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LEASE AND AGREEMENT (herein, together with any amendment or supplement hereto, called this "Lease"), dated as of September 1, 1977, between KRYSTAL REAL ESTATE CO. II, a Tennessee corporation (herein, together with its successors and assigns, called "Lessor"), having an address at 701 Cherry Street, Chattanooga, Tennessee 37402, and THE KRYSTAL COMPANY, a Tennessee corporation (herein, together with any corporation succeeding thereto by consolidation, merger or acquisition of its assets substantially as an entirety, called "Lessee"), having an address at P.O. Box 1299, 701 Cherry Street, Chattanooga, Tennessee 37402.

1. Demise of Premises. In consideration of the rents and covenants herein stipulated to be paid and performed, Lessor hereby demises and lets to Lessee for the term hereinafter described, the premises (herein referred to as the "Leased Premises") consisting of (i) the parcel of land described in Schedule 1 hereto, (ii) all improvements constructed and to be constructed thereon, not including, however, any removable equipment owned, and placed upon any such parcel of land, by Lessee and (iii) all easements, rights and appurtenances relating thereto.

2. Certain Definitions. (a) The term "Assignment" means the instrument of assignment, consent and agreement dated as of September 1, 1977, from Lessor and Lessee to the Trustee relating to this Lease.

(b) The term "Bonds" means the 9-1/2% Secured Bonds Due February 1, 1998, of Lessor secured by the Trust Indenture and the Assignment and any evidence of indebtedness issued in exchange therefor or in replacement thereof.

(c) The term "Permitted Encumbrances" with respect to the Leased Premises means:

(i) easements, rights of way, servitudes, zoning laws, use regulations and other similar reservations, rights and restrictions, and other minor defects and irregularities in the title to the Leased Premises, which do not materially lessen the value thereof or materially impair the use thereof for the purposes held by Lessor or leased by Lessee;

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