

ANNEX I

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[Form of 9 1/2% Secured Bond Due February 1, 1998]

No.

KRYSTAL REAL ESTATE CO. II

9 1/2% Secured Bond
Due February 1, 1998

KRYSTAL REAL ESTATE CO. II, a Tennessee corporation (herein called the Company), for value received hereby promises to pay to _____ or registered assigns, on or before February 1, 1998, as herein provided, the principal sum of (\$ _____), and to pay interest on the unpaid principal amount of this Bond from the date hereof to maturity at the rate of 9 1/2% per annum and to pay interest on any overdue principal and, to the extent permitted by law, on any overdue interest, at the rate of 10% per annum, in each case computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as appropriate. Except as otherwise provided in the Indenture (hereinafter defined), such principal and interest shall be payable upon presentation of this Bond at the principal corporate trust office of American National Bank and Trust Company of Chattanooga (herein called the Trustee), having its principal corporate trust office at 736 Market Street, Chattanooga, Tennessee 37402, the Trustee under the Indenture of Mortgage, Deed of Trust and Security Agreement, dated as of September 1, 1977 (herein, together with any supplements and amendments thereto, called the Indenture), from the Company to the Trustee or at the office of the successor of such Trustee, in lawful money of the United States of America, in the following manner: interest accrued on the unpaid principal amount of this Bond shall be payable on the first days of December, 1977 and February, 1978;* and thereafter, 80 equal quarterly instalment payments

* In the event the Second Closing occurs after February 1, 1978, Installment Payments due with respect to Bonds issued on such Second Closing Date shall be adjusted so that the first such Installment Payment due on May 1, 1978, shall be in an amount equal to interest accrued from the date of issuance of such Bonds, if any, plus the same principal portion which would have been due and payable on such date had such Bond been issued on or prior to February 1, 1978, and notwithstanding the fact that such Bond is or may be issued on May 1, 1978.

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