time as is appropriate for the director's personal financial circumstances. The Board suggests ownership of stock valued at approximately three times annual board compensation, accumulated within a period of five years.

## **3. Size of the Board of Directors and Terms and Term Limits**

The company's Code of Regulations provides that the Board shall consist of not fewer than five nor more than nine members. The shareholders have set the number of directors at nine. Also pursuant to the Code of Regulations, the Board is classified into two classes and each director serves for a term of two years commencing on the date of the annual meeting at which the director is elected. Frisch's does not believe we should establish term limits for our directors. Term limits have the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into Frisch's and its operations and, therefore, provide an increasing contribution to the Board as a whole.

## **4. Board Composition and Director Qualifications and Selection Process**

4.1 Board Member Criteria, Integrity, Values and Experience. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the skills, qualifications and characteristics required of

Board members in the context of the current composition of Board as a whole and the needs of the company. Frisch's seeks to have a Board comprised of individuals representing diverse experiences, backgrounds, skills, expertise and other attributes who will be most effective, in conjunction with the other nominees and members of the Board, in collectively serving the best interests of the company and its shareholders. Each individual director should possess the highest personal and professional ethics and integrity, and be devoted to representing the interests of Frisch's and our shareholders. A director must also be willing to devote sufficient time to carrying out his or her duties and responsibilities effectively.

4.2 Independence. Frisch's Board shall at all times be comprised of no less than a majority of directors who meet the current criteria for independence required by the company's Code of Regulations, the NYSE MKT or such other stock exchange upon which our common stock is traded, the Securities and Exchange Act of 1934, as amended, and any applicable rules and regulations of the Securities and Exchange Commission. All Board members shall be free from any relationship that would interfere with the member's exercise of independent judgment in carrying out the responsibilities of a Board member. Annually, the Board reviews the independence of each non-employee director and affirmatively determines whether each non-employee director qualifies as independent.

4.3 Nominations. The Nominating and Corporate Governance Committee, with the input of the Chairman of the Board and Chief Executive Officer, is responsible for recommending to the Board nominees to fill Board vacancies and newly created Board positions, as well as recommending the slate of persons to be nominated for election at the company's annual shareholder meeting. The Nominating and Corporate Governance Committee shall consider any nominees recommended by shareholders. Shareholders may propose director nominees by submitting the names, phone numbers and qualifications of such persons to the Committee, no later than May 1 of any year for the next annual shareholders' meeting to: Chair, Nominating and Corporate Governance Committee, Frisch's Restaurants, Inc., 2800 Gilbert Avenue, Cincinnati, Ohio 45206. The Nominating and Corporate Governance Committee shall evaluate all director nominees based on the same criteria regardless of whether they are recommended by the Committee, a shareholder or any other person. Upon the nomination by the Committee, the Board may fill any vacancies that occur on the Board between annual shareholder meetings. The Nominating and Corporate Governance Committee will review all director nominees in accordance with its Charter and these Guidelines and select those nominees whose attributes it believes would be most beneficial to the company. In most cases, the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee jointly should extend the invitation to selected nominees to join the Board.

4.4 Separation of Positions and Chairman and CEO. The Board's general policy is that the positions of Chairman of the Board and Chief Executive Officer should be held by separate persons as an aid in the Board's oversight of management.

4.5 Ethics and Conflicts of Interest. The Board expects all directors, as well as the company's employees, to act ethically at all times and to adhere to the

company's Code of Conduct and, if applicable to them, the company's Code of Ethics for Chief Executive Officer and Financial Professionals. Directors shall promptly inform the Chair of the Nominating and Corporate Governance Committee if any actual or potential conflict of interest arises between the director and the company at any time. Any conflict must be resolved to the satisfaction of the Board, or the member must resign. All directors must recuse themselves from any discussion or decision affecting their personal, business, or professional interests. The Nominating and Corporate Governance Committee will consider, and the Board will resolve, any conflict of interest or code of ethics questions concerning directors or senior management.

4.6 Service on Other Boards of Directors. The Board recognizes that many desirable director nominees also serve as directors for other companies. The Board does not believe that its members should be prohibited from serving on the boards of other companies so long as those commitments do not create material actual or potential conflicts and do not interfere with each director's ability to fulfill his or her duties as a member of the company's Board. The Nominating and Corporate Governance Committee will take into consideration the nature and time involved in a director's service on other boards in assessing director nominees. A director should advise the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve as a director of another public company. The Nominating and Corporate Governance Committee will review whether such other board membership may cause any conflict or unduly impact the ability of the director to fulfill his or her responsibilities as a director of Frisch's and, if so, shall make an appropriate recommendation to the Board.

4.7 Prompt Disclosure of Any Change in Affiliation. Directors must promptly report to the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee when they experience a significant change in their business or professional affiliation or responsibility and offer to resign from the Board. The Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board, will determine whether the director continues to adequately meet the requirements for service on the Board and whether or not to accept the resignation.

## **5. Meetings of the Board of Directors**

5.1 Number of Meetings. Frisch's Board meets quarterly each year. Special meetings are called as necessary to address important company issues.

5.2 Attendance and Preparation. Each director is expected to prepare for, attend, and participate in all Board meetings and all meetings of any committee on which the director serves. A director should notify Frisch's Secretary as soon as practical if he or she is unable to attend a meeting. Each director is expected to spend the amount of time and effort needed, and to meet as frequently as necessary, to properly discharge their responsibilities. Information and data that are important to the directors' understanding of the business that is to be conducted at a Board or committee meeting generally should be distributed in writing to the directors no less than two business days before the meeting. Each director should review those materials in advance of the meeting.

5.3 Meeting Agendas. The Chairman of the Board, in consultation with management and the other directors, will establish the agenda for each Board meeting. Directors should propose to the Chairman the inclusion of additional agenda items they deem necessary or appropriate in carrying out their duties. Whenever possible, it is desirable for such additional agenda items to be discussed with the Chairman of the Board or Secretary in advance of the meeting so that appropriate notice and materials relating to such item can be distributed to all Directors prior to the meeting. A director may, however, raise subjects for discussion at any Board meeting whether or not included within the formal agenda for that meeting. At all Board and committee meetings, appropriate time will be allotted for Board members questions and input.

5.4 Executive Sessions of Independent Directors. Executive sessions of non-employee, independent members of the Board shall be held at least quarterly and more frequently if the independent directors so desire. No non-independent Board members or members of Frisch's management shall be present at such executive sessions. The independent directors may meet in executive session completely separate from a scheduled meeting of the full Board or during a scheduled Board meeting upon first excusing all non-independent Board members and members of Frisch's management from that segment of the meeting. The chairperson at any such executive session shall be the Chairman of the Board, if independent, and if not independent, an independent director selected by a majority of the other independent directors.

## **6. Board Committees**

6.1 Purpose. The purpose of Board committees is to help the Board effectively and efficiently fulfill its responsibilities, although the committees do not displace the oversight responsibilities of the Board as a whole. Committees will report the results of their significant activities to the full Board or make recommendations to the full Board as appropriate.

6.2 Standing Committees. The Board currently has established the following standing committees:

- (i) Audit Committee
- (ii) Compensation Committee
- (iii) Nominating and Corporate Governance Committee
- (iv) Finance Committee

All members of Audit, Compensation, and Nominating and Corporate Governance Committees, and a majority of the members of the Finance Committee, must be independent, as described in Section 4.2 of this charter. The Board may create additional standing and ad hoc committees as deemed appropriate from time to time.

6.3 Committee Charters. Each Board committee has its own charter which sets forth the purposes, goals and responsibilities of the committee as well as certain

specific qualifications for committee membership and procedures for committee member appointment. Each committee shall review its charter annually and make any changes the committee deems necessary or appropriate.

6.4 Committee Meetings and Agendas. The chair of each Board committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chair of each committee, in consultation with the appropriate members of the committee and senior executives, will develop the agenda for each meeting.

6.5 Committee Assignments. The Board will make committee assignments based upon the recommendations of the Nominating and Corporate Governance Committee. The need for effective and optimal committee function, and compliance with all applicable legal and regulatory requirements, are the paramount concerns in committee member and chair selections.

## **7. Board Access to Management and Independent Advisors**

Directors shall have full and free access to officers and employees of Frisch's. Members of senior management may regularly attend Board meetings to report on their areas of responsibility. The Board may engage and consult with financial, legal, or other independent advisors as it deems necessary or appropriate to carry out its duties. The company will bear the costs associated with any such engagements.

## **8. Director Compensation**

The form and amount of director compensation will be determined by the full Board based upon the recommendations of the Compensation Committee. The Compensation Committee conducts an annual review of compensation paid to directors, considering the company's overall compensation philosophy, objectives and policies, performance results of the company, relevant peer data, recommendations by management, and the advice and recommendations of any compensation consultants who are assessed annually via questionnaire for potential conflicts of interest. Directors who are employees of Frisch's receive no additional compensation for serving as directors.

## **9. Director Education**

9.1 Director Orientation. The Nominating and Corporate Governance Committee, in conjunction with the Chairman of the Board and Chief Executive Officer, will develop and implement appropriate orientation programs for newly elected directors. The orientation programs shall include information designed to familiarize new directors with the company and its strategic plans, its significant financial, accounting and risk management issues, its compliance programs and other controls, its Code of Conduct, its principal officers, and its internal and independent auditors. The orientation programs shall also address procedures of the Board, director responsibilities, committee charters, and these Guidelines.

9.2 Continuing Education. The Nominating and Corporate Governance Committee, in conjunction with the Chairman of the Board, is responsible for conducting, or making available, director continuing education programs or materials designed to assist the directors in developing and maintaining the skills necessary or appropriate for the performance of their responsibilities. These continuing education programs may include in-house and third-party presentations. The company will bear all expenses associated with making appropriate continuing education opportunities available to the Board members.

## **10. Annual Performance Evaluation**

Each year, the Board will conduct a self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee is responsible for establishing an annual evaluation process of the Board and its committees. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's and Nominating and Corporate Governance Committee's performance. The goal of these evaluations is to increase the Board's effectiveness in fulfilling its duties. The full Board will discuss the evaluation report to determine what, if any, action could improve Board and/or committee performance.

## **11. Annual Shareholder Meetings**

Board members are expected to attend Frisch's annual shareholder meetings. The annual meeting of the Board will be held immediately following the annual meeting of shareholders each year.

## **12. Communicating Concerns to the Board**

Anyone desiring to communicate with the Board may do so by sending their written communication to The Board of Directors, c/o Donald A. Bodner, Secretary, Frisch's Restaurants, Inc., 2800 Gilbert Avenue, Cincinnati, Ohio 45206. A confidential Corporate Governance Hotline is available to report concerns or complaints regarding the company's accounting, internal controls, or other financial or auditing matters. These concerns or complaints will be referred to the Audit Committee. The Hotline is managed by a third party, and is available 24 hours a day, 7 days a week. Calls may be made anonymously.

## **13. Review, Amendment, Waiver, Modification and Posting**

These Guidelines shall be reviewed at least annually by the Nominating and Corporate Governance Committee and may be amended, modified or waived by the Board, subject to the disclosure and other provisions of laws, rules and regulations applicable to Frisch's. These Guidelines shall be posted on the company's website so they are accessible to shareholders.