SHELBY COUNTY

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ALABAMA

THIS INSTRUMENT PREPARED BY,
AND WHEN RECORDED RETURN TO:

ANDREW E. SCHULTZ, ESQ.
MILBANK, TWEED, HADLEY & McCLOY
1 CHASE MANHATTAN PLAZA
NEW YORK, NEW YORK 10005

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MORTGAGE MODIFICATION AGREEMENT

THIS MORTGAGE MODIFICATION AGREEMENT (this "Agreement"), dated as of June 25, 1990, among SHONEY'S, INC., a Tennessee corporation having its principal office and place of business in Davidson County at 1727 Elm Hill Pike, P.O. Box 1260, Nashville, Tennessee 37202 (the "Mortgagor"), CANADIAN IMPERIAL BANK OF COMMERCE, a Canadian-chartered bank, acting through its New York Agency (the "Corporate Trustee"), in its capacity as collateral agent for each of the respective financial institutions (the "Purchasers") that is a party to one of the Transfer Agreements (as hereinafter defined) and other holders from time to time of the Notes (as hereinafter defined), having its principal office and place of business in New York County at 425 Lexington Avenue, New York, New York 10017, and DANIEL J. CONLON, an individual having his address in New York County at 425 Lexington Avenue, New York, New York 10017, as successor to Richard T. Kortright (the "Individual Trustee"; the Corporate Trustee and the Individual Trustee, collectively, the "Trustees").

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[redacted] Ticor Title [redacted] [redacted]

R E C I T A L S

A. Pursuant to a certain Credit Agreement dated as of July 13, 1988 (the "Credit Agreement"), among the Mortgagor, the Transferor (as hereinafter defined), Canadian Imperial Bank of Commerce, New York Agency, as agent for the Initial Lenders (as hereinafter defined) and the various financial institutions parties thereto (the "Initial Lenders"), the Mortgagor granted the mortgage indenture and deed of trust with assignment of leases and rents and security agreement described on Exhibit A (the "Mortgage") covering the property described therein to secure repayment of indebtedness evidenced by the Tranche A Notes and the Tranche B Notes (as such terms are defined in Recital A of the Mortgage as originally executed).

B. The parties to the Credit Agreement and Shoney's Funding Corp. entered into an amendment and restatement thereof dated as of October 25, 1989 pursuant to which the Mortgagor issued and CIBC Inc., a Delaware corporation, acting through its Atlanta Branch (the "Transferor"), became the holder of a note dated October 27, 1989 in the original principal amount of $160,000,000 (the "Tranche C Note") in partial substitution and replacement of the Tranche A Notes and the Tranche B Notes (but not in satisfaction or as a novation thereof and not as evidence of any new indebtedness).

C. The Transferor has assigned the Tranche C Note to the Purchasers pursuant to separate Transfer Agreements dated as of May 15, 1990 (as the same may be amended from time to time,

the "Transfer Agreements", a form of which is attached hereto as Exhibit B) among the Mortgagor, the Transferor, Canadian Imperial Bank of Commerce, New York Agency (in its individual capacity for purposes of Section 9.1 thereof and otherwise as collateral agent) and each of the Purchasers named therein, respectively.

D. Pursuant to the Transfer Agreements, (i) the Mortgagor issued Notes, each dated October 27, 1989 (as the same may be amended from time to time, the "Notes") in the aggregate principal amount of $160,000,000 in substitution and replacement of the Tranche C Note (but not in satisfaction or as a novation thereof and not as evidence of any new indebtedness), and (ii) the Trustees assigned the Mortgage from the Trustees, for the benefit of the Initial Lenders, as assignor, to the Trustees, for the benefit of the Purchasers and other holders from time to time of the Notes, which assignment was effected by an Assignment of Mortgage (and Appointment of Substitute Individual Trustee) of even date herewith and recorded prior hereto.

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E. The Trustees, for the benefit of the Purchasers and other holders from time to time of the Notes, and the Mortgagor desire to confirm and acknowledge certain matters relating to the Mortgage as hereinafter set forth.

NOW, THEREFORE, for and in consideration of the premises and the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby acknowledge, agree and confirm as follows:

A. The Mortgage is hereby amended as follows:

1. The Preamble (first paragraph) is deleted in its entirety and the following substituted therefor:

> "RESTATED MORTGAGE INDENTURE and DEED OF TRUST with ASSIGNMENT OF LEASES AND RENTS and SECURITY AGREEMENT (the 'Mortgage'), dated as of June 25, 1990, from SHONEY's, INC., a Tennessee corporation having its principal office and place of business in Davidson County at 1727 Elm Hill Pike, P.O. Box 1260, Nashville, Tennessee 37202 (the 'Mortgagor'), to CANADIAN IMPERIAL BANK OF COMMERCE, a Canadian-chartered bank, acting through its New York Agency, in its capacity as collateral agent for the holders from time to time of the Notes (as hereinafter defined) (such holders being hereinafter referred to as the 'Lenders'), having its principal office and place of business in New York County at 425 Lexington Avenue, New York, New York 10017 (the 'Corporate Trustee'), and DANIEL J. CONLON, an individual having his address in New York County at 425 Lexington Avenue, New York, New York 10017 (the 'Individual Trustee'; the Corporate Trustee and the Individual Trustee being referred to collectively as the 'Trustees'), for the benefit of the Lenders, and to such separate and co-trustees appointed herein to act as trustees with respect to certain of the Collateral, for the benefit of the Lenders. The terms 'Transfer Agreements' and 'Notes' used herein shall have the respective meanings specified in the recitals to the Mortgage Modification Agreement dated as of June 25, 1990 between the Mortgagor and the Trustees. The term 'Loan Agreement' as used in this Mortgage shall mean the 'Transfer Agreements', and the terms "Noteholder" and 'Noteholders' as used in this Mortgage shall mean 'Lender' and 'Lenders', respectively, even though the use of such terms in certain places may be repetitive. Capitalized terms used herein without other definition have the respective meanings specified in the Loan Agreement."

2. Recital A is deleted in its entirety and the following is substituted therefor:

> "A. Transfer Agreement; Notes. The Mortgagor is justly indebted to the Lenders in the amounts evidenced by the Notes (the "Loan Amounts") in accordance with the terms of the Notes and the Transfer Agreements."

3. Recital B is amended by deleting the words ", the Loan Documents".

4. Recital C is amended by deleting the words "(ii) all obligations of the Mortgagor to any Lender under any Rate Swap Agreement provided by such Lender,".

5. Recital D(i) is amended by deleting the asterisk "*" and the footnote relating thereto.

6. Paragraph 1.7(vi) is amended by deleting the words "post maturity rate determined with respect to Tranche B Loans pursuant to Section 3.4.2 of the Loan Agreement" and substituting therefor the words "rate per annum equal to 11.78%".

7. Section 1.19 is amended by:

(a) deleting the words "Section 6.20" and substituting therefor the words "Section D-13 (in Exhibit D)"; and

(b) deleting the words "Lender Parties" and "Lender Party" and substituting therefor the words "Lenders" and "Lender", respectively.

8. New Sections 1.23 and 1.24 are added immediately after Section 1.22:

"1.23. Lien Absolute. All rights and liens of the Trustees hereunder, and all obligations of the Mortgagor hereunder, shall be absolute and unconditional, irrespective, to the fullest extent permitted by law, of:

(a) any lack of validity or enforceability of any of the Related Documents;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Liabilities, or any other amendment, modification or

waiver of, or any consent to or any departure from, renewal, extension, acceleration, compromise, indulgence or other action or inaction in respect of, any of the Related Documents;

(c) any sale, exchange, release, surrender or non-perfection of any of the Collateral, or any release or waiver of, or any consent to or any departure from, any guaranty or support arrangement, for all or any of the Liabilities; or

(d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Mortgagor.

1.24. Further Assurances. The Mortgagor agrees that it will, from time to time at its expense, promptly execute and deliver all further instruments, and take all further actions, that may be necessary or appropriate, or that a Trustee may request, in order to perfect, continue the perfection and protect the security interests created hereby or to enable the Trustees to enforce their rights hereunder with respect to any Collateral, including the execution and filing of financing and continuation statements and amendments thereto. The Mortgagor further authorizes the Trustees to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Mortgagor where permitted by law. A carbon, photographic or other reproduction of this Mortgage or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Mortgagor will furnish the Trustees from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Trustees may reasonably request, in reasonable detail."

9. Section 2.2 is deleted in its entirety and the following is substituted therefor:

"2.2. Provisions of this Mortgage. Non-compliance by the Mortgagor with, or failure by the Mortgagor to perform, any agreement contained herein (other than non-compliance or failure which constitutes a Default under Section 2.1 or 2.3) and continuance of such non-compliance or failure for five days with respect to the payment of any amounts required to be paid under this Mortgage or for 30 days after a

Responsible Officer shall have knowledge thereof with respect to all other Defaults under this Mortgage."

10. Section 3.1 is deleted in its entirety and the following is substituted therefor:

"3.1. Acceleration. Upon the occurrence of any Default, the Indebtedness evidenced by the Notes and all other Liabilities, together with interest thereon at the Default Rate and, to the extent permitted by law, an amount equal to the prepayment charge that would be payable if the Mortgagor were prepaying the Notes pursuant to § 4.2 of the Loan Agreement, may be declared or (as the case may be) shall become due and payable in the manner and to the extent specified in § 7.1 of the Loan Agreement."

11. Paragraph 3.6(c) is amended by inserting the word "Required" before the words "Lenders as aforesaid".

12. Section 3.11 is deleted in its entirety and the following is substituted therefor:

"3.11. Prepayment Charge. If this Mortgage or any obligation secured hereby provides for any charge for prepayment of any indebtedness secured hereby, the Mortgagor agrees to pay said charge if such payment is required under the Loan Agreement."

13. Section 5.2(a) is deleted in its entirety and the following is substituted therefor:

"(a) the duties and obligations of the Trustees shall be determined solely by the provisions of this Mortgage and the Loan Agreement, and the Trustees shall not be liable except for the performance of such duties and obligations as are specifically set forth herein and therein, and, further, the Trustees, or either of them, shall not be obligated to take any action hereunder which might in their reasonable judgment involve either of them in any expense or liability unless they shall have been furnished with reasonable indemnity (or, in the case of the Corporate Trustee, the assurance specified in § 9.2 of the Loan Agreement)."

14. Section 5.2(b) is deleted in its entirety and the following is substituted therefor:

"(b) unless and until a Default shall have occurred and be continuing, the Trustees, or either of them, shall not be obligated to take any action hereunder except for the performance of such duties as are specifically set forth in this Mortgage and except as may be requested from time to time by the Required Lenders (as hereinafter defined). The term "Required Lenders" as used in this Mortgage shall mean the holder or holders of more than 50% of the unpaid principal amount of the Notes at the time outstanding (subject to the last paragraph of § 11 of the Loan Agreement) or by the holder or holders of such greater percentage of the unpaid principal amount of the Notes at the time outstanding as may be required under the Loan Agreement;".

15. Section 5.6 is amended (a) by deleting "or" on the last line of clause (c) thereof, (b) by deleting the "." on the last line of clause (d) thereof and inserting "; or" in its place and (c) by inserting the following as a new clause (e) immediately after clause (d) thereof:

"(e) shall be effective unless entered into in compliance with § 11 of the Loan Agreement."

16. Section 5.9 is deleted in its entirety and the following is substituted therefor:

"5.9. Resignation, Removal and Replacement of Trustees. The Individual Trustee may resign at any time by giving 30 days prior notice of resignation to the Mortgagor, the Corporate Trustee and each Noteholder, such resignation to be effective on the date specified in such notice. The Required Lenders may at any time remove the Individual Trustee for or without cause by an instrument or instruments in writing in recordable form delivered to the Individual Trustee, the Corporate Trustee and the Mortgagor.

The Corporate Trustee may resign or be removed in the manner provided in and subject to the provisions of

§ 9.4 of the Loan Agreement regarding the removal of the collateral agent referred to therein.

In case at any time either Trustee shall resign or shall be removed or, in the case of the Individual Trustee, shall die or otherwise become incapable of acting, the Required Lenders may appoint a successor Trustee (which, in the case of the Corporate Trustee, shall be the successor collateral agent appointed pursuant to § 9.4 of the Loan Agreement) by an instrument or instruments in writing in recordable form delivered to the successor Trustee, the retiring Trustee and the Mortgagor, whereupon such successor Trustee shall succeed to all the rights and obligations of the retiring, dead or incapable Trustee hereunder as if originally named herein. Any retiring Trustee, at the sole cost and expense of the Mortgagor, shall duly assign, transfer and deliver to its successor Trustee all the rights and moneys at the time held by the retiring Trustee hereunder and shall execute and deliver such proper instruments as may be reasonably requested to evidence such assignment, transfer and delivery."

17. Section 5.11 is deleted in its entirety, and Sections 5.12 and 5.13 are renumbered as Sections 5.11 and 5.12, respectively.

18. A new Section 5.13 is added immediately after Section 5.12:

"5.13 Limitation on Acts of Trustees. Notwithstanding any other provision of this Mortgage, the Trustees shall not exercise any right or remedy under Article III hereof to foreclose the lien created hereby either by judicial or non-judicial means unless the exercise of such right or remedy is requested by the Required Lenders pursuant to written instructions."

B. The Mortgage, as amended hereby, is hereby ratified and confirmed in all respects.

C. This Agreement does not extend the time for payment, or increase the amount, of any of the indebtedness secured by the Mortgage.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Name: W. Craig Barber
Title: Treasurer

CANADIAN IMPERIAL BANK OF COMMERCE, New York Agency, as Collateral Agent and Corporate Trustee

By _____
Name: Kathryn Sax
Title: Assistant General Manager

_____
DANIEL J. CONLON,
as Individual Trustee

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, Devika Kewalramani, a Notary Public in and for said County in said State, hereby certify that W. Craig Barber, whose name as Treasurer of SHONEY'S, INC., a Tennessee corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this 11th day of July, 1990.

Devika Kewalramani
Notary Public

AFFIX SEAL

My commission expires:

DEVIKA KEWALRAMANI
NOTARY PUBLIC, State of New York
No. 4045995
Qualified in New York County
Commission Expires April 17, 1991

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STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, Devika Kewalramani a Notary Public in and for said County in said State, hereby certify that Kathryn Sax whose name as Assistant General Manager of Canadian Imperial Bank of Commerce, a Canadian-chartered bank, acting through its New York Agency, as Collateral Agent and Corporate Trustee, is signed to the foregoing instrument and who is known to me, acknowledged before me this day that, being informed of the contents of said instrument, Kathryn Sax, as such officer and with full authority, executed the same voluntarily for and as the act of said bank as Collateral Agent and Corporate Trustee.

Given under my hand and official seal this 11th day of July, 1990.

Devika Kewalramani
Notary Public

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AFFIX SEAL

My commission expires:

DEVIKA KEWALRAMANI
NOTARY PUBLIC, State of New York
No. 4924946
Qualified in New York County
Commission Expires April 17, 1991

Individual Representative Form:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Daniel J. Conlon, whose name as Individual Trustee, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, in his capacity as such Individual Trustee, executed the same voluntarily on the day the same bears date.

Given under my hand and official seal, this the 3rd day of July, 1990.

Karl W. Butterer
Notary Public

AFFIX SEAL

My commission expires:

KARL W. BUTTERER
NOTARY PUBLIC, State of New York
No. 4963456
Qualified in Kings County
Commission Expires March 12, 1991

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[redacted]

[Splitter Form]
[Alabama]
[Shelby County]

Exhibit A

Description of Mortgage (for Modification Agreement)

1. Restated Mortgage Indenture and Deed of Trust with Assignment of Leases and Rents and Security Agreement dated as of even date herewith (designated therein as "Restated Mortgage A") made by Mortgagor to Canadian Imperial Bank of Commerce, a Canadian chartered bank, acting through its New York Agency, in its capacity as collateral agent (the "Collateral Agent") for the Initial Lenders, and Richard T. Kortright, as trustees, which Restated Mortgage A is to be recorded simultaneously herewith, in the Probate Office of Shelby County, Alabama, (the "Land Records") and which Restated Mortgage A was given in connection with the division and restatement of the mortgage described in Paragraph 2 below pursuant to an Agreement for Segregation and Division of Collateral and Restatement of Mortgage dated as of even date herewith between Mortgagor and the Trustee (as defined therein), which agreement is to be recorded simultaneously herewith in the Land Records. Restated Mortgage A was assigned pursuant to an Assignment of Mortgage (and Appointment of Substitute Individual Trustee) dated as of even date herewith from Assignor to Assignee (each such term as defined therein) and intended to be recorded simultaneously herewith in the Land Records.

2. Mortgage Indenture and Deed of Trust with Assignment of Leases and Rents and Security Agreement dated as of July 15, 1988 made by Mortgagor to the Collateral Agent for the Initial Lenders, and Richard T. Kortright, as trustees, and recorded on July 22, 1988 in the Land Records at book 195, page 501.

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Stores # 5702,
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EXHIBIT B

SHONEY'S, INC.

$160,000,000

Tranche C Notes due April 22, 1995

TRANSFER AGREEMENT

Dated as of May 15, 1990

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TRANSFER AGREEMENT

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TRANSFER AGREEMENT dated as of May 15, 1990 among SHONEY'S, INC., a Tennessee corporation (the "Company" and as further defined in § 6), CIBC INC., a Delaware corporation, acting through its Atlanta Office (the "Transferor"), the Purchaser (the "Purchaser") whose name appears on the signature page hereof and Canadian Imperial Bank of Commerce, New York Agency (in its individual capacity for purposes of § 9.1 and otherwise solely as collateral agent, the "Collateral Agent" and as further defined in § 6).

§ 1. Exhibits and Section References. This Agreement includes the attached Schedule I and Exhibits A through T. Section numbers herein that are preceded by a capital letter refer to Sections in the Exhibit designated by that letter.

§ 2. Purchase of Note. Pursuant to the Credit Agreement, dated as of July 13, 1988, as amended and restated as of October 25, 1989 (the "Original Credit Agreement"), among the Company, the financial institutions parties thereto, Canadian Imperial Bank of Commerce, New York Agency, as Agent and collateral agent, and the Transferor, the Company issued, and the Transferor acquired, a Tranche C Note in the principal amount of $160,000,000 substantially in the form of Exhibit H to the Original Credit Agreement (the "Tranche C Note"). Concurrently with the execution and delivery hereof, the Original Credit Agreement is being further amended as set forth in Exhibit F (as so amended and, except as otherwise provided herein, as amended, restated and otherwise modified hereafter from time to time, the "Amended Credit Agreement"). As provided in this Agreement, the Purchaser will purchase from the Transferor, and the Transferor will sell and assign to the Purchaser, without recourse and without representation or warranty except as expressly provided in Exhibit B, Part Two, in § B-30, and in the Transferor Side Letter, a portion of the principal amount of the Tranche C Note, as specified opposite the Purchaser's name in Schedule I, for a purchase price equal to 100% of such principal amount. To induce the Purchaser to enter into this Agreement and to purchase such principal amount of the Tranche C Note, the Company makes for the benefit of the Purchaser, subsequent holders of the Notes and the Transferor the representations and warranties set forth in Exhibit B, Part One, and the covenants and agreements hereinafter stated, and the Transferor makes for the benefit of the Company and the Purchaser and subsequent holders of the Notes the representations and warranties expressly set forth in Exhibit B, Part Two, in § B-30 and in the Transferor Side Letter (and no other representation or warranty). The Purchaser makes (a) for the benefit of the Company, the Transferor and, if the Purchaser is Canadian Imperial Bank of Commerce, Atlanta Agency, the other purchasers referred to in § B-22 and subsequent holders of the Notes the representations set forth in Exhibit B, Part Three and (b) for the benefit of the holders from time to time of the Notes the representations and

warranties set forth in Exhibit B, Part Four. The Collateral Agent makes for the benefit of the holders from time to time of the Notes the representation and warranty set forth in § B-30.

§ 3. Closing. The date and time for the Purchaser's purchase of the portion of the principal amount of the Tranche C Note specified opposite its name in Schedule I is July 12, 1990 at 10:00 A.M. (the "Closing Date"). Such purchase will occur at the offices of Milbank, Tweed, Hadley & McCloy, 1 Chase Manhattan Plaza, New York, New York 10005.

Subject to satisfaction of the closing conditions listed in Exhibit C, the Purchaser will, on the Closing Date, deliver to the Transferor the purchase price for the portion of the principal amount of the Tranche C Note being purchased by the Purchaser in immediately available funds by wire transfer to the following account: Bank of New York for CIBC-N.Y. Account # 802-300-6813, for further credit to the Atlanta Agency Account # 07-01610, against (A) tender of the Tranche C Note by the Transferor to the Company with instructions to the Company to issue to the Purchaser, pursuant to Section 3.2(c)(ii) of the Amended Credit Agreement, one or more duly executed Notes, dated October 27, 1989 and registered in the Purchaser's name, in any denominations (integral multiples of $500,000) designated by the Purchaser in the aggregate principal amount specified opposite the Purchaser's name in Schedule I, and the taking of similar actions in respect of the other purchasers under the other agreements referred to in § B-22, and (B) the Company's concurrent issuance and delivery to the Purchaser of such Note or Notes pursuant to such instructions and as provided in the Amended Credit Agreement, such Notes to be substantially in the form of, and to bear interest and be payable as provided in, Exhibit A hereto, and the taking of similar actions in respect of the other purchasers under the other agreements referred to in § B-22. The Notes are secured, to the extent and in the manner provided in the Collateral Documents, by Security Interests in the Tranche C Collateral.

As used herein, the term "Notes" shall include all notes issued by the Company upon the surrender by the Transferor of the Tranche C Note to it pursuant to this Section and § 3 of the other agreements referred to in § B-22 and all notes delivered in substitution or exchange for any of said Notes pursuant to the Amended Credit Agreement, this Agreement and such other agreements, and where applicable shall include the singular number as well as the plural, and the term "Note" shall mean any one of the Notes. The Notes evidence the same Debt evidenced by, do not constitute a novation of the Debt evidenced by, the Tranche C Note, and do not constitute the issuance of new Debt by the Company.

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§ 4. Prepayment of Notes. In addition to the payment of the entire unpaid principal amount of the Notes at the final maturity thereof (whether at stated maturity, upon acceleration or otherwise), the Company will make required, and may make optional, prepayments of the principal of the Notes as hereinafter provided.

§ 4.1. Required Prepayments. On April 22, 1994 and October 22, 1994, there shall become due and payable, and the Company will prepay, on each such date $50,000,000 aggregate principal amount of the Notes (or the unpaid balance thereof) at the principal amount prepaid, without any Make-Whole Premium or other prepayment charge of any kind.

After any prepayment of less than all of the Notes pursuant to § 4.3 (a "Change in Control Prepayment"), the aggregate principal amount of the Notes required to be prepaid pursuant to this § 4.1 on each subsequent prepayment date shall be reduced by an amount that bears the same relation to the amount of such prepayment (before giving effect to such Change in Control Prepayment) as the principal amount of the Notes prepaid pursuant to § 4.3 bears to the unpaid principal amount of the Notes (before giving effect to such prepayment). No prepayment of the Notes pursuant to § 4.2 shall reduce or be credited against the principal amount of any prepayment required pursuant to this § 4.1.

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§ 4.2. Optional Prepayments. The Company, upon not less than 30 or more than 60 (90, in the case of a prepayment pursuant to § 5.17(D)(1)(iii)) days' prior written notice of the date and amount of an optional prepayment to the holders of the Notes may prepay at any time all or from time to time any part (in a minimum principal amount of $100,000 or an integral multiple of $10,000 in excess thereof) of the principal of the Notes, upon payment in respect of each Note or portion thereof being prepaid of a prepayment charge equal to the Make-Whole Premium.

§ 4.3. Required Prepayment Following a Change in Control. Promptly and in any event within five days after a Responsible Officer of the Company becomes aware of the occurrence of a Change in Control, the Company will give written notice thereof to each holder of a Note, which notice shall refer specifically to this § 4.3 and the option of each holder of a Note to require the prepayment of all or a portion of the principal amount of the Notes held by it, and shall specify a date (the "Mandatory Prepayment Date"), which shall be not less than 45 days nor more than 60 days after the date of such notice, on which such prepayment shall occur. Each holder of a Note shall have and may exercise such option by giving written notice of such exercise to the Company at least 10 days prior to the Mandatory Prepayment Date, specifying the principal amount of the

Notes held by it that it is requiring the Company to prepay. Such holder may exercise its option under this § 4.3 in respect of all or any part (in a minimum principal amount of $500,000 or an integral multiple of $100,000 in excess thereof) of the principal amount of the Notes held by it.

Upon the giving of such notice by any holder to the Company, there shall become due and payable on the Mandatory Prepayment Date the principal amount of the Notes held by such holder that such holder shall have elected to require the Company to prepay, together with interest accrued thereon to the date of prepayment, plus a prepayment charge (if any), in respect of each Note or portion thereof being prepaid, equal to the Make-Whole Premium.

The Company will give to each holder of a Note, on the date that is 15 days prior to the Mandatory Prepayment Date, a further written notice stating the names of the holders of Notes that, as of the close of business on the Business Day immediately prior to such date, have elected to require the prepayment of all or any part of the Notes held by them, and the aggregate principal amount of the Notes for which such election has been made by each such holder.

Any holder that shall not elect to require any prepayment of the Notes held by it following a Change in Control shall not be deemed to have waived its rights under this § 4.3 to require the prepayment of Notes held by it in respect of any later Change in Control.

§ 4.4. Obligation to Prepay after Notice; Notice of Determination of Premium. The principal amount of the Notes designated for prepayment in any notice of optional prepayment given pursuant to § 4.2 shall become due and payable on the date fixed for prepayment, together with accrued interest and the amount of any required prepayment charge.

At least one Business Day prior to the date fixed for the prepayment of any Notes pursuant to § 4.2 or 4.3, the Company will furnish to each holder of a Note then being prepaid an Officer's Certificate setting forth computations in reasonable detail showing the determination of the Make-Whole Premium and attaching a copy of the source of market data by reference to which the Treasury Yield was determined in connection therewith. On or before the date fixed for an optional prepayment of the Notes pursuant to § 4.2, if there is any Debt then outstanding under the Amended Credit Agreement the Company will deliver to each holder of a Note an Officer's Certificate certifying that the source of funds for such prepayment was not proceeds from a sale, transfer or other disposition of assets subject to § 5.17(D)(1).

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§ 4.5. Application of Prepayments. Each prepayment pursuant to § 4.1 or 4.2 of less than the entire unpaid amount of all outstanding Notes shall be applied (in integral multiples of $1,000) pro rata (as nearly as may be, with adjustments to equalize for prior prepayments pursuant to such Sections) to all outstanding Notes according to the respective unpaid principal amounts thereof.

§ 4.6. Presentation or Surrender of Notes. Subject to the second paragraph of § 10, the Company may, as a condition to making any prepayment of a Note, require the holder thereof to present such Note, at the place specified in the Note for payment of the principal thereof, for notation thereon of the amount and date of such prepayment or, if such Note is prepaid in full, to surrender the same at such place.

§ 4.7. Note Purchase Prohibition. The Company will not, and will not permit any Subsidiary or other Affiliate to, directly or indirectly acquire any Note, by purchase or prepayment or otherwise, except by way of payment or prepayment thereof by the Company in accordance with the provisions of the Notes and of this Agreement.

§ 5. Covenants. The Company covenants and agrees that, from the date of this Agreement, so long as the Purchaser shall be obligated to acquire any Note hereunder, and thereafter while any Note is outstanding, the Company will perform all covenants in this Section.

§ 5.1. Financial Data. The Company will furnish to the Purchaser, and to any other institutional holder of any of the Notes, in duplicate:

(A) Promptly when available and in any event within ninety days after the close of each Fiscal Year,

(1) a copy of the Company's Annual Report on Form 10-K (excluding exhibits, other than financial statement schedules, unless specifically requested by the Purchaser or such other holder, which request may be made at any time) and related Annual Report to Shareholders for such Fiscal Year, including therein a consolidated balance sheet at the close of such Fiscal Year, and related consolidated statements of income, stockholders' equity (deficit) and cash flows (or a statement analogous to such statement of cash flows) for such Fiscal Year, of the Company and its Subsidiaries, such statements for such Fiscal Year to be audited and accompanied by an audit report issued without qualification by an Independent Public Accountant,

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(2) a copy of the Directors Report issued by the Company's management to the Company's Board of Directors for such Fiscal Year, including therein a capital expenditure budget for the next Fiscal Year broken down by Concept and otherwise substantially in the form of, and covering in scope and detail the same matters as, the Directors Report for the Company's 1989 Fiscal Year, accompanied by a consolidated statement of income for the last Fiscal Quarter of such Fiscal Year, setting forth comparative figures for the corresponding Fiscal Quarter of the prior Fiscal Year,

(3) a written statement of such Independent Public Accountant, to the effect that it has read the provisions of this Agreement and the Officer's Certificate then being furnished pursuant to clause (4) below at the date of such statement and is not aware of any miscalculation in such Compliance Certificate of such financial tests or of any default of a financial nature in the performance by the Company of any obligation to be performed by it hereunder, except such miscalculation or default, if any, as may be disclosed in such statement and

(4) an Officer's Certificate, dated as of the date it is given to the Purchaser or such other holder, (a) stating that, based upon such examination or investigation as the officer signing such certificate shall have deemed necessary to enable such officer to render an informed opinion, no Default or Event of Default existed at any time during such Fiscal Year and to the date of such certificate except for those, if any, described in such certificate in reasonable detail, with a statement of the Company's action with respect thereto taken or proposed and (b) setting forth, as of the close of such Fiscal Year, (i) calculations (1) supporting compliance by the Company with §§ 5.13, 5.16 and 5.17(D) (if applicable) and (2) showing the maximum amount of Funded Debt the Company could incur under § 5.11(C), and the maximum amount of the Restricted Payment the Company could pay on its shares of any class without violation of § 5.15, and (ii) all then-outstanding Investments of the Company and its Subsidiaries.

(B) Promptly when available and in any event within forty-five days after the close of each of the first three Fiscal Quarters of each Fiscal Year,

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(1) a copy of the Company's Quarterly Report on Form 10-Q (excluding exhibits, unless specifically requested by the Purchaser or such other holder, which request may be made at any time) for such Fiscal Quarter, including therein (or accompanied by) a consolidated balance sheet at the close of such Fiscal Quarter, and related consolidated statements of income and cash flows (or a statement analogous to such statement of cash flows) for such Fiscal Quarter, of the Company and its Subsidiaries, executed by the principal accounting officer or chief financial officer of the Company,

(2) a copy of the Directors Report issued by the Company's management to the Company's Board of Directors for such Fiscal Quarter, substantially in the form of, and covering in scope and detail the same matters as, the Directors Report dated February 18, 1990 for the Fiscal Quarter of the Company ended on such date and

(3) an Officer's Certificate, dated as of the date it is given to the Purchaser or such other holder, (a) stating that, based upon such examination or investigation as the officer signing such certificate shall have deemed necessary to enable such officer to render an informed opinion, no Default or Event of Default existed at any time during such Fiscal Quarter and to the date of such certificate except for those, if any, described in such certificate in reasonable detail, with a statement of the Company's action with respect thereto taken or proposed, and (b) setting forth as of the close of such Fiscal Quarter (i) calculations (1) supporting compliance by the Company with §§ 5.13, 5.16 and 5.17(D) (if applicable) and (2) showing the maximum amount of Funded Debt the Company could incur under § 5.11(C), and the maximum amount of the Restricted Payment the Company could pay on its shares of any class without violation of § 5.15, and (ii) all then-outstanding Investments of the Company and its Subsidiaries.

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(C) Promptly upon receipt thereof, copies of all detailed financial reports, if any, submitted to the Company by an Independent Public Accountant in connection with each annual or interim audit made by such Independent Public Accountant of the books of the Company or any of its Subsidiaries.

(D) In addition to (but without duplication of) any such filings required to be delivered above, promptly upon any filing thereof by the Company with the Securities and

Exchange Commission, any annual, periodic or special report or registration statement (without exhibits) generally available to the public.

(E) Promptly upon completion or receipt thereof, a copy of all notices, documents, or other Instruments required to be delivered by the Company (other than the Tranche A Notes and Tranche B Notes (as defined in the Amended Credit Agreement), Subordinated Debentures, Subordinated LYONS Notes and Subordinated Extension Notes), or received by the Company, pursuant to the Amended Credit Agreement, Subordinated Indenture, the LYONS Indenture or the LYONS Extension Indenture and not otherwise required to be delivered hereunder.

(F) Promptly but in no event later than ninety days after the close of each Fiscal Year of the Company, a copy of updated projections of the Company and its Subsidiaries for the next two Fiscal Years, all in such form as is reasonably satisfactory to the Required Holders.

(G) Within 45 days after the close of each of the first three Fiscal Quarters of the Company in each Fiscal Year and within 90 days after the close of the last Fiscal Quarter of each Fiscal year, a notice identifying in reasonable detail all Sale-Leaseback Properties and properties to be placed in Mortgage Financing Transactions acquired by the Company during such Fiscal Quarter.

(H) Promptly, such additional financial and other information with respect to the Company and its Subsidiaries as the Purchaser or any such other holder may from time to time reasonably request.

§ 5.2. Maintenance of Corporate Existences, etc. Except as permitted by § 5.17, the Company will cause to be done at all times all things necessary to maintain and preserve the corporate existences, rights (charter and statutory, except for changes in statutory rights effected by legislation passed or court decisions rendered after the date hereof) and franchises of the Company and each of its Subsidiaries.

§ 5.3. Foreign Qualification. The Company will, and will cause each of its Subsidiaries to, cause to be done at all times all things necessary to be duly qualified to do business and be in good standing as a foreign corporation in each jurisdiction where the nature of its business makes such qualification necessary and where the failure to so qualify might have a Materially Adverse Effect.

§ 5.4. Payment of Taxes, etc. The Company will, and will cause each of its Subsidiaries to, pay and discharge, as

the same may become due and payable, all federal, state, and local taxes, assessments, and other governmental charges or levies against or on any of its income, profits or property, as well as claims of any kind which, if unpaid, might become a lien upon any one of its properties, and will pay (before they become delinquent) all other material obligations and liabilities; provided that the foregoing shall not require the Company or any Subsidiary to pay or discharge any such tax, assessment, charge, levy, lien or (except in respect of the Notes or under this Agreement or any Collateral Document) obligation or liability so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall, except with respect to the proposed adjustment arising out of the audit of the Company's Federal income tax return for its 1984 Fiscal Year, set aside on its books adequate reserves in accordance with generally accepted accounting principles with respect thereto.

§ 5.5. Maintenance of Property; Insurance. The Company will, and will cause each of its Subsidiaries to,

(A) keep all of its material property that is useful and necessary in its business in good working order and condition (ordinary wear and tear excepted),

(B) maintain with insurance companies reasonably acceptable to the Required Holders insurance with respect to its properties and businesses against such casualties and contingencies and of such types, including, without limitation, replacement cost insurance on all restaurants and plant facilities owned or leased by the Company or its Subsidiaries, and in such amounts as is customary in the case of similar businesses (it being understood and agreed that the Company may self-insure for workers' compensation, group medical and physical damage to automobiles and may self-insure public liability claims to a maximum of $100,000 per claim and up to an aggregate of $5,000,000 per year for all such claims) and, with respect to all such casualty or similar insurance relating to property that constitutes Tranche C Collateral, will name the Collateral Agent as loss payee thereunder pursuant to a standard mortgagee loss payable endorsement and

(C) maintain such other insurance as may be required under any of the Mortgages or other Collateral Documents.

The Company, upon request of any holder of a Note, will furnish to such holder at reasonable intervals an Officer's Certificate setting forth the nature and extent of all insurance maintained by the Company and its Subsidiaries in accordance with this § 5.5.

§ 5.6. Notice of Default, Litigation, etc. The Company will, upon obtaining knowledge thereof, give written notice (accompanied by a reasonably detailed explanation with respect thereto) immediately to each holder of the Notes of:

(A) the occurrence of

(1) any Default or Event of Default, and

(2) any event of default under the Amended Credit Agreement, Subordinated Indenture, LYONS Indenture or LYONS Extension Indenture;

(B) any litigation, arbitration, or governmental investigation or proceeding not previously disclosed by the Company to the Purchaser or such other holder which has been instituted or, to the knowledge of the Company, is threatened against, the Company or any of its Subsidiaries or to which any of their respective properties is subject which

(1) if adversely determined, would have a Materially Adverse Effect, provided that, for purposes of this clause (1), any litigation, arbitration or governmental investigation or proceeding which involves a damage claim of $1,500,000 or less need not be the subject of any such notice unless it is one of a series of claims arising out of the same set of facts or circumstances which, in the aggregate, exceed $10,000,000, or

(2) relates to this Agreement, the Notes or any Collateral Document;

(C) any material adverse development which shall occur in any litigation, arbitration or governmental investigation or proceeding previously disclosed by the Company to the Purchaser or such other holder;

(D) any development in the business, operations, financial condition or prospects of the Company and its Subsidiaries (taken as a whole) which in the reasonable judgment of the Company has a reasonable likelihood of having a Materially Adverse Effect;

(E) the occurrence of a Reportable Event under, or the institution of steps by the Company or any of its Subsidiaries to withdraw from, or the institution of any steps to terminate, any Plan or, to the best of the Company's knowledge, any Multiemployer Plan, or the failure to make a required contribution to any Plan or, to the best of the Company's knowledge, any Multiemployer Plan if such

failure is sufficient to give rise to a lien under Section 302(f) of ERISA, or the taking of any action with respect to a Plan or, to the best of the Company's knowledge, any Multiemployer Plan which could result in the requirement that the Company or any of its Subsidiaries furnish a bond or other security to the PBGC or such Plan or Multiemployer Plan, or the occurrence of any event with respect to any Plan or, to the best of the Company's knowledge, any Multiemployer Plan which could result in the incurrence by the Company or any of its Subsidiaries of any material liability, fine or penalty, or the occurrence of any material increase in the contingent liability of the Company or any of its Subsidiaries with respect to any post-retirement Welfare Plan benefit, and in each case the action which the Company proposes to take with respect thereto;

(F) any material damage to, loss of or other change in the composition of the Tranche C Collateral or any other event that would have a materially adverse effect on the aggregate value of the Tranche C Collateral or the Security Interests created by the Collateral Documents with respect thereto; and

(G) any material notices (including, without limitation, notices of default or of acceleration) it receives from the Subordinated Debentures Trustee or any holder of a Note and of any appointments of any successors to any such Trustee.

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§ 5.7. Performance of Instruments. The Company will promptly and faithfully perform all of its Obligations hereunder and under the Notes and each Collateral Document.

§ 5.8. Books and Records; Inspection. The Company will, and will cause each of its Subsidiaries to, keep proper books and records reflecting all of its business affairs and transactions in accordance with generally accepted accounting principles and permit the Purchaser or any other institutional holder of any of the Notes or any of their respective representatives, at reasonable times and intervals during ordinary business hours, to visit all of its offices, discuss its financial matters with its officers and independent accountants (and hereby authorizes such independent accountants to discuss its financial matters with the Purchaser or such other holder or any of their respective representatives) and examine and make abstracts or photocopies from any of its books or other corporate records, all at the Company's expense for any charges imposed by such accountants or for making such abstracts or photocopies.

The Company will keep a copy of this Agreement (as at the time in effect) available for inspection at its principal

executive office during normal business hours by any holder of a Note or any prospective purchaser of a Note designated by a holder thereof.

§ 5.9. Compliance with Laws, etc. The Company will, and will cause each of its Subsidiaries to, exercise all due diligence in order to comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, noncompliance with which might have a Materially Adverse Effect.

§ 5.10. Business Activities, etc. (A) The Company will not, and will not permit any Subsidiary to, engage in any business activity, except the businesses of operating and franchising restaurants and motels and conducting manufacturing operations reasonably related to the food and lodging business, distribution centers, a meat plant, an insurance business which provides certain insurance services and certain other services related thereto, and such activities as its Board of Directors reasonably determines are incidental or related thereto.

(B) The Company will not, and will not permit any of its Subsidiaries to, enter into, or cause, suffer and permit to exist:

(i) any arrangement or contract with any of its Affiliates (other than a Subsidiary, Limited Partnership or franchisee of the Company) of a nature customarily entered into by Persons which are Affiliates of each other (including management or similar contracts or arrangements relating to the allocation of revenues, taxes, and expenses or otherwise) requiring any payments to be made by the Company or any of its Subsidiaries to any Affiliate (other than a Subsidiary of the Company) unless such arrangement is fair and equitable to the Company or such Subsidiary; or

(ii) any other transaction, arrangement or contract with any of its Affiliates (other than a Subsidiary, Limited Partnership or franchisee of the Company) which would not be entered into by a prudent Person in the position of the Company or such Subsidiary with, or which is on terms which are less favorable than those obtainable from, any Person which is not one of its Affiliates.

(C) The Company will not, and will not permit any of its Subsidiaries to, enter into agreements containing provisions which would be violated or breached by the performance by the Company of its obligations hereunder, under the Notes, this Agreement and the Collateral Documents.

§ 5.11. Funded Debt. The Company will not, and will not permit any Subsidiary to, have any Funded Debt, except

(A) Funded Debt represented by the Notes,

(B) Funded Debt in existence on the date hereof and set forth in § D-1, which may not be extended, renewed or refunded unless permitted by another provision of this § 5.11,

(C) Funded Debt of the Company or any Subsidiary which is not otherwise permitted under this § 5.11, if at the time it is incurred and after giving effect thereto and to the concurrent retirement of any Funded Debt (1) Consolidated Senior Debt is less than 350% of Consolidated Operating Cash Flow and (2) Consolidated Funded Debt is less than 550% of Consolidated Operating Cash Flow,

(D) Funded Debt of a Subsidiary owing to the Company or to another Subsidiary,

(E) incremental accretions from time to time to the principal amount of the Subordinated LYONS Notes or any other "zero-coupon" or similar obligations,

(F) Funded Debt of the Company outstanding under one or more unsecured revolving credit or similar agreements and owing to its then-designated Primary Revolver Lender, so long as the aggregate principal amount outstanding thereunder does not exceed the Permitted Revolver Lending Limit as from time to time in effect and

(G) Funded Debt of the Company outstanding under one or more unsecured revolving credit or similar agreements (other than any such agreements under which Funded Debt is owed to the Primary Revolver Lender), so long as the aggregate principal amount outstanding thereunder does not exceed $10,000,000.

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For purposes of this § 5.11, any Debt (1) which is extended, renewed or refunded shall be deemed to have been incurred when extended, renewed or refunded, (2) of a corporation when it becomes a Subsidiary shall be deemed to have been incurred at that time or (3) of a Subsidiary or the Company owing to a Subsidiary when the obligee ceases to be a Subsidiary, shall be deemed to have been incurred at that time. The Company shall not incur any Funded Debt owing to any Subsidiary except as permitted under Subsection (C) above.

For purposes of Subsection (F) above:

(x) "Primary Revolver Lender" shall mean the lender or group of lenders party to one or more revolving credit or

similar agreements with the Company and designated for the time being by the Company as such in a written notice delivered to the holders of the Notes. The Company may designate the lender or group of lenders under more than one revolving credit or similar agreement as its Primary Revolver Lender only if each lender that is a party to any one such agreement also is a party (and a lender under) to every other such agreement. First American National Bank shall be deemed to be the Company's Primary Revolver Lender until such time as the Company shall have designated another lender or group of lenders as its Primary Revolver Lender.

(y) "Permitted Revolver Lending Limit" shall mean an amount determined as follows:

(1) on and as of the date hereof and until the Permitted Revolver Lending Limit shall be redetermined pursuant to clause (2) below, $20,000,000, and

(2) on and as of any date on which the Company shall designate a new Primary Revolver Lender, the Primary Revolver Lending Limit shall be redetermined, and, from and after such date and until the Permitted Revolver Lending Limit shall again be redetermined pursuant to this clause, shall be an amount equal to the amount of Funded Debt that the Company could incur pursuant to Subsection (C) above as of the date of such designation, but in no event more than the lesser of (i) the maximum amount that the Company could borrow under its revolving credit or similar agreements with its new Primary Revolver Lender as of the date of such designation, and (ii) $20,000,000.

With respect to any Mortgage Financing Transaction involving the delivery of a master note of the Company to a master note agent evidencing short-term loans that are incurred by the Company from time to time and reflected in book-entries made by such agent, and supported by an irrevocable standby letter of credit or other credit support facility,

(v) the delivery of such master note shall be deemed to be an incurrence of Funded Debt, as of the date of such delivery, equal to the greater of (i) the principal amount thereof, and (ii) the maximum amount of the contingent reimbursement or other repayment obligation that might arise if a drawing on such letter of credit were to occur at any time prior to its expiry, or other contingency giving rise to a payment obligation under such other credit support facility were to occur at any time while such other credit support facility was in effect;

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(w) the incurrence of a contingent reimbursement obligation in respect of any such letter of credit or any contingent payment obligation in respect of such other credit support facility shall be deemed to be an incurrence of indebtedness in the amount thereof, except that the incurrence of any such reimbursement or other payment obligation (including the delivery by the Company of any note or other Instrument evidencing such obligation) shall not be deemed to be an incurrence of Funded Debt if

(i) such obligation arose or Instrument was delivered at the time of the delivery of such master note, and

(ii) either

(a) no drawing shall have occurred on the letter of credit in respect of which such reimbursement obligation exists, and no other contingency giving rise to an actual repayment obligation in respect of any such other credit support facility shall have occurred, or

(b) a drawing on such letter of credit, or a contingency giving rise to any actual payment obligation in respect of such other credit support facility, shall have occurred, but only to the extent that, and so long as, the aggregate obligations of the Company in respect of such reimbursement and other payment obligations and under such master note do not exceed the associated amount of Funded Debt deemed incurred pursuant to subclause (i) or (ii) of clause (v) above, as the case may be;

(x) if the Company shall purchase any of such short-term loans, the maturity thereof shall not be deemed to be an extension, renewal or refunding, or a new incurrence, of Funded Debt;

(y) no purchase by the Company of any such short-term loans will result in any reduction of the amount of Funded Debt deemed to be outstanding for the purposes of any future calculation pursuant to Subsection (C) above unless there is a corresponding reduction in the amount of such master note; and

(z) the incurrence, extension or renewal of any such short-term loans shall not be deemed to be an incurrence of Funded Debt.

§ 5.12. Security Interests. The Company will not, and will not permit any of its Subsidiaries to, create, incur, assume, or suffer to exist any Security Interest upon any property now or hereafter comprising a part of the Tranche C Collateral, except:

(A) Security Interests in favor of the Collateral Agent for the benefit of the holders of the Notes under the Collateral Documents to secure the Notes and other Obligations;

(B) liens for taxes, assessments, or other governmental charges or levies to the extent that payment thereof shall not at the time be required to be made in accordance with the provisions of § 5.4;

(C) liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith by appropriate proceedings and for which appropriate reserves with respect thereto have been established and maintained on the consolidated books of the Company in accordance with generally accepted accounting principles to the extent required under such principles;

(D) liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits, to secure performance of tenders, statutory obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(E) easements, rights-of-way, zoning and similar restrictions and other similar encumbrances or title defects which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Company or its Subsidiaries on the property subject thereto;

(F) judgment liens securing amounts not in excess of $1,000,000 in existence less than thirty days after the entry thereof or with respect to which execution has been stayed or with respect to which the appropriate insurance carrier has agreed in writing that there is full coverage (subject to a customary deductible not in excess of $1,000,000) by insurance; and

(G) Security Interests in existence on the date hereof and set forth in § D-1 or § D-2.

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§ 5.13. Interest Coverage. The Company will not permit the Consolidated Interest Coverage Ratio to be less than the ratio set forth below as of the end of any Fiscal Quarter set forth opposite such ratio:

Fiscal Quarter	Minimum Consolidated Interest Coverage Ratio
Third Fiscal Quarter of 1990 Fiscal Year	1.30:1.00
Fourth Fiscal Quarter of 1990 Fiscal Year	1.35:1.00
First Fiscal Quarter of 1991 Fiscal Year	1.35:1.00
Second Fiscal Quarter of 1991 Fiscal Year	1.35:1.00
Third Fiscal Quarter of 1991 Fiscal Year	1.40:1.00
Each Fiscal Quarter from and after Fourth Fiscal Quarter of 1991 Fiscal Year	1.50:1.00

§ 5.14. Investments. The Company will not, and will not permit any of its Subsidiaries to, make, incur, assume or suffer to exist any Investment in any other Person, except:

(A) Investments in existence on the date hereof and identified in § D-3 (other than investments made after July 25, 1988 in wholly-owned Subsidiaries);

(B) Cash Equivalent Investments;

(C) Investments made after July 25, 1988 in wholly-owned Subsidiaries of the Company or by any Subsidiary of the Company in the Company, by way of contributions to capital or loans or advances, so long as (1) the aggregate amount of all such Investments made after July 25, 1988 in all wholly-owned Subsidiaries (other than Commissary Operations, Inc. and Mike Rose Foods, Inc.) shall not exceed $2,500,000 at any one time, (2) all such Investments in Commissary Operations, Inc. and Mike Rose Foods Inc. shall be made as loans or advances in the ordinary course of business to provide for the cash needs of such Subsidiaries, (3) all such Investments by any Subsidiary of the Company in the Company by way of loans or advances shall be subordinated in form and substance to the Obligations, such subordination to include subordination provisions, substantially in the form of Exhibit U or otherwise, reasonably satisfactory in form and substance to the Required Holders, as evidenced by their written approval thereof, and other material terms not reasonably objected to by the Required Holders and (4) such Investments do not involve contribution or other transfer of any Tranche C Collateral;

(D) Investments in accounts and notes receivable that arise and remain outstanding from transactions with

franchisees, customers and suppliers in the normal course of business and, in the case of notes receivable, do not exceed $15,000,000 in the aggregate outstanding at any one time;

(E) any Guaranty

(1) in existence on the date hereof and described in § D-4,

(2) permitted to be made under § 5.11(C) or

(3) entered into in the ordinary course of business by the Company with respect to certain franchise obligations of Shoney's Lodging, Inc., all as more particularly described in § D-4;

(F) the purchase or acquisition by the Company or any Subsidiary of all or substantially all of the capital stock of any Person, if and to the extent permitted by § 5.23 to be made as a Consolidated Capital Expenditure; and

(G) other Investments in an aggregate amount at any one time outstanding not to exceed $2,000,000;

provided that

(i) any Investment which when made complies with the requirements of the definition of Cash Equivalent Investment may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements, and

(ii) no Investment otherwise permitted by Subsection (F) or (G) of this § 5.14 shall be permitted to be made if, immediately before or after giving effect thereto, any Default or Event of Default shall have occurred and be continuing.

§ 5.15. Restricted Payments, etc. The Company will not and will not permit any of its Subsidiaries to

(A) declare, pay or make any dividend or distribution (in cash, property or obligations) on any shares of any class of capital stock (now or hereafter outstanding) of the Company or on any warrants, options or other rights with respect to any shares of any such class (other than dividends or distributions payable in its stock, or warrants, options or rights to purchase its stock, or splitups or reclassifications of its stock into additional or other shares of its stock) or apply, or permit any of its Subsidiaries to apply, any of its funds, property or assets

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to the purchase, redemption, sinking fund or other retirement of any shares of any class of capital stock (now or hereafter outstanding) of the Company or of any warrants, options or other rights to acquire shares of any class of capital stock of the Company;

(B) pay, prepay or repay any principal of, or make any payment of interest on, or redeem, purchase, set aside any funds for or defease, or give any notice of redemption for, or purchase or otherwise acquire, any Debt obligation hereafter declared, paid or made as a dividend or other distribution on any shares of any class of capital stock (now or hereafter outstanding) of the Company or on any warrants, options or other rights with respect to any shares of any such class; or

(C) make any deposit for any of the foregoing purposes;

(the foregoing being collectively "Restricted Payments"), except that the Company may make Restricted Payments in cash or (subject to § 5.11, and if the Company's obligations in respect of all payments of principal, interest and other charges in respect of such Debt obligations are expressly conditioned on the making of such payments being in compliance with this § 5.15 at the time of and giving effect thereto) Debt obligations of the Company, after October 22, 1993 if, after giving effect thereto,

(x) the aggregate amount of all Restricted Payments during the period commencing on October 30, 1989 and ending on and including the date of such proposed action shall be less than the sum of (1) $25,000,000 and (2) 50% (or, in the case of a net loss, 100%) of Consolidated Net Income for such period (excluding extraordinary items of gain and including extraordinary items of loss, in each case as determined in accordance with generally accepted accounting principles), and

(y) no Default or Event of Default shall have occurred and be continuing.

Notwithstanding the foregoing provisions of this § 5.15, any cash dividend constituting a Restricted Payment which could be made in compliance with this § 5.15 at the date of its declaration may (subject to the next sentence) continue to be made notwithstanding any subsequent change. The Company will not declare any cash dividend on any of its shares payable more than 90 days after the declaration date.

§ 5.16. Lease Obligations. The Company will not, and will not permit any of its Subsidiaries to, enter into at any time any arrangement which involves the leasing by the Company or

such Subsidiary from any lessor of any real or personal property (or any interest therein), if such arrangement, together with all other such arrangements which shall then be in effect, will result in any Fiscal Year in Consolidated Lease Expense of the Company and its Subsidiaries in excess of $15,000,000.

§ 5.17. Consolidation, Merger, Sale of Assets, etc. The Company will not, and will not permit any of its Subsidiaries to, wind-up, liquidate or dissolve itself (or suffer any thereof), consolidate or amalgamate with or merge into or with any other corporation or any other Person, or convey, sell, transfer, lease or otherwise dispose of all or any part of its assets (including, without limitation, any stock or receivables), in one transaction or a series of transactions, to any Person or Persons except:

(A) subject to the last paragraph of this § 5.17, any Subsidiary may liquidate or dissolve voluntarily into, and may merge with and into, the Company or any other wholly-owned direct or indirect Subsidiary of the Company;

(B) the sale of inventory in the ordinary course of business;

(C) subject to the last paragraph of this § 5.17, the Company may permit any corporation to be merged into the Company or may consolidate with or merge into or sell or otherwise (except by lease) dispose of its assets as an entirety or substantially as an entirety to any solvent corporation organized in the United States of America which expressly assumes, by an agreement satisfactory in substance and form to the Required Holders (which agreement may require the delivery in connection with such assumption of such opinions of counsel as such holders may reasonably require (including without limitation opinions with respect to the matters referred to in the proviso to this clause)) the due and punctual payment of the principal of, and interest and prepayment charges on, the Notes and the due and punctual performance of the Obligations of the Company hereunder and under the Notes and the Collateral Documents, provided that such merger, consolidation or disposition may occur only if the Security Interest of the Collateral Agent on behalf of the holders of the Notes in the Tranche C Collateral will not be adversely affected as a result of such merger, consolidation or disposition;

(D) subject to the last paragraph of this § 5.17, the sale, transfer or other disposition of assets or properties by the Company or any such Subsidiary for cash and for fair value (as reasonably determined by the Board of Directors of the Company) to Persons, so long as either:

(1) (i) the aggregate assets or properties (excluding any assets or properties disposed of in compliance with clause (2) below) so disposed of during any Fiscal Year shall not have an aggregate book value exceeding $60,000,000,

(ii) subject to the following clause (iii), if and to the extent the same shall be applicable, if the aggregate proceeds from such dispositions of assets or properties (excluding any assets or properties disposed of in compliance with clause (2) below) during any Fiscal Year shall exceed $1,000,000, such excess shall, within 60 days after receipt of such proceeds, be either (x) reinvested by the Company in its business or (y) applied to the prepayment of the Debt (if any) then outstanding under the Amended Credit Agreement (the Notes not being deemed to be outstanding under the Amended Credit Agreement for such purpose), and

(iii) if the aggregate proceeds from dispositions of assets or properties (excluding any assets or properties disposed of in compliance with clause (2) below) during any Fiscal Year shall exceed $1,000,000 and any portion of the assets or properties disposed of comprise Tranche C Collateral, the Company, on the first date during such Fiscal Year on which such aggregate proceeds shall have exceeded $1,000,000 and thereafter on each date during such Fiscal Year on which it shall receive proceeds from dispositions of such Tranche C Collateral, shall either (a) apply the proceeds from the sale of such Tranche C Collateral to the prepayment of the Notes pursuant to § 4.2 (but only if there is no Debt then outstanding under the Amended Credit Agreement), or (b) substitute pursuant to § 8 new Tranche C Collateral for the Tranche C Collateral that has been sold, or

(2) (i) the assets or properties so disposed of do not include any Tranche C Collateral and are leased back by the Company immediately upon the consummation of such disposition, and

(ii) an amount equal to the proceeds of such disposition is used to build or equip new restaurants or purchase, within 24 months after the date of such disposition, new assets or properties to be disposed of pursuant to this clause (2);

(E) the sale of equipment which, in the Company's reasonable discretion, is obsolete or no longer fit for use in the business of the Company or any of its Subsidiaries; and

(F) any disposition by or on behalf of the Lenders (as defined in the Amended Credit Agreement) under the Loan Documents.

Immediately after any action described above in Subsection (A), (C) or (D), no Default or Event of Default shall have occurred and be continuing, and, immediately after any action described above in Subsection (A) or (C), the Company shall be able to incur at least $1 of Funded Debt under § 5.11(C). No disposition under Subsection (C) shall release the corporation that originally executed this Agreement as the Company or previously assumed the obligations of the Company from its liability as obligor on the Notes. Any issuance by a Subsidiary of any shares of its capital stock to any Person (other than the Company or a Subsidiary) shall be deemed to be an issuance of such shares to the Company and the disposition of such shares by the Company to such Person for the consideration received by such Subsidiary for such shares.

§ 5.18. Modification, etc. of Subordinated Debt. The Company will not consent to or enter into any amendment, supplement or other modification of any subordination provision (including, without limitation, any provision of Article XII of, and the definitions of Senior Indebtedness and Indebtedness contained in, the Subordinated Indenture, the LYONS Indenture and the LYONS Extension Indenture) contained in any agreement or Instrument evidencing or governing Subordinated Debt, any sinking fund provision or terms of required repayment or redemption or acquisition of Subordinated Debt contained in any agreement or Instrument evidencing or governing any Subordinated Debt that has the effect of shortening the amortization (or weighted average life) thereof, or any provision relating to interest rates (if the effect thereof is to increase such rates), remedies, defaults or contractual restrictions on the activities or condition of the Company, or any other provision which could be materially adverse to the interests or privileges of the holders of the Notes as holders of Senior Indebtedness, contained in any agreement or Instrument evidencing or governing Subordinated Debt, unless the same shall, prior to the effectiveness of such amendment, supplement or modification, be consented to in writing by the Required Holders.

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§ 5.19. Subsidiary Payments; Modification of Documents. The Company will not, and will not permit any of its Subsidiaries to, enter into any agreement (or include in any existing agreement by way of modification thereto any provision thereof), other than the Amended Credit Agreement as in effect on the Closing Date, (A) which restricts the ability of any Subsidiary of the Company to pay or make dividends or distributions in cash or kind, to make loans, advances or other payments of whatsoever nature, or to make transfers or distributions of all or any part of its assets, in each case to the Company or to any corporation as to which such Subsidiary is a Subsidiary or (B) which restricts or limits the ability of the Company to amend, supplement or otherwise modify any of this

Agreement, the Notes, the Collateral Documents or the Substituted Collateral Documents.

§ 5.20. Change of Name. The Company will not change its name or the name under or by which it conducts its business, in either case without first giving the holders of the Notes and the Collateral Agent written notice thereof and having taken any and all action required or desirable to maintain and preserve the first perfected lien and Security Interest in favor of the Collateral Agent on behalf of the holders of the Notes in the Tranche C Collateral free and clear of any lien, Security Interest or encumbrance whatsoever except for liens permitted hereunder.

§ 5.21. Environmental Liabilities. The Company will not, and will not permit any of its Subsidiaries to,

(A) violate any requirement of law, rule, regulation or order regarding Hazardous Material (including without limitation any such law, rule, regulation or order regarding the generation, accumulation, storage, transportation, treatment, recycling or disposal of any Hazardous Material),

(B) dispose of or store any Hazardous Material in, on or at any real property owned or operated by the Company or any of its Subsidiaries,

(C) allow any lien imposed pursuant to any law, rule, regulation or order relating to any Hazardous Material or the disposal thereof to be imposed or to remain on such real property, except as contested in good faith by appropriate proceedings for which adequate reserves have been established and are being maintained on its books or

(D) fail at any time to obtain or comply with any permit, certificate, license, approval or other authorization relating to environmental matters, or to file any notification or report relating to chemical substances, air emissions, effluent discharges or Hazardous Material waste storage, treatment or disposal required in connection with the operation of their businesses,

if such violation, disposal, storage, lien or failure either relates to any Tranche C Collateral or would, individually or in the aggregate, with all other such violations, disposals, storage, liens and failures which shall have occurred and at such time be continuing, have a Materially Adverse Effect.

§ 5.22. Amendment of Certain Agreements. The Company will not, without the prior written consent of the Required Holders, amend, supplement, make additions to or otherwise modify, in whole or in part, (A) Section 11.19 of the Amended Credit Agreement, or (B) any other provision of the Amended Credit Agreement or the Tranche A Notes or the Tranche B Notes (as such terms are defined in the Amended Credit Agreement) or

any other Loan Document if the effect of such modification is (1) to increase the interest rate or shorten the scheduled maturity or weighted average life to maturity (computed in accordance with generally accepted financial practice) of the Tranche A Loan or the Tranche B Loan (as such terms are defined in the Amended Credit Agreement), (2) to modify any covenant, event of default or other provision thereunder, if the effect of such modification is to make such covenants or events of default materially more restrictive on or burdensome to the Company or (3) to add any new covenant, event of default or other provision, if the effect of such addition is to impose any new material restriction or burden on the Company. Clause (B)(1) of the preceding sentence shall not in any way affect the ability of the Company to prepay such Tranche A Notes and Tranche B Notes at its option in the manner provided in the Amended Credit Agreement. The Company will, prior to entering into any such amendment, supplement, addition or other modification, deliver to the holders of the Notes a final or execution-form copy thereof.

§ 5.23. Consolidated Capital Expenditures. The Company will not, and will not permit any of its Subsidiaries to, make any Consolidated Capital Expenditures, except Consolidated Capital Expenditures made during any Fiscal Year which do not exceed, in the aggregate, $50,000,000; provided, however, that to the extent that the maximum amount of Consolidated Capital Expenditures permitted to be made by the Company and its Subsidiaries in any Fiscal Year exceeds the aggregate amount actually incurred during such Fiscal Year, one hundred percent of the amount of such excess may be carried forward to subsequent Fiscal Years; and provided, further, that the following shall not be deemed to be Consolidated Capital Expenditures for the purpose of this § 5.23:

(A) amounts expended to acquire properties that are permanently financed through Mortgage Financing Transactions (but only to the extent so financed);

(B) amounts expended with respect to Sale-Leaseback Properties;

(C) amounts expended to acquire properties acquired and financed through the issuance or incurrence of Debt (but only to the extent so financed); and

(D) issuances of shares of capital stock of the Company or its Subsidiaries or any warrants, options or other rights with respect to such shares, to finance acquisitions of any properties.

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§ 6. Definitions; Accounting.

§ 6.1. Defined Terms. The following terms when used in this Agreement, shall, except where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

Affiliate of any Person means (A) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person and (B) any Person who is a director or officer of such Person or of any Person described in clause (A). For purposes of this definition, control of a Person shall mean (x) the power, direct or indirect, (i) to vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise, or (y) the ownership, direct or indirect, of 10% or more of any class of voting stock of such Person.

Amended Credit Agreement has the meaning specified in § 2.

Amendment (Spreader) has the meaning specified in § C-12(F).

Business Day means any day which is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in New York, New York.

Capitalized Leases means leases the obligations under which have been, or in accordance with generally accepted accounting principles are required to be, recorded on the books of the Company or any of its Subsidiaries as capital leases; and Capitalized Lease Obligation means the amount of the obligations under such Capitalized Leases that have been or are required to be recorded as liabilities on such books.

Cash Equivalent Investment means, at any time:

(A) any evidence of Debt, maturing not more than one year after such time, issued or guaranteed by the United States Government;

(B) commercial paper, maturing not more than nine months from the date of issuance and rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., issued by a "Lender" (as defined in the Amended Credit Agreement as in effect on the Closing Date) or any affiliate thereof or by a corporation (except an Affiliate of the Company) organized under the laws of any State of the United States or of the District of Columbia;

(C) any certificate of deposit, eurodollar time deposit or acceptance, maturing not more than one year

after such time, issued by a Lender referred to in Subsection (B) above, any commercial banking institution which is a member of the Federal Reserve System and which has a combined capital and surplus and undivided profits of not less than $100,000,000; or

(D) any repurchase agreement entered into with any Lender referred to in Subsection (B) above or any other commercial banking institution of the nature referred to in Subsection (C) above, secured by a fully perfected Security Interest in any obligation of the type described in any of Subsections (A) through (C) above, having a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation thereunder of such Lender or other commercial banking institution.

Change in Control means the acquisition after the date hereof by any Person or Persons acting in concert of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended, or any successor, replacement or analogous rule or provision of law) of more than 50% of the outstanding shares of voting stock of the Company.

Code means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

Collateral Agent means Canadian Imperial Bank of Commerce, New York Agency, in its individual capacity for purposes of § 9.1, and otherwise in its capacity as collateral agent in respect of the Tranche C Collateral hereunder and as collateral agent or trustee under the Collateral Documents or any successor thereto duly appointed in accordance with § 9.4 and/or any other such Collateral Document.

Collateral Documents means, collectively, the Mortgages (including, as of the Closing Date and thereafter, the Mortgage Assignments, Mortgage Modification Agreements, Splitting Agreements, Restated Mortgages, Releases, Substitutions and Amendments (Spreaders) entered into on or before such date with respect thereto), the Tranche C Assignment, the Tranche C Security Agreement, the Fixture Filing Assignments, the Fixture Filing Financing Statements, the UCC financing statements referred to in § C-14 and each of the Substituted Collateral Documents (except for purposes of §§ B-1, B-2 and B-15) and each other Instrument or document executed and delivered pursuant to or in connection with any thereof in accordance with the terms thereof or of this Agreement, in each case securing, or relating to an Instrument or document securing, the Obligations.

Company means the corporation that originally executed this Agreement as the Company until any corporation becomes a successor or transferee in a transaction permitted by § 5.17(C), and thereafter shall mean any such successor or transferee corporation.

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Concept means a division or type of business of the Company or any of its Subsidiaries held out to the public with a particular designation and, as of the date hereof, shall mean and include the following: (A) "Shoney's" restaurants, (B) "Captain D's", (C) "Lee's Famous Recipe", (D) "Commissary", (E) "Pargo's", (F) "Fifth Quarter" and (G) "Mike Rose Foods".

Consolidated Capital Expenditures means, for any period, the gross amount of additions during such period to fixed assets, property, plant and equipment of the Company and its Subsidiaries (including, without limitation, any such additions by reason of the purchase or acquisition by the Company or any Subsidiary during such period of all or substantially all of the capital stock of any corporation which upon such purchase or acquisition becomes a Subsidiary but excluding, in any event, amounts expended or accrued by the Company or any of its Subsidiaries during such period in respect of Capitalized Leases), all as such additions would be reflected on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles consistently applied at the end of such period when compared to a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles consistently applied at the beginning of such period.

Consolidated Funded Debt means all Funded Debt of the Company and its Subsidiaries consolidated in accordance with generally accepted accounting principles.

Consolidated Interest Coverage Ratio means, as of the close of any Fiscal Quarter, the ratio, computed for the four consecutive Fiscal Quarters ending on the computation date, of:

(A) the sum for such Fiscal Quarters of

(1) Consolidated Net Income for such period (excluding extraordinary items of gain and including extraordinary items of loss, in each case as determined in accordance with generally accepted accounting principles), and

(2) the aggregate amount deducted, in determining such Consolidated Net Income, by the Company and its Subsidiaries representing (x) all federal, state and local income taxes of the Company and the Subsidiaries and (y) Consolidated Interest Expense, in each case in accordance with generally accepted accounting principles consistently applied and (z) in any event including, but without duplication, the aggregate amount so deducted for non-cash interest charges with respect to Debt (including, without limitation, the non-cash interest charges in respect of the Subordinated LYONS Notes), amortization of bond

discount relating to the Subordinated Debentures, amortization of transaction costs relating to the Recapitalization Plan and amortization of transaction costs relating to the issuance of the Notes,

to

(B) Consolidated Interest Expense for such Fiscal Quarters.

Consolidated Interest Expense means, for any period, the aggregate interest expense of the Company and its Subsidiaries for such period, as determined in accordance with generally accepted accounting principles consistently applied, and in any event including, without duplication, all commissions, discounts and fees and charges owed with respect to letters of credit and banker's acceptances and net costs under rate swap agreements and the portion of any obligation under Capitalized Leases allocable to Consolidated Interest Expense, but in any event excluding any non-cash interest charges with respect to Debt (including, without limitation, the non-cash interest charges in respect of the Subordinated LYONS Notes), amortization of bond discount relating to the Subordinated Debentures, amortization of transaction costs relating to the Recapitalization Plan and amortization of transaction costs relating to the issuance of the Notes.

Consolidated Lease Expense means, for any period, the aggregate amount required to be paid during such period by the Company and its Subsidiaries, as lessee, net of sublease rentals accrued by the Company and its Subsidiaries in accordance with generally accepted accounting principles, under leases to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound, excluding amounts required to be paid under Capitalized Leases during such period.

Consolidated Net Income means, for any period, all amounts which, in conformity with generally accepted accounting principles consistently applied, would be included under net income on a consolidated income statement of the Company and its Subsidiaries for such period; provided, however, that (a) in computing Consolidated Net Income, any non-cash charges relating to the issuance of stock in settlement or payment of a liability shall be excluded, and (b) with respect to any period ending after (i) the date on which there shall no longer be outstanding any Debt or other monetary obligation of the Company under the Amended Credit Agreement or (ii) if earlier, April 22, 1995, there shall be excluded from Consolidated Net Income for purposes of this Agreement (whether or not the same would be excluded from the amount of net income as the same would appear on a consolidated income statement of the Company and its Subsidiaries for such period in conformity with the generally accepted accounting principles consistently applied) the following:

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(A) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of the gain exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets or (3) the acquisition of outstanding Debt securities of the Company or any Subsidiary,

(B) any earnings, prior to the date of acquisition, of any Person acquired in any manner, and any earnings of any Subsidiary accrued prior to becoming a Subsidiary,

(C) any earnings of a succcessor to or transferee of the assets of the Company prior to becoming such successor or transferee,

(D) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person, and

(E) any portion of the net income of any Subsidiary which for any reason is unavailable for payment of dividends to the Company or another Subsidiary.

Consolidated Operating Cash Flow means, as of the close of any Fiscal Year, the amount computed for such Fiscal Year equal to the sum of:

(A) Consolidated Net Income for such Fiscal Year (excluding extraordinary items of gain and including extraordinary items of loss, in each case as determined in accordance with generally accepted accounting principles);

plus

(B) the aggregate amount deducted, in determining Consolidated Net Income for such Fiscal Year, in respect of depreciation and amortization in accordance with generally accepted accounting principles consistently applied and in any event including, but without duplication, the aggregate amount so deducted for the non-cash interest charges with respect to Debt (including, without limitation, the non-cash interest charges in respect of the Subordinated LYONS Notes), amortization of bond discount relating to the Subordinated Debentures, amortization of transaction costs relating to the Recapitalization Plan and amortization of transaction costs relating to the issuance of the Notes;

plus

(C) the amount of current federal, state and local income tax expense of the Company and its Subsidiaries for such Fiscal Year;

plus

(D) Consolidated Interest Expense for such Fiscal Year.

Consolidated Senior Debt means, at any time, all Consolidated Funded Debt of the Company and its Subsidiaries, other than any Subordinated Debt of the Company at such time.

Debt means any obligation for borrowed money but in any event shall include (A) any obligation owed for all or any part of the purchase price of property or other assets or for the cost of property or other assets constructed or of improvements thereto, other than accounts payable included in current liabilities and incurred in respect of property purchased in the ordinary course of business, (B) any obligation secured by any Security Interest in respect of property even though the Person owning the property has not assumed or become liable for the payment of such obligation, (C) any Capitalized Lease Obligation and (D) any Guaranty with respect to Debt (of the kind otherwise described in this definition) of another Person.

Default means any condition or event which, after notice or lapse of time or both, would become an Event of Default.

ERISA has the meaning assigned to such term in § B-12.

Event of Default has the meaning assigned to such term in § 7.1.

Fiscal Quarter means any quarter of a Fiscal Year and, in the case of the Company's initial Fiscal Quarter of a Fiscal Year, means a period of sixteen consecutive weeks, in the case of each of the Company's second and third Fiscal Quarters of a Fiscal Year, means a period of twelve consecutive weeks and, in the case of the Company's final Fiscal Quarter of a Fiscal Year, means a period of twelve consecutive weeks if the Fiscal Year is comprised of fifty-two weeks and thirteen consecutive weeks if the Fiscal Year is comprised of fifty-three weeks.

Fiscal Year means each period of fifty-two or fifty-three consecutive calendar weeks ending on the last Sunday in October of any calendar year; references to a Fiscal Year with a number corresponding to any calendar year (e.g., the "1988 Fiscal Year") refer to the Fiscal Year ending on the last Sunday in October occurring during such calendar year.

Fixture Filing Assignments has the meaning specified in § C-12(H).

Fixture Filing Financing Statement has the meaning specified in § C-12(H).

Funded Debt means, as applied to any Person, all Debt of such Person which by its terms or by the terms of any Instrument or agreement relating thereto, matures, or which is otherwise payable or unpaid, more than one year from, or which is directly or indirectly renewable or extendible at the option of the debtor to a date more than one year from, the date of creation thereof, and in any event shall include (A) any Debt outstanding under a revolving credit or similar agreement providing for borrowings (and renewals and extensions thereof) over a period of more than one year notwithstanding that any such Debt may be payable on demand or not more than one year after the creation thereof, (B) any incremental accretions from time to time to the principal amount of the Subordinated LYONS Notes or any other "zero-coupon" or similar obligations that may be outstanding and otherwise constitute Funded Debt, (C) any Guaranty with respect to Funded Debt (of the kind otherwise described in this definition) of another Person and (D) current maturities of Funded Debt.

Guaranty means any agreement, undertaking, or arrangement by which any Person guarantees, endorses, or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, (A) to provide funds for payment, to "keep-well" or supply funds to, or otherwise to invest in, a debtor, (B) to purchase, sell or lease property, products, materials or supplies, or transportation or services, in respect of enabling a debtor to pay any liability or to assure the owner thereof against loss regardless of the delivery or non-delivery of the property, products, materials or supplies or transportation or services or (C) otherwise to assure a creditor against loss) the debt, obligation or other liability of any other Person (other than by endorsements of Instruments in the ordinary course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person.

The amount of the obligor's obligation under any Guaranty shall (subject to any limitation set forth therein) be deemed to be the amount of the debt, obligation, or other liability guaranteed or supported thereby.

Hazardous Material means and includes (A) any asbestos or insulation or other material composed of or containing asbestos and (B) any petroleum product and any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, any so-called "Superfund" or "Superlien" law, or any other applicable federal, state, local or other statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter in effect.

Independent Public Accountant means Ernst & Young or any other public accounting firm of recognized national standing selected by the Company and consented to by the Required Holders.

Instrument means any contract, agreement, indenture, mortgage or other document or writing (whether by formal agreement, letter, or otherwise) under which any obligation is evidenced, assumed, or undertaken, or any right to any Security Interest is granted or perfected.

Investment means, when used with reference to any investment of the Company or any of its Subsidiaries,

(A) any loan, advance or other extension of credit made by it to any other Person (excluding commission, travel, salary, relocation expenses and similar advances to officers and employees made in the ordinary course of business);

(B) any Guaranty made by such Person; and

(C) any capital contribution by such Person to, or purchase of stock or other securities or partnership interest by such Person in, any other Person, or any other investment evidencing an ownership or similar interest of such Person in any other Person;

and the amount of any Investment shall be the original principal or capital amount thereof less (i) all cash returns of principal or equity thereon and (ii) in the case of any Guaranty, any reduction in the aggregate amount of liability under such Guaranty to the extent that such reduction is made strictly in accordance with the terms of such Guaranty (and, in each case, without adjustment by reason of the financial condition of such other Person).

Limited Partnership means, collectively, Shoney's Manassas Limited Partnership, Captain D's Manassas Limited Partnership, Pargo's Manassas Limited Partnership and Shoney's-Captain D's Winchester Limited Partnership, as to each of which the Company is the general partner and each of which owns restaurant(s) which are leased to the Company and/or motel(s) which are leased to a franchisee of Shoney's Lodging, Inc.

Loan Documents has the meaning specified in the Amended Credit Agreement.

LYONS Extension Indenture means the extension indenture (including the form of note attached as Exhibit A thereto), to be dated as of April 1, 1994 if Subordinated Extension Notes are issued by the Company, in favor of a trustee, a true and complete copy of the substantial form of which is attached as Exhibit B to the LYONS Indenture.

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LYONS Indenture means the indenture (including the form of note attached as Exhibit A thereto), dated as of April 1, 1989 by the Company in favor of Sovran Bank/Central South, as Trustee with respect to the Subordinated LYONS Notes as in effect on the Closing Date.

Make-Whole Premium in respect of any Note or portion thereof prepaid at any date means an amount (not less than zero) that is equal to

(A) the sum of the Present Values (as hereinafter defined) of (1) each required payment or prepayment of the principal, and (2) each scheduled payment of interest, that in each such case would have been payable after the date, and will not be paid as a result, of such prepayment,

minus

(B) the amount of such principal being prepaid on such date,

assuming that such principal amount being prepaid is applied to the required payments and prepayments of such Note in inverse order of their maturity, and that such payments and prepayments, and all required payments of interest, would but for such prepayment have been made on the respective due dates thereof.

For purposes of this definition,

(x) "Present Values" shall be computed to the date of any such prepayment in accordance with generally accepted financial practice based on semiannually compounding at a discount rate equal to the Treasury Yield plus 1/2 of 1%; and

(y) the "Treasury Yield" shall be determined by reference to the bid price for U.S. Treasury securities as indicated on page 5 of the so-called "Telerate Screen" (or, if such data for any reason ceases to be available on such Telerate Screen, any publicly available source of similar market data) at approximately 11:00 A.M., New York time, on the day two Business Days prior to the date fixed for prepayment, and shall be the most recent weekly average yield on actively traded U.S. Treasury securities having a constant maturity equal to the then-remaining weighted average life to maturity (computed in accordance with generally accepted financial practice) of such Note, provided that if such then-remaining weighted average life is not equal to the constant maturity of an actively traded U.S. Treasury security for which a weekly average yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yield of actively traded U.S. Treasury securities for which such yields are given having

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a constant maturity closest to such then-remaining weighted average life.

Materially Adverse Effect means, relative to any occurrence of whatever nature (including, without limitation, any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), a materially adverse effect on:

(A) the consolidated business, assets, revenues, financial condition, operations or prospects of the Company and its Subsidiaries; or

(B) the ability of the Company to perform any of its payment or other material obligations under this Agreement, the Amended Credit Agreement (but only insofar as it relates to the Notes), the Notes or any Collateral Document.

Memorandum means the Private Placement Memorandum, dated September 1989, prepared by the Company for use in connection with the purchase of certain Notes of an entity named Shoney's Funding Corp.

Mortgage Assignments has the meaning specified in § C-12(A).

Mortgage Financing Transaction means any program of acquiring or financing land and buildings for restaurant facilities to be owned and operated by the Company or its Subsidiaries in which the lenders granting such financing will be granted Security Interests in the land and buildings acquired or financed.

Mortgage Modification Agreements has the meaning specified in § C-12(B).

Mortgages means those mortgage indentures and deeds of trust with assignments of leases and rents and security agreements, deeds to secure debt with assignments of leases and rents and security agreements and deeds of trust and security agreement with assignment of leases and rents executed and delivered by the Company in favor of the Collateral Agent and a trustee, where necessary, with respect to the Tranche C Collateral as previously amended and as amended, supplemented, amended and restated, assigned, split or otherwise modified from time to time after the date hereof in accordance with the provisions thereof.

Multiemployer Plan has the meaning specified in § B-12.

New Mortgage has the meaning specified in § C-12(G).

Notes has the meaning specified in § 3.

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Obligations means all obligations (monetary or otherwise) of the Company to the Collateral Agent, any collateral agent or trustee under any Mortgage and/or the holders of the Notes arising under or in connection with this Agreement, the other agreements referred to in § B-22 or the Notes and all obligations (monetary or otherwise) of the Company arising under or in connection with any of the Collateral Documents.

Officer's Certificate means a certificate signed by the Chairman of the Board of the Company (if an officer), or its President, Chief Financial Officer, Corporate Controller or Treasurer.

Original Credit Agreement has the meaning specified in § 2.

PBGC has the meaning specified in § B-12.

Person means any natural person, corporation, firm, trust, partnership, business trust, joint venture, association, government, governmental agency or authority, or any other entity whether acting in an individual, fiduciary, or other capacity.

Plan has the meaning specified in § B-12.

Recapitalization Plan means the Company's recapitalization plan pursuant to which it, among other things, distributed on July 25, 1988 a special distribution of $16 cash and a 12% subordinated debenture in the principal amount of $4 with respect to each share of outstanding common stock of the Company.

Releases has the meaning specified in § C-12(E).

Reportable Event has the meaning specified in § B-12(A).

Required Holders means, at the time any determination thereof is to be made, the holder or holders of more than 50% of the unpaid principal amount of all of the Notes at the time outstanding (subject to the last paragraph of § 11).

Responsible Officer means, at the time any determination thereof is to be made, each of those persons who are its Chairman of the Board (if at the time an officer), President, chief financial officer (regardless of title), Treasurer, Corporate Controller and Corporate Secretary.

Restated Mortgages has the meaning specified in § C-12(D).

Restricted Payment has the meaning specified in § 5.15.

Sale-Leaseback Properties means certain parcels of undeveloped real property to be acquired after the date hereof by the Company and identified by the Company to the holders of the Notes in a notice delivered pursuant to § 5.1(G) as a "Sale-Leaseback Property".

Security Agreement means the Security Agreement, dated as of July 25, 1988, between the Company and Canadian Imperial Bank of Commerce, New York Agency, in its capacity as collateral agent for the lenders parties to the Original Credit Agreement.

Security Interest means any mortgage, lien, encumbrance, charge, security interest or encumbrance of any kind, or any license or similar right, in any such case whether arising under any Instrument or as a matter of law, judicial process or otherwise.

Splitting Agreements has the meaning specified in § C-12(C).

Subordinated Debenture means the 12% subordinated debentures issued pursuant to the Recapitalization Plan.

Subordinated Debentures Trustee means The Citizens and Southern National Bank, in its capacity as trustee for the Subordinated Debentures, or any successor thereto.

Subordinated Debt means, collectively:

(A) the Subordinated Debentures;

(B) the Subordinated LYONS Notes; and

(C) any other indebtedness which is subordinated in form and substance to the Obligations, and which has subordination provisions, terms of payment, interest rates, covenants, remedies, defaults and other material terms, in each case reasonably satisfactory in form and substance to the Required Holders, as evidenced by their written approval thereof, and a weighted average life to maturity that is greater than the then-remaining weighted average life to maturity of the Notes.

Subordinated Extension Notes means the Subordinated Extension Notes which, subject to the provisions of this Agreement, the Company may issue pursuant to its election rights under Section 3.08 of the LYONS Indenture and which, if issued, would be issued under the LYONS Extension Indenture.

Subordinated Indenture means the Indenture, dated as of July 1, 1988, between the Company and the Subordinated Debentures Trustee, pursuant to which the Subordinated Debentures were issued, in the form previously delivered to the Purchaser, as the same may be amended, supplemented or otherwise modified

from time to time in accordance with the provisions of this Agreement.

Subordinated LYONS Notes means those zero coupon subordinated, liquid yield option notes due 2004 in an aggregate face amount of $201,250,000 issued on April 11, 1989 as in effect on the date hereof.

Subsidiary means, when used with respect to any corporation, any other corporation more than 50% of the outstanding shares of capital stock of which having ordinary voting power for the election of directors is owned directly or indirectly by such corporation, and, except as otherwise indicated herein, references to Subsidiaries shall refer to Subsidiaries of the Company.

Substituted Collateral Documents means all mortgages and security agreements, security agreements and the Uniform Commercial Code financing statements referred to in clauses (3), (4) and (7), respectively, of § 8.1(B), and each other Instrument or document executed and delivered pursuant to or in connection with any thereof in accordance with the terms thereof and this Agreement that shall, at any date of determination, have been entered into with respect to all Substituted Collateral.

Substituted Collateral has the meaning specified in § 8.1.

Substitutions has the meaning specified in § C-12(E).

Tranche A Lender has the meaning specified in the Amended Credit Agreement.

Tranche B Lender has the meaning specified in the Amended Credit Agreement.

Tranche C Collateral means the collateral described in § D-2 securing the performance of the Obligations, and any Substituted Collateral substituted therefor pursuant to § 8.1.

Tranche C Security Agreement has the meaning specified in § C-11(D).

Tranche C Collateral Assignment has the meaning specified in § C-11(C).

Tranche C Note has the meaning specified in § 2.

Transferor Side Letter has the meaning specified in § C-17.

(A) the present value of all vested nonforfeitable benefits under such Plan

over

(B) the fair market value of all Plan assets allocable to such benefits,

all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Company or any Affiliate to the PBGC or the Plan under Title IV of ERISA.

Welfare Plan has the meaning specified in § B-12.

§ 6.2. Accounting and Financial Determinations. Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any accounting computation is required to be made, for the purpose of this Agreement (including, without limitation, § 5.13, such determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement, be made in accordance with generally accepted accounting principles applied on a basis consistent with the financial statements contained in the Company's Quarterly Report on Form 10-Q for its Fiscal Quarter ended February 18, 1990, and the term "consistently applied" as used herein in reference to such principles shall be understood to denote application on such a basis.

§ 7. Remedies.

§ 7.1. Events of Default; Acceleration. If any of the following events ("Events of Default") shall occur and be continuing for any reason whatsoever,

(A) the Company (1) shall default in the payment or prepayment when due of any principal of or prepayment charge on any Note, (2) shall default (and such default shall continue unremedied for a period in excess of five days) in the payment when due of any interest on any Note or (3) shall default (and such default shall continue unremedied for a period in excess of five days) in the payment when due of any other monetary Obligation;

(B) the Company shall default in the due performance and observance of any of its obligations under § 5.6(A), or under §§ 5.11 through 5.23;

(C) any "Event of Default" (as defined in the Amended Credit Agreement as in effect on the Closing Date) (a "Credit Agreement Event of Default") shall occur as a result of (1) a default in the performance or observance of any

obligation of the Company contained in Section 7.2.1 through 7.2.22 of the Amended Credit Agreement (as said provisions are designated on the Closing Date, or any comparable or successor provisions of the Amended Credit Agreement, however designated), or (2) the failure of the Company to pay any monetary "Obligation" (as defined in the Amended Credit Agreement, as in effect on the Closing Date) thereunder or under the notes outstanding pursuant thereto or under any Instrument securing any such obligation;

(D) a "Change in Control" (as defined in the Amended Credit Agreement) shall occur and as a result thereof the Debt under the Amended Credit Agreement shall have become due and payable prior to the stated maturity thereof;

(E) any default shall occur under the terms applicable to any Debt (including without limitation the Revolving Credit Facility but excluding any Debt outstanding under the Amended Credit Agreement) in an aggregate amount exceeding $25,000,000 of the Company or any of its Subsidiaries, and such default shall

(1) consist of the failure to pay monetary obligations under such Debt when due,

(2) continue unremedied (and unwaived) for a period of time sufficient to permit the acceleration of such Debt or

(3) continue unremedied (and not have been waived by the holder of such Debt) for more than 45 days after notice thereof shall have been given to the Company by any holder of a Note;

(F) the Company or any of its Subsidiaries shall

(1) (a) become insolvent or generally fail to pay debts as they become due, or (b) admit in writing its inability to pay debts as they become due;

(2) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator, or other custodian for the Company or any Subsidiary or any property of any thereof, or make a general assignment for the benefit of creditors;

(3) in the absence of such application, consent, or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator, or other custodian for the Company or any Subsidiary or for a substantial part of the property of any thereof, and such trustee, receiver, sequestrator, or other custodian shall not be discharged within 30 days;

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(4) permit or suffer to exist the commencement of, or commence, any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law; or any dissolution, winding up, or liquidation proceeding (except for the voluntary dissolution, not under bankruptcy or insolvency law, of any Subsidiary), shall be commenced by or against the Company or any Subsidiary, and, if not commenced by the Company or such Subsidiary, such proceeding shall be consented to or acquiesced in by the Company or such Subsidiary, or shall result in the entry of an order for relief or shall remain for 30 days undismissed; or

(5) take any corporate action authorizing, or in furtherance of, any of the foregoing clauses (1) through (4);

(G) any representation or warranty of the Company hereunder, under any Collateral Document or under any other writing furnished by or on behalf of the Company or any of its Subsidiaries to any Purchaser for the purposes of or in connection with this Agreement or any Collateral Document, is or shall be incorrect in any material respect when made or deemed made;

(H) the Company shall default in the due performance and observance of any other covenant or agreement contained herein or in any Collateral Document (other than any Mortgage) and such default shall continue unremedied for a period of 30 days after a Responsible Officer shall have knowledge thereof;

(I) a "Default", as such term is defined in any Mortgage, shall occur;

(J) a contribution failure shall occur with respect to any Plan sufficient to give rise to a lien under section 302(f) of ERISA or any of the following events shall occur with respect to any Plan:

(1) such Plan shall be terminated or a receiver to administer such Plan shall have been appointed (or steps shall be instituted to effect such termination or appointment);

(2) the Company or any Subsidiary shall withdraw from such Plan (or shall institute steps to effect such withdrawal); or

(3) any Reportable Event shall occur with respect to such Plan which would present a material risk to the Company or any Subsidiary of incurring a liability on account of such Plan,

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and there shall exist a deficiency in the assets available to satisfy the benefit liabilities under ERISA with respect to such Plan, and such occurrence shall result in a liability of the Company or its Subsidiaries in excess of $1,000,000;

(K) a final judgment which, with other such outstanding final judgments against the Company and each Subsidiary, exceeds an aggregate of $1,000,000 (net of actual insurance coverage with respect thereto). shall be rendered against the Company or any of its Subsidiaries and, within 30 days after entry thereof, such judgment shall not have been discharged or execution thereof stayed pending appeal, or if, within 30 days after the expiration of any such stay, such judgment shall not have been discharged; or

(L) except as provided in § 8, any one of the Collateral Documents, or any Security Interest granted thereunder, shall terminate, cease to be effective, or cease to be the legally valid, binding, and enforceable obligation of the Company with respect to collateral security with an aggregate fair market or book value, whichever is greater, in excess of $5,000,000; the Company or any of its Subsidiaries shall, directly or indirectly, contest in any manner such effectiveness, validity, binding nature, or enforceability; or any Security Interest securing, in whole or in part, any Obligation shall cease to have the priority purported to be given under the Collateral Documents;

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then (i) upon the occurrence of any Event of Default described in Subsection (F) with respect to the Company, the unpaid principal amount of the Notes, together with the accrued interest thereon and, to the extent permitted by law, an amount equal to the prepayment charge that would be payable if the Company were prepaying the Notes at the time pursuant to § 4.2, shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Company, (ii) upon the occurrence of any Event of Default other than one described in Subsection (F), the Required Holders may, by written notice to the Company, declare all of the Notes to be, and the same shall forthwith become, due and payable, together with accrued interest thereon which shall be deemed matured and, to the extent permitted by law, an amount equal to the prepayment charge that would be payable if the Company were prepaying the Notes at the time pursuant to § 4.2 and (iii) upon the occurrence of any Event of Default described in clause (1) or (2) of Subsection A with respect to any Note, the holder or holders of at least 25% of the unpaid principal amount of all of the Notes at the time outstanding (subject to the last paragraph of § 11) may, by written notice to the Company, declare all of the Notes held by such holder or holders to be, and the same shall forthwith become, due and payable, together with accrued interest

thereon which shall be deemed matured and, to the extent permitted by law, an amount equal to the prepayment charge that would be payable if the Company were prepaying the Notes at the time pursuant to § 4.2. If any holder or holders of Notes shall exercise the option specified in clause (iii) of the preceding sentence, each other holder of any Note may, by written notice to the Company, declare all of the Notes held by it to be, and the same shall forthwith become, due and payable, together with accrued interest thereon which shall be deemed matured and, to the extent permitted by law, an amount equal to the prepayment charge that would be payable if the Company were prepaying such Notes at the time pursuant to § 4.2. Nevertheless, if at any time after acceleration of the maturity of any Note or Notes and prior to the disposition of any Tranche C Collateral,

(x) the Company shall pay all arrears of interest and all payments on account of the principal and prepayment charge which shall have become due otherwise than by acceleration (with interest on principal and prepayment charge and, to the extent permitted by law, on overdue interest, at the rate specified in the Notes) and all Events of Default (other than non-payment of principal of and accrued interest on Notes, and amounts equal to the prepayment charge as aforesaid, due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to § 11, then the holder or holders of at least 66 2/3% of the unpaid principal amount of the Notes at the time outstanding (subject to the last paragraph of § 11), by written notice to the Company, may rescind and annul all then-existing accelerations of the Notes and their consequences,

or

(y) if such acceleration shall have resulted from the occurrence of an Event of Default under Subsection (C), and if the Credit Agreement Event of Default giving rise to such Event of Default shall have been waived or cured as provided in the Amended Credit Agreement, such acceleration and its consequences, automatically and without further action by the Company or any holder of Notes, shall be rescinded and rendered null and void ab initio, provided that no holder of a Note shall be required because of such recission or annulment to return any money received by it from the Company as a result of such acceleration and that such recission or annulment shall not affect the obligation of the Company under the second paragraph of § 7.2 in respect of matters relating to such acceleration and its consequences,

but in either case such action shall not affect any subsequent Default or Event of Default or impair any right consequent thereon.

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§ 7.2. Other Remedies. If any Event of Default or Default shall have occurred and be continuing, the holder of any Note may proceed to protect and enforce its rights under this Agreement, the Collateral Documents and such Note by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, including the right to direct the Collateral Agent to take action with respect to the Tranche C Collateral, in the manner and to the extent provided in the Collateral Documents and § 9.1. No remedy is intended to be exclusive and each remedy shall be cumulative.

If the Company shall default in the payment of principal of, or interest or prepayment charge on, any Note, or shall default in the performance or observance of any agreement contained in this Agreement, any Note or any Collateral Document, it will pay to the holder of any Note such amounts, to the extent lawful, as shall be sufficient to pay the costs and expenses of collection or of otherwise enforcing any of such holder's rights, including reasonable counsel fees.

§ 8. Substitution and Release of Collateral.

§ 8.1 Substitution of Collateral. At the written request of the Company, the Collateral Agent shall release its Security Interest in any real property and related tangible personal property comprising Tranche C Collateral (the "Released Collateral") upon the substitution of other real (and related personal) property (the "Substituted Collateral") by the Company therefor as Tranche C Collateral, but only if each of the following conditions shall have been fulfilled:

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(A) The Company shall have notified each holder of a Note and the Collateral Agent of such proposed substitution in writing not less than 30 nor more than 60 days before the date thereof. Such notice shall describe in reasonable detail the proposed Released Property and the proposed Substituted Property, and shall be accompanied by the appraisal, if any, required by Subsection (B)(1) below.

(B) The Company shall have delivered to each holder of a Note and the Collateral Agent the following:

(1) an appraisal of the Released Collateral proposed to be released and of the Substituted Collateral proposed to be substituted therefor from Marshall and Stevens Incorporated or another appraiser satisfactory to the Required Holders, stating, with reasonable particularity, as of a date no more than 30 days prior to the date of the notice referred to in Subsection (A) above, the value for continued use (by which is meant the value of the assets as installed and in use as an integrated part of an operating enterprise

with consideration given to the age, condition, utility and markets for used property insofar as applicable but without consideration as to whether the earnings justify the investments in the assets at their respective amounts) of each parcel of real property (and any related personal property) constituting such Released Collateral and such Substituted Collateral, provided that no such appraisal need be delivered with respect to such Released Property or Substituted Property if it was acquired by the Company from a Person that was not an Affiliate within the 365-day period preceding the date of the substitution of such Substituted Collateral for such Released Collateral;

(2) an Officer's Certificate, dated as of the date of the substitution of such Substituted Collateral for such Released Collateral as Tranche C Collateral, certifying that:

(a) (i) the value of such Substituted Collateral, determined pursuant to the appraisal referred to in Subsection (A)(1) above (or, if such Substituted Collateral was acquired by the Company from a Person that was not an Affiliate within the 365-day period prior to such date, the cost of acquisition thereof), is at least equal to the greater of (x) the value of such Released Collateral specified in the appraisal referred to in clause (1) above (or, if such Released Collateral was acquired by the Company from a Person that was not an Affiliate within the 365-day period prior to such date, the cost of acquisition thereof), and (y) the value of such Released Collateral as specified in the appraisal described in § D-9,

(ii) the Company has no knowledge of any event or condition that might have resulted in a decrease in the value of such Substituted Collateral or an increase in the value of such Released Collateral since the date of the respective appraisals thereof referred to in clause (1) above (or, if the acquisition cost of such Substituted Collateral or Released Collateral is being used for purposes of clause (i) above, the date of acquisition) and

(iii) if the acquisition cost of such Substituted Collateral or Released Collateral is being used for purposes of clause (i) above, such acquisition cost is the amount specified in such certificate;

(b) the value of such Substituted Collateral, either (i) as determined pursuant to the appraisal referred to in clause (1) above, or (ii) if the acquisition cost of such Substituted Collateral was

used for purposes of clause (a)(i) above, based on such acquisition cost, is at least $1,000,000;

(c) (i) the Company has a valid fee interest in the real property, and good and marketable title to all properties and assets, real and personal, of any nature whatsoever, comprising such Substituted Collateral, and no part of such Substituted Collateral is subject to any Security Interest except as permitted by § 5.12 (other than Subsection F), (ii) the properties comprising such Substituted Collateral are being or will be used by the Company to operate restaurants at one or more locations, (iii) such properties comprise all real and tangible personal property necessary for conducting the business presently conducted or to be conducted at such locations and (iv) the real properties comprising such Substituted Collateral are subject to no leases;

(d) the Company is a corporation existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power and authority to enter into and perform its obligations under the Substituted Collateral Documents delivered by it in connection with the substitution of such Substituted Collateral for such Released Collateral as Tranche C Collateral and to grant the Security Interests provided in such Substituted Collateral Documents;

(e) the execution and delivery by the Company of such Substituted Collateral Documents, the performance by the Company of its obligations thereunder, and the granting and assignment of the Security Interests provided for therein by the Company have been duly authorized by all necessary corporate action, do not (except for filings, registrations, approvals and consents which have been already made or obtained) require any filing or registration with or approval or consent of any governmental agency or authority, any creditor or any stockholder, do not and will not conflict with, result in any violation of, or constitute any default under (i) any provision of the Charter or By-Laws of the Company or any of its Subsidiaries, (ii) any material agreement or other material Instrument binding upon or applicable to the Company or any of its Subsidiaries or the property of the Company or any of its Subsidiaries or (iii) any then-applicable law or governmental regulation or court decree or order applicable to the Company or any of its Subsidiaries or the property of the Company or any of its Subsidiaries, and will not result in or require the creation or imposition of any Security Interest in any of their respective properties pursuant to the provisions of any agreement (excluding, however,

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the Security Interests created by such Substituted Collateral Documents) or other Instrument binding upon or applicable to the Company or any of its Subsidiaries or the property of the Company or any of its Subsidiaries;

(f) each of such Substituted Collateral Documents has been duly executed and delivered by the Company and constitutes the legal, valid, and binding obligation of the Company, enforceable in accordance with its terms, subject, as to enforcement, only to bankruptcy, insolvency, reorganization, moratorium, or similar laws at the time in effect affecting the enforceability of the rights of creditors generally;

(g) no Default or Event of Default has occurred and is continuing or will occur upon the substitution of such Substituted Collateral for such Released Collateral;

(h) the Company has complied with each of the conditions of this § 8 for the substitution of such Substituted Collateral for such Released Collateral as Tranche C Collateral; and

(i) neither the Company nor, to the Company's knowledge, any other Person has ever caused or permitted Hazardous Material to be disposed of (in a manner which might result in any liability to the Company, its Subsidiaries or the holders of the Notes) on, under or at any real property constituting a part of such Substituted Collateral, and no such real property has been used (either by the Company or, to the Company's knowledge, by any other Person) as (1) a dump site or permanent storage site for any Hazardous Material or (2) a temporary storage site for any Hazardous Material, and the Company and its Subsidiaries have been issued and are in compliance with all permits, certificates, licenses, approvals and other authorizations relating to environmental matters relating to all property constituting such Substituted Collateral;

(3) a mortgage with respect to the portion of such Substituted Collateral consisting of real property and fixtures, substantially in the form of the Mortgages, with such changes in such form as may be necessary or appropriate to give the Collateral Agent on behalf of the holders of the Notes a lien on, and a perfected Security Interest in, such portion of such Substituted Collateral as the Required Holders may approve;

(4) a security agreement, substantially in the form of the Tranche C Security Agreement, with respect

to the portion of such Substituted Collateral consisting of the personal property associated with the real property portion of such Substituted Collateral, with such changes in such form as may be necessary or appropriate to give the Collateral Agent, on behalf of the holders of the Notes a lien on, and a perfected Security Interest in, such personal property and as the Required Holders may approve;

(5) an opinion or opinions, from counsel acceptable to the Required Holders, dated the date of the substitution of such Substituted Collateral for such Released Collateral as Tranche C Collateral, in scope, form and substance reasonably satisfactory to the Required Holders;

(6) title policies with respect to each real property comprising such Substituted Collateral, satisfactory in form, scope and substance to the Required Holders, together with evidence satisfactory to the Required Holders of the payment by the Company of the premium therefor; and

(7) evidence satisfactory to the Required Holders of the filing of all necessary or appropriate Uniform Commercial Code financing statements and recordation of the Mortgages referred to in clause (3) above, of the occurrence of all such other filings, recordations and actions and of the payment of all recording and filing fees and other charges relating thereto, as are necessary to give the Collateral Agent on behalf of the holders of the Notes a lien on, and a perfected Security Interest in, such Substituted Collateral.

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(C) The Company shall have delivered to the Collateral Agent a statement executed by the Required Holders stating that

(1) the appraisers referred to in Subsection (B)(1) above (if other than Marshall and Stevens Incorporated and if an appraisal by such appraisers is required) have been approved by them;

(2) the opinion or opinions referred to in Subsection (A)(5) above are from counsel satisfactory to them, and such opinions are satisfactory to them in scope and substance;

(3) the changes (if any) in the forms of mortgage and security agreement referred to in clauses (3) and (4), respectively, of Subsection (B) above are satisfactory to them in scope and substance;

(4) the title policies referred to in Subsection (B)(6) above are acceptable to them in form, scope and substance, and they have received evidence satisfactory to them of the payment of the premiums therefor; and

(5) they have received satisfactory evidence of the filings, recordations and actions referred to in Subsection (B)(7) above and of the payment of all fees and other charges in connection therewith.

(D) No Default or Event of Default shall have occurred and be continuing as of the date of such substitution or will occur upon the substitution of such Substituted Collateral for such Released Collateral.

§ 8.2. Release of Collateral Following Dispositions of Assets. At the written request of the Company, the Collateral Agent also shall release its Security Interest in any real (and related personal) property comprising Tranche C Collateral upon the sale or other disposition of such collateral pursuant to § 5.17(D), but only if each of the following conditions shall have been fulfilled:

(A) The Company shall have notified each holder of a Note and the Collateral Agent of such proposed disposition not less than 30 nor more than 90 days prior to the date thereof, such notice to (1) describe in reasonable detail the nature of such disposition and the Company's intended use of the proceeds thereof and (2) state the particular provision of § 5.17(D) with which such disposition and use will comply.

(B) The Company shall have delivered to each holder of a Note and the Collateral Agent an Officer's Certificate, dated as of the date of such disposition, certifying:

(1) that such disposition has been consummated substantially on the terms set forth in the notice referred to in Subsection A above,

(2) that either (1) the proceeds of such disposition (and of any prior dispositions, to the extent required by § 5.17(D)) have been used, as of such date, to prepay the Notes pursuant to § 5.17(D)(1)(iii), or (2) the Company is not required under § 5.17(D) as of such date either to prepay the Notes or to substitute collateral for the Tranche C Collateral to be released, and

(3) to the effect set forth in Subsection (C) below.

(C) No Default or Event of Default shall have occurred and be continuing as of the date of such disposition and release or will occur upon the disposition

of such Tranche C Collateral or the release of the Collateral Agent's Security Interest therein.

§ 9. The Collateral Agent.

§ 9.1. Authorization. The Purchaser, on its own behalf and on behalf of each subsequent holder of the Notes purchased by it on the Closing Date, authorizes the Collateral Agent to act on its and each such holder's behalf under the Collateral Documents and Substituted Collateral Documents pursuant to the provisions hereof and thereof, and to execute supplements and amendments thereto, all when, as and in such manner as may be from time to time directed in writing by the Required Holders (or, in the case of the release of any Tranche C Collateral thereunder, except pursuant to § 8, when so directed in writing by the holder or holders of all Notes at the time outstanding). The Collateral Agent accepts its appointment as collateral agent hereunder and, subject to the second paragraph of § 9.2, agrees so to act, and to act in accordance with the next preceding sentence and written directions from time to time given to it as contemplated thereby. The Collateral Agent hereby agrees that it will not look to any holder from time to time of a Note for any payment of fees or other remuneration in respect of its performance of its services as collateral agent hereunder. The Company will promptly pay the Collateral Agent such reasonable fees, and will reimburse the Collateral Agent for such reasonable fees, and costs and expenses, as may be incurred by it, as the Collateral Agent may from time to time require and bill to the Company.

The Purchaser further authorizes the Collateral Agent in its capacity as collateral agent for the Purchaser and the other purchasers under the other agreements referred to in § B-22 with respect to the Mortgages encumbering the Tranche C Collateral located in Tennessee and Mississippi, and in its capacity as such collateral agent and as Corporate Trustee with respect to the Mortgages encumbering the Tranche C Collateral located in Alabama, Kansas, Kentucky, Missouri, Oklahoma and South Carolina, to appoint Daniel J. Conlon, having an address at 425 Lexington Avenue, New York, New York 10017, as substitute Individual Trustee under each such Mortgage in the place and stead of Richard T. Kortright with all of the rights, powers and privileges of the Individual Trustee originally named in each such Mortgage, and to execute such Instruments as shall be necessary or appropriate to effect such appointment.

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§ 9.2. Indemnification. The Company agrees (which agreement shall survive the termination of this Agreement) to indemnify the Collateral Agent, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements ("Indemnified Liabilities") of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against the Collateral Agent in any way relating to or arising out of this Agreement, the Notes or the Collateral Documents, including

without limitation the reimbursement of the Collateral Agent for all reasonable out-of-pocket expenses (including attorneys' fees) incurred by the Collateral Agent in connection with enforcing the obligations of the Company under the Collateral Documents; provided that the Company shall not be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements determined by a court of competent jurisdiction in a final proceeding to have resulted from the Collateral Agent's gross negligence or willful misconduct.

Notwithstanding the next preceding paragraph, or the provisions of § 9.1, the Collateral Agent shall be under no duty to take any action (other than as specifically set forth in the Mortgages) (A) except as specified in a written direction from the Required Holders, or, if the consent of the holder or holders of all Notes at the time outstanding is required for such action, from the holder or holders of all such Notes, and (B) unless it shall have received a written assurance (which need not be secured), reasonably satisfactory to it, from the holder or holders of Notes joining in such written direction as to its indemnification from and against any and all liabilities, obligations, losses, damages, penalties, judgments, suits, costs, expenses, charges or disbursements (not including for this purpose, however, any amounts in respect of fees or other remuneration for its services in so acting) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against the Collateral Agent in any way relating to or arising out of actions taken by it in accordance with such written direction.

§ 9.3. Exculpation. Neither the Collateral Agent nor any of its directors, officers, employees, or agents (collectively, the "Related Parties")

(A) shall be liable to any holder of a Note for any action taken or omitted to be taken by it under this Agreement or the Collateral Documents or in connection therewith, except for its own willful misconduct or gross negligence,

(B) shall be responsible for any recitals or representations or warranties herein or therein, or for the effectiveness, enforceability, validity or due execution of this Agreement, the Collateral Documents or the Notes or

(C) shall be obligated to make any inquiry respecting the performance by the Company of its obligations hereunder or thereunder.

The Collateral Agent shall be entitled to rely upon advice of counsel concerning legal matters and upon any notice, consent, certificate, statement, or writing which it believes to be genuine and to have been presented by a proper Person. Except as is expressly set forth herein, the Collateral Agent shall have

no duty or responsibility to or be considered in a fiduciary relationship with any holder of a Note.

§ 9.4. Successor. The Collateral Agent may be removed upon at least 30 days' written notice by the Required Holders to the Company and the Collateral Agent, accompanied by a written acceptance of appointment by a successor Collateral Agent, and may resign at any time upon at least 30 days' prior written notice to the Company and each holder of a Note. If the Collateral Agent shall resign, the Required Holders may appoint a successor Collateral Agent. If the Required Holders do not make such appointment within 30 days after their receipt of notice from the Collateral Agent pursuant to the first sentence of this § 9.4 of such resignation, the resigning Collateral Agent shall appoint a new Collateral Agent. Any successor Collateral Agent, whether appointed by the Required Holders or the resigning Collateral Agent, shall be a nationally recognized commercial banking institution or trust institution (or agency thereof) which institution is organized in the United States of America (or has a branch or agency in the United States of America, if such successor Collateral Agent shall at the time of its appointment be a holder of a Note) and has a combined capital and surplus and undivided profits of not less than $500,000,000 (or $250,000,000 if such successor Collateral Agent shall at the time of its appointment be a holder of a Note). A removal or resignation of the Collateral Agent and the appointment of a successor Collateral Agent shall become effective (A) in the case of a removal, upon receipt by the Collateral Agent of notice thereof pursuant to the first sentence of this § 9.4 and (B) in the case of a resignation, upon receipt of written acceptance by a successor Collateral Agent of its appointment (i) by the resigning Collateral Agent, if such successor was appointed by the Required Holders, or (ii) by the holders of the Notes, if such successor was appointed by the resigning Collateral Agent. Upon the acceptance of any appointment as Collateral Agent by a successor, such successor shall thereupon become Collateral Agent hereunder and under the Collateral Documents and shall be entitled to receive from the prior Collateral Agent such documents of transfer and assignment as such successor may reasonably request, and the retiring Collateral Agent shall be discharged from its duties and obligations under this Agreement and the Collateral Documents.

BOOK 300 PAGE 910

§ 10. Communications; Payment of Notes. All communications provided for hereunder shall be in writing and delivered by courier, mail (by first-class mail, postage prepaid) or facsimile transmission (but only if, (x) with respect to a notice to the Purchaser or any holder of a Note, the Purchaser or such holder shall have specified a telephone number for such transmission, (y) receipt of such transmission is confirmed and (z) such transmission is promptly followed by notice by mail or courier) (A) if to the Purchaser, at the Purchaser's address for the purpose thereof provided in Schedule I, (B) if to any other Person who is the holder of a Note, at the address of such Person for the purpose thereof as it appears on

the register of the Company maintained under § 11, (C) if to the Company, at 1727 Elm Hill Pike, Nashville, Tennessee 37210, Attention: Treasurer, facsimile number (615) 391-9498. Any address may be changed from time to time and shall be the most recent address furnished in writing (1) if by the Purchaser or any other holder of a Note, to the Company, or (2) if by the Company, to the Purchaser and to each holder of a Note, (D) if to the Transferor, c/o Canadian Imperial Bank of Commerce, Atlanta Agency, 200 Galleria Parkway, Atlanta, Georgia 30339, Attention: Vice President - District Manager, facsimile number (404) 955-1185, and (E) if to the Collateral Agent, at 425 Lexington Avenue, New York, New York 10017, Attention: Vice President, Syndications-Administration, facsimile number (212) 856-3763. Any communication shall be deemed to have been given when received.

The Company agrees that, so long as the Purchaser or its nominee holds any Note and notwithstanding any provision hereof or of the Notes to the contrary, it will pay all sums becoming due thereon for principal, prepayment charge and interest to the Purchaser in the manner provided in Schedule I or in such other manner as the Purchaser may designate to the Company in writing, without presentation or surrender of such Note. All payments to be made by wire transfer shall be made not later than 12:00 noon, New York City time, on the date due, in same-day or immediately available funds, and any funds not so received by such time shall be deemed to have been received on the next-following Business Day. The Purchaser agrees that if it sells or transfers any Note held by it, prior to such disposition it will make a notation thereon of all principal payments previously made. The Company agrees that the provisions of this paragraph shall inure to the benefit of any other institutional holder of any such Note which shall have agreed to comply with the requirements of this paragraph.

§ 11. Amendment and Waiver. Any provision of this Agreement or the Notes may be amended or waived if the Company shall obtain the written agreement thereto of the Transferor (but only with respect to amendments and waivers prior to the Closing Date), the Collateral Agent (but only with respect to amendments and waivers affecting § 8 or 9 or otherwise imposing additional obligations or duties on the Collateral Agent) and the Required Holders except that, without the written agreement of the holder or holders of all of the Notes at the time outstanding, no such amendment or waiver shall extend the maturity of any Note or reduce the principal of, or the rate of interest or any prepayment charge payable with respect to, any Note, or affect the time or amount of any required prepayment, or release any collateral security securing the Notes (except pursuant to § 8), or modify § 8 or this Section, or reduce the percentage of the unpaid principal amount of the Notes required with respect to any amendment or waiver. Each holder of any Note at the time or thereafter outstanding shall be bound by any such amendment or waiver, whether or not a notation thereof shall have been placed on the Note.

BOOK 300 PAGE 911

No course of dealing between the Company, the Collateral Agent and the Purchaser or the holder of any Note, and no delay in exercising any rights hereunder or under any Note, shall imply or otherwise operate as a waiver of any rights of the Purchaser, the Collateral Agent or the holder of any Note.

If the Company or any Subsidiary or other Affiliate of the Company shall have acquired any Note in violation of § 4.7, (A) for the purpose of determining whether the holders of outstanding Notes of the requisite unpaid principal amount at any time have taken any action authorized by or granted any consent or approval under this Agreement or any Collateral Document, any Notes owned by the Company or any such Subsidiary or Affiliate shall not be deemed outstanding, and (B) neither the Company nor any such Subsidiary or Affiliate shall be entitled to any distribution in respect of any Note held by it of proceeds from the foreclosure or other disposition of any Tranche C Collateral until all Obligations owing to other holders of the Notes, the Collateral Agent and/or any collateral agent or trustee under any Mortgage shall have been indefeasibly paid in full.

§ 12. Registration, Transfer and Exchange of Notes. The Company will keep at its principal office a register in which it will provide for the registration and registration of transfer of Notes, at its own expense (excluding transfer taxes). If any Note is surrendered at said office or at the place of payment named in the Note for registration of transfer or exchange (accompanied in the case of registration of transfer by a written Instrument of transfer in form satisfactory to the Company duly executed by or on behalf of the holder), the Company, at its expense, will deliver in exchange one or more new Notes in any denominations (multiples of $500,000), as requested by the holder, for the aggregate unpaid principal amount. Any Note or Notes issued in a transfer or exchange shall carry the same rights to interest (unpaid and to accrue) carried by the Note or Notes so transferred or exchanged so that there will not be any loss or gain of interest on the Note or Notes surrendered.

BOOK 300 PAGE 912

The Company will include the following legend at the beginning of the first page of (x) the Note in the principal amount of $10,000,000 to be issued on the Closing Date to Canadian Imperial Bank of Commerce, New York Agency, and (y) each Note issued in substitution or exchange for said Note or in subsequent substitutions or exchanges:

> "This Note is subject to the provisions of the Intercreditor Agreement, dated as of July 12, 1990, between Canadian Imperial Bank of Commerce, Atlanta Agency, as a holder of the Notes hereinbelow referred to, Canadian Imperial Bank of Commerce, New York Agency, as trustee and collateral agent, and the other institutional investors parties to the Transfer Agreement hereinbelow referred to."

§ 13. Lost Notes. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of any Note, and (in case of loss, theft or destruction) upon delivery of a bond or indemnity in such form and amount as shall be reasonably satisfactory to it (the Purchaser's or any other institutional holder's unsecured undertaking to be satisfactory indemnity in case of loss, theft or destruction of any Note owned by the Purchaser or by such other institutional holder), and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such Note, if mutilated, the Company will pay any unpaid principal, interest and prepayment charge then or theretofore due and payable on such Note and will deliver in lieu of such Note a new Note for the remaining unpaid principal amount thereof and carrying the same rights to interest (unpaid and to accrue).

§ 14. Expenses. The Company agrees, whether or not the transactions hereby contemplated are consummated, to pay all expenses incident to the purchase of the Notes and related transactions and also in connection with any future amendment of, or waiver under or with respect to (whether or not given), this Agreement, any Collateral Document or any of the Notes and with any substitution or release of Tranche C Collateral pursuant to § 8, including in each case, without limitation, any printing costs, any fees, expenses and taxes relating to the Tranche C Collateral and the creation and perfection of the Collateral Agent's Security Interest therein (including without limitation recordation and filing fees, expenses and taxes) and fees and expenses of the Purchaser's special counsel and of the Purchaser's local counsel, if any, for services to the Purchaser in connection with the purchase of the Notes and such other matters, and to reimburse the Purchaser for any out-of-pocket disbursements for payment of the expenses mentioned.

In furtherance of the foregoing, the Company will pay in full on the Closing Date the fees and disbursements of the Purchaser's special counsel and any local counsel that are contained in any written statement therefor rendered to the Company by such special counsel or local counsel on or prior to the Closing Date, and also will pay in full promptly on receipt of any written statement therefor all such additional fees, if any, and disbursements of such special counsel or local counsel in connection with the transactions hereby contemplated (including without limitation unposted disbursements as of the Closing Date).

The Company will also pay all taxes (including interest and penalties) which may be payable in respect of the execution and delivery of this Agreement or of any of the Notes (but not their transfer) or of any amendment of, or waiver under or with respect to, this Agreement or of any of the Notes and will save the Purchaser and all subsequent holders of the Notes harmless from any loss or liability resulting from nonpayment or delay in payment of any such tax.

BOOK 300 PAGE 913

The obligations of the Company under this Section shall survive the payment of the Notes.

§ 15. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, and be enforceable by, the Company, the Transferor, the Purchaser and, with respect to § 9, the Collateral Agent, and their respective successors and assigns, whether or not so expressed; provided that the benefits of §§ 5.1, 5.5 (the first paragraph thereof), 10 (the second paragraph thereof), 13 (as to satisfactory indemnity) and 14 shall be limited as specifically provided therein, except that any other institutional investor which is a holder of any of the Notes shall be entitled to the rights and benefits thereunder as if it were the Purchaser.

§ 16. Survival of Representations and Warranties. All representations and warranties contained in this Agreement, or made in writing by or on behalf of the Company in connection with the transactions contemplated hereby, shall survive the execution and delivery of this Agreement and of the Notes, regardless of any investigation at any time made by the Purchaser or on its behalf. All statements contained in any certificate or other Instrument delivered by or on behalf of the Company hereunder or in connection with the transactions contemplated hereby shall be deemed representations and warranties of the Company hereunder.

§ 17. Governing Law; Jurisdiction. The Notes, this Agreement and (unless otherwise provided) all amendments, supplements, waivers and consents relating thereto or hereto shall be governed by the laws of the State of New York.

For purposes of any action or proceeding involving this Agreement, the Company expressly submits to the non-exclusive jurisdiction of all federal and state courts located in the State of New York and consents that it may be served with any process or paper by registered mail or personal service within or without the State of New York in accordance with applicable law, provided a reasonable time for appearance is allowed. In addition, by executing this Agreement and the Notes, the Company irrevocably and unconditionally waives any objection which it may now or hereafter have to the laying of venue for any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or the Notes brought in any of said courts, and further irrevocably and unconditionally waives and agrees not to plead any claim that any such action or proceeding brought in any such court has been brought in an inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any New York State or federal court sitting in New York City in any action or proceeding arising out of or relating to this Agreement or from any legal process in such action or proceeding (whether relating to service or notice, attachment prior to judgment, attachment in aid of execution or other process) with respect to itself or its property, the

Company waives to the fullest extent permitted by law such immunity in respect of its obligations under this Agreement.

§ 18. No Claim to Tranche A and Tranche B Collateral or Subsidiary Guarantor. The Purchaser, on behalf of itself and any subsequent holder of the Notes initially purchased by it on the Closing Date, waives and releases any right or claim that it may have as such holder (but only as such holder) with respect to (x) any Security Interest in any property of the Company or its Subsidiaries created under or pursuant to the Amended Credit Agreement and the Loan Documents and (y) any Subsidiary Guaranty (as defined in the Original Credit Agreement, as originally executed and delivered), provided that this Section is not intended to waive or release any right or claim with respect to (A) Security Interests in the Tranche C Collateral, or (B) Security Interests in any other collateral or under any Subsidiary Guaranty to the extent such holder is or at any time becomes a holder of, or of any participation in, any Debt issued under the Amended Credit Agreement apart from the Notes.

§ 19. Further Assurances. The Company will, from time to time at its own expense, promptly execute and deliver all further Instruments, and take all further action, that may be necessary or appropriate, or that the Collateral Agent or any holder of a Note may reasonably request, in order to perfect and protect any Security Interest granted or purported to be granted by any of the Collateral Documents or to enable the Collateral Agent to exercise it rights and duties thereunder.

BOOK 300 PAGE 915

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

[Name of Purchaser]

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE, acting through its New York Agency, individually for purposes of § 9.1 and otherwise solely as collateral agent

By _____
Title:

BOOK 300 PAGE 917

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

EQUITABLE VARIABLE LIFE INSURANCE COMPANY

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE, acting through its New York Agency, individually for purposes of § 9.1 and otherwise solely as collateral agent

By _____
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

NATIONAL INTEGRITY LIFE INSURANCE COMPANY

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE, acting through its New York Agency, individually for purposes of § 9.1 and otherwise solely as collateral agent

By _____
Title:

BOOK 300 PAGE 919

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

INTEGRITY LIFE INSURANCE COMPANY

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

THE EQUITABLE OF COLORADO, INC.

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

BOOK 300 PAGE 921

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

THE TRAVELERS INSURANCE COMPANY

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

BOOK 300 PAGE 922

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

THE TRAVELERS INDEMNITY COMPANY

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

BOOK 300 PAGE 923

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

THE TRAVELERS CORPORATION

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

BOOK 300 PAGE 924

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
Atlanta Agency

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

BOOK 300 PAGE 925

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

LTCB TRUST COMPANY

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

OESTERREICHISCHE LAENDERBANK, AG,
Grand Cayman Branch

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

BOOK 300 PAGE 927

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

THE DAIWA BANK, LIMITED

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

THE BANK OF TOKYO TRUST COMPANY

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
acting through its New York Agency,
individually for purposes of § 9.1
and otherwise solely as collateral
agent

By _____
Title:

BOOK 300 PAGE 929

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SHONEY'S, INC.

By _____
Title: Treasurer

CIBC INC., solely as Transferor

By _____
Title:

PAN-AMERICAN LIFE INSURANCE COMPANY

By _____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE, acting through its New York Agency, individually for purposes of § 9.1 and otherwise solely as collateral agent

By _____
Title:

BOOK 300 PAGE 930

BOOK 300 PAGE 931

EXHIBIT A

FORM OF NOTE

SHONEY'S, INC.

Tranche C Note due April 22, 1995

No. R-

October 27, 1989
New York, New York

SHONEY'S, INC., a Tennessee corporation (the "Company"), for value received, hereby promises to pay to or registered assigns, on April 22, 1995, the principal sum of DOLLARS (or so much thereof as shall not have been prepaid) and to pay interest (computed on the basis of a 365-day year and the actual number of days elapsed) on the unpaid principal hereof from the Closing Date (as defined in the Transfer Agreements referred to below) or, if later, the last day through which interest has been paid as hereinafter provided, at the rate of 9.78% per annum, semiannually on April 22 and October 22 in each year or, if such day is not a Business Day, as defined in the Transfer Agreements referred to below, on the next succeeding day that is a Business Day, until such principal sum shall have become due and payable (whether at maturity, at a required prepayment date, or otherwise) and to pay on demand interest at the rate of 11.78% per annum on any overdue principal and on any prepayment charge and, to the extent permitted by applicable law, on any overdue interest, from the due date thereof, until the obligation of the Company with respect to the payment thereof shall be discharged. Payments of principal, prepayment charges and interest shall be made in lawful money of the United States of America upon presentation hereof at the principal office of the Company at 1727 Elm Hill Pike, Nashville, Tennessee, or at such other place as the Company shall have designated to the holder hereof in writing.

The Note is one of the Notes of the Company, aggregating $160,000,000 in original authorized principal amount, referred to in Transfer Agreements dated as of May 15, 1990, as from time to time amended, among the Company, CIBC Inc., acting through its Atlanta Office, Canadian Imperial Bank of Commerce, New York Agency, individually and as collateral agent, and certain institutional investors. This Note and such other Notes evidence the same debt evidenced by, and do not constitute a novation of the debt evidenced by, the Tranche C Note (as defined in such Transfer Agreements) and do not constitute the

issuance of new debt by the Company. The holder of this Note is entitled to enforce the provisions of such Transfer Agreements and to enjoy the benefits thereof.

The Company is required by such Transfer Agreements to prepay this Note in part on April 22, 1994, and October 22, 1994. The Company may at its election prepay this Note, in whole or in part, and under certain circumstances may be required by the holder hereof to prepay this Note in whole or in part. The maturity hereof in certain circumstances is automatically accelerated and in other circumstances may be accelerated by the holders of various percentages of the principal amount of the Notes outstanding following an Event of Default, all as provided in such Transfer Agreements, to which reference is made for the terms and conditions of such provisions as to prepayment and acceleration.

This Note is secured pursuant to certain Collateral Documents (as defined in such Transfer Agreements) by security interests in certain collateral and is entitled to the benefits thereof.

This Note is subject to the requirement set forth in § B-31 of such Transfer Agreements that any transferee of this Note make, for the benefit of the holders from time to time of the Notes hereinabove referred to, the representations and warranties set forth in such Section. Any transferee of this Note, by its acceptance hereof, shall be deemed to have made such representations and warranties.

Transfer of this Note is registrable on the note register of the Company upon presentation at the principal office of the Company, accompanied by a written instrument of transfer in form satisfactory to the Company duly executed by, or on behalf of, the holder hereof. This Note may also be exchanged at such offices for one or more Notes in any authorized denominations (multiples of $500,000), as requested by the holder, of a like aggregate unpaid principal amount.

Prior to due presentment for registration of transfer, the Company and any agent of the Company may deem and treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment of principal and prepayment charge and interest as herein provided and for all other purposes.

This Note is and shall be governed by the laws of the State of New York.

SHONEY'S, INC.

By _____
Title:

EXHIBIT B

REPRESENTATIONS

PART ONE--REPRESENTATIONS BY THE COMPANY

§ B-1. Organization, etc. Each of the Company and each Subsidiary is a corporation validly organized and existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the nature of its business makes such qualification necessary and where the failure to so qualify might have a Materially Adverse Effect, and has full power and authority to own or hold under lease its property and to conduct its business substantially as currently conducted by it. The Company has full corporate power and authority (A) to enter into and perform its obligations under this Agreement, the Notes and the Collateral Documents, and (B) to grant the Security Interests provided in the Collateral Documents.

§ B-2. Due Authorization. The execution and delivery by the Company of this Agreement and the Notes, the execution and delivery by the Company of the Collateral Documents, the performance by the Company of its obligations hereunder and thereunder and the granting and assignment of the Security Interests provided for in the Collateral Documents to secure the Obligations have been duly authorized by all necessary corporate action, do not (except for filings, registrations, approvals and consents which have been already made or obtained) require any filing or registration with or approval or consent of any governmental agency or authority, any creditor or any stockholder, do not and will not conflict with, result in any violation of, or constitute any default under (A) any provision of the Charter or By-Laws of the Company or any of its Subsidiaries, (B) any material agreement or other material Instrument binding upon or applicable to the Company or any of its Subsidiaries or the property of the Company or any of its Subsidiaries or (C) any present law or governmental regulation or court decree or order applicable to the Company or any of its Subsidiaries or the property of the Company or any of its Subsidiaries, and will not result in or require the creation or imposition of any Security Interest in any of their respective properties pursuant to the provisions of any agreement (excluding, however, the Security Interests created or to be created by the Collateral Documents) or other Instrument binding upon or applicable to the Company or any of its Subsidiaries or the property of the Company or any of its Subsidiaries.

§ B-3. Validity, etc. This Agreement has been duly executed and delivered by the Company and is, and each of the Notes and Collateral Documents constitutes or will constitute, on

the due execution and delivery thereof, the legal, valid, and binding obligation of the Company, enforceable in accordance with its terms, subject, as to enforcement, only to bankruptcy, insolvency, reorganization, moratorium, or similar laws at the time in effect affecting the enforceability of the rights of creditors generally. The Company acknowledges having received, at the closing of the transactions contemplated by the Original Credit Agreement, as originally executed as of July 13, 1988, $160,000,000 in consideration of the incurrence of the Debt to be evidenced by the Notes.

§ B-4. Financial and Other Information. The Company has delivered to the Purchaser financial statements as to the last five complete Fiscal Years and any later Fiscal Quarter ended over 60 days prior to the execution and delivery of this Agreement. All balance sheets, all statements of income, stockholders' equity, and cash flows included therein, and all other financial statements which have been delivered pursuant hereto or shall hereafter be furnished by or on behalf of the Company to any holder of a Note for the purposes of or in connection with this Agreement or any transaction contemplated hereby, have been or will be prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved (except as disclosed therein) and do or will present fairly (subject, in the case of the interim unaudited financial statements, to the ultimate outcome of normal recurring accruals) the consolidated financial condition of the corporations covered thereby as at the dates thereof and the results of their operations for the periods then ended. § D-1 sets forth, as of May 13, 1990, a correct and complete description of all Debt of the Company and each Subsidiary, and of any Security Interests securing such Debt, outstanding or existing on the date there stated, and §§ D-3 and D-4 set forth, as of May 13, 1990, correct and complete lists and descriptions of all Investments and all Guaranties, respectively, of the Company and each Subsidiary existing on the date there stated. The Company has no Debt other than as set forth in § D-1, except (a) for Debt in an aggregate amount not exceeding $2,000,000. Since May 13, 1990, (a) except for short-term Investments of a type and quality comparable to the short-term Investments set forth in item E of § D-3, no Investments have been made in any Persons other than those named in § D-3; (b) notes receivable have increased by no more than $100,000 from the amount set forth in item A of § D-3; (c) no Investments have been made in securities other than those listed in item B of § D-3; (d) no Investments, other than those described in clause (a), (b) or (c) of this sentence, have been made; and (e) all Investments that have been made, incurred, assumed or suffered to exist could have been made, incurred, assumed or suffered to exist in compliance with § 5.14 if such covenant were in effect from and after the date hereof. Neither the Company nor any Subsidiary has on the date hereof any material contingent liability or liabilities for taxes, long-term leases or unusual

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forward or long-term commitments which are not reflected in the financial statements described above or in the notes thereto.

As of the Funding Date (as defined in the Original Credit Agreement, prior to its amendment and restatement), and immediately after giving effect to the transactions contemplated under the Original Credit Agreement on such date, (A) the aggregate value of the tangible and intangible assets and properties of the Company and its Subsidiaries, at a fair valuation, were greater than the total amount of their respective liabilities and claims, including contingent claims, and the aggregate present fair saleable value of their respective tangible and intangible assets were greater than the amount that would be required to pay their respective probable liabilities on their debts, including contingent liabilities, as they become absolute and matured, and (B) the Company and its Subsidiaries had (and had no reason to believe that they would not have thereafter) sufficient capital for the conduct of their respective businesses and, to the belief of the Company's management, after diligent inquiry and review, sufficient assets to pay their respective debts as they would become due.

§ B-5. Materially Adverse Effect. Since October 30, 1989, no events have occurred which, individually or in the aggregate, comprise a Materially Adverse Effect.

§ B-6. Absence of Default. Neither the Company nor any Subsidiary is in default in the payment of (or in the performance of any obligation applicable to) any Debt, or in violation of any law or governmental regulation or court decree or order, in any such case, which could result in a Materially Adverse Effect.

§ B-7. Litigation, etc. Except as to matters disclosed in § D-5, there is no pending or, to the knowledge of the Company, threatened litigation, arbitration, or governmental investigation or proceeding against the Company or any Subsidiary or to which any of the properties of any thereof is subject which

(A) if adversely determined, might have a Materially Adverse Effect, or

(B) relates to this Agreement, the Amended Credit Agreement (insofar as it relates to the Notes), the Notes, the Collateral Documents or the Mortgage Financing Transactions.

§ B-8. Regulations G, U and X. Neither the Company nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock. None of the proceeds of any Notes have been used for the purpose of, or been made available by the Company in any manner to any other Person to enable or assist such Person in, directly or indirectly buying

or carrying "margin stock". Terms for which meaning are provided in Federal Reserve Board Regulation G, U or X or any regulations substituted therefor, as from time to time in effect, are used in this § B-8 with such meanings.

§ B-9. Government Regulation. Neither the Company nor any Subsidiary is an "investment company" nor a "company controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

§ B-10. Burdensome Agreements. Neither the Company nor any Subsidiary is or will be a party to any Instrument (other than this Agreement, the Amended Credit Agreement, the Collateral Documents and the LYONS Indenture) or subject to any charge or other corporate restriction which could have a Materially Adverse Effect.

§ B-11. Taxes. Each of the Company and each of its Subsidiaries has filed all tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes or charges which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books. No tax liens have been filed with respect to the Company or any Subsidiary and, to the knowledge of the Company, no claims are being asserted with respect to any such taxes or charges. The Purchaser, however, has been advised by the Company that the Company's federal income tax returns for the 1984, 1985, 1986, 1987 and 1988 Fiscal Years are currently being audited and that the Company's sales tax and franchise tax and excise tax returns are usually examined by the appropriate taxing authorities. Except with respect to the audit of the Company's federal income tax return for the 1984 Fiscal Year, the Company is not aware at this time of any material claims for additional taxes, interest or penalties which might be asserted (and has no reason to believe that any thereof might be asserted) as a result of such audits which are not already adequately reserved against on its books.

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§ B-12. Employee Benefit Plans. Each Plan (as defined below) and, to the best of the Purchaser's knowledge, each Multiemployer Plan (as defined below), complies in all material respects with all applicable requirements of law and regulations, and, except as disclosed in § D-6,

(A) no "Reportable Event", such term being used herein with the meaning provided for it under ERISA (as defined below), has occurred with respect to any Plan or,

to the best of the Company's knowledge, any Multiemployer Plan;

(B) no steps have been taken to terminate any Plan or to appoint a receiver to administer any Plan or, to the best of the Company's knowledge, to terminate or appoint a receiver to administer any Multiemployer Plan, and neither the Company nor any of its Subsidiaries has withdrawn from any Multiemployer Plan or initiated steps to do so;

(C) there is no Unfunded Vested Liability with respect to any Plan or, to the best of the Company's knowledge, any Multiemployer Plan, that would result, in the event of termination of such Plan or withdrawal from such Multiemployer Plan, in a Materially Adverse Effect; and

(D) no contribution failure has occurred with respect to any Plan sufficient to give rise to a lien under Section 302(f) of ERISA, no condition exists or event or transaction has occurred with respect to any Plan which could result in the incurrence by the Company or any of its Subsidiaries of any material liability, fine or penalty, and neither the Company nor any of its Subsidiaries has any contingent liability with respect to any post-retirement benefit under a Welfare Plan (as defined below), other than liability for continuation coverage described in Part 6 of Title I of ERISA.

The Company is not a party in interest in respect to any employee benefit plan designated in any written advice furnished to the Company by the Purchaser in accordance with § B-30. The execution, delivery and performance of this Agreement and the transfer of the Notes hereunder will not involve a "prohibited transaction" (as such term is defined in Section 4975 of the Code or Section 406 of ERISA, and the regulations promulgated under each thereof). The representation and warranty in the preceding sentence is made in reliance upon and subject to the Purchaser's representation in § B-29.

For purposes of this § B-12 and the other provisions of this Agreement, the following terms have the following meanings:

(E) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections;

(F) "PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA;

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(G) "Plan" means a "pension plan", as such term is defined in ERISA, which is subject to Title IV of ERISA (other than a Multiemployer Plan) and to which the Company or any corporation, trade or business that is, along with the Company, a member of a controlled group of corporations or a controlled group of trades or businesses (as described in Sections 414(b) and 414(c), respectively, of the Code or Section 4001 or ERISA) may have any liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under Section 4069 of ERISA;

(H) "Multiemployer Plan" has the meaning assigned to such term under Section 3(37) of ERISA; and

(I) "Welfare Plan" means a "welfare plan", as such term is defined in ERISA.

§ B-13. Labor Controversies. Except as previously disclosed in § D-7, there are no labor controversies pending or, to the best knowledge of the Company, threatened against the Company or any Subsidiary, which, if adversely determined, could have a Materially Adverse Effect.

§ B-14. Subsidiaries; Corporate Structure. The Company has no Subsidiaries, except those disclosed in § D-8. Each such Subsidiary is incorporated in the jurisdictions listed in such Section and such Section correctly states the percentage of each class of capital stock of each such Subsidiary owned by the Company and other Subsidiaries. All outstanding shares of the Subsidiaries shown in such Section as being owned by the Company or by any of its Subsidiaries have been validly issued, are fully paid and non-assessable and are free and clear of any Security Interest not described in § D-1.

§ B-15. Ownership of Properties, Licenses and Permits; Liens. Each of the Company and each of its Subsidiaries has valid fee or leasehold interests in all material real property, and good and marketable title to all of its respective material properties and assets, real and personal, of any nature whatsoever. The Company has a valid fee simple interest in all real property, except as set forth in § d-2, and good and marketable title to all of its properties and assets, real or personal, of any nature whatsoever, comprising the Tranche C Collateral, none of such property constituting Tranche C Collateral is subject to any Security Interest except for (A) those in existence on the date hereof and set forth in § D-2 and/or described in § D-1, (B) those created as of the Closing Date pursuant to the Collateral Documents, (C) those permitted by § 5.12 and (D) as of the date hereof but not as of the Closing Date, those created pursuant to the Security Agreement. As of October 1, 1989, the value of the Tranche C

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Collateral consisting of real property and equipment, as appraised by Marshall and Stevens Incorporated pursuant to the appraisal referred to in § D-9, a complete and correct copy of which has been delivered to you, was at least $218.8 million. To the best knowledge of the Company, there has been no decrease since October 1, 1989 in the value for continued use (by which is meant the value of the assets as installed and in use as an integrated part of an operating enterprise with consideration given to the age, condition, utility and markets for used property insofar as applicable but without consideration as to whether the earnings justify the investments in the assets at their respective amounts) of any property comprising a part of the Tranche C Collateral. The properties comprising the Tranche C Collateral, except for certain leased equipment set forth in the notes to § D-2, comprise all real and tangible personal property necessary for properly conducting the businesses presently conducted at those properties. The real properties comprising the Tranche C Collateral are subject to no leases.

The Company has delivered to the Purchaser complete and correct copies of all title insurance policies delivered relating to each real property comprising the Tranche C Collateral (other than the real property relating to the New Mortgage).

Each of the Company and each of its Subsidiaries owns or holds all such licenses or permits as are necessary or desirable in the conduct of its business, except to the extent that the failure to own or hold the same could not have a Materially Adverse Effect.

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§ B-16. Patents, Trademarks, etc. Each of the Company and each of its Subsidiaries owns (or is licensed to use) and possesses all such patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights, and copyrights as the Company considers necessary for the conduct of the businesses of the Company and its Subsidiaries as now conducted without, individually or in the aggregate, any infringement upon rights of other Persons which could have a Materially Adverse Effect, and, except for those items disclosed in § D-10, there is no individual patent or patent license or trademark or trademark right or service mark or service mark right the loss of which could have a Materially Adverse Effect.

§ B-17. Accuracy of Information. All factual information heretofore or contemporaneously furnished by or on behalf of the Company in writing to any Purchaser for purposes of or in connection with this Agreement or any transaction contemplated hereby (including without limitation the reports and proxy statements listed in § D-11, which comprise all reports and proxy statements required to be filed by the Company with the Securities and Exchange Commission since October 30, 1989, and the Memorandum) is, and all other such factual

information hereafter furnished by or on behalf of the Company to the holders of the Notes will be, true and accurate in every material respect on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information not misleading. The projections contained in the Memorandum and all other projections heretofore delivered by the Company have been prepared in good faith by the Company and represent the Company's best estimates, as of the respective dates of delivery thereof, of the Company's reasonably expected future performance.

§ B-18. Subordinated Debentures. The Company has the corporate power and authority to perform the Subordinated Indenture and the LYONS Indenture and to perform the Subordinated Debentures and the Subordinated LYONS Notes, and has duly authorized the performance of the Subordinated Indenture and the LYONS Indenture, and the performance and issuance of the Subordinated Debentures and the Subordinated LYONS Notes. The Company has duly executed and delivered the Subordinated Indenture, the LYONS Indenture, the Subordinated Debentures and the Subordinated LYONS Notes and on the Closing Date each constitutes the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms subject, as to enforcement, only to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally. Notwithstanding any bankruptcy, insolvency, reorganization, moratorium or similar proceeding in respect of the Company, at all times, (A) the subordination provisions of the Subordinated Indenture and the LYONS Indenture and the Subordinated Debentures and the Subordinated LYONS Notes will be enforceable against the holders of the Subordinated Debentures and the Subordinated LYONS Notes by the holder of any Senior Indebtedness (as defined in the Subordinated Indenture and the LYONS Indenture) which has not effectively waived the benefits thereof, (B) all Obligations, including the Obligations to pay principal of and interest on the Notes in connection therewith, constitute "Senior Indebtedness", as defined in the Subordinated Debentures and the Subordinated LYONS Notes, and all such Obligations will be entitled to the benefits of subordination created by the Subordinated Debentures and the Subordinated LYONS Notes and (C) all payments of principal of or interest on any Subordinated Debenture and the Subordinated LYONS Notes made by the Company or from the liquidation of its property will be subject to such subordination provisions. At the time of the execution and delivery of the Subordinated Debentures and the Subordinated LYONS Notes, the Subordinated Debentures and the Subordinated LYONS Notes were duly registered or qualified under all applicable United States Federal and state securities laws or exempt therefrom. The Company acknowledges that the Purchaser is entering into this Agreement, and purchasing the Notes, in reliance upon the subordination provisions contained in the Subordinated Debentures, the Subordinated Indenture, the LYONS Indenture and the Subordinated LYONS Notes and this § B-18.

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§ B-19. Mortgages and Other Collateral Documents. Complete and correct copies of all Mortgages (other than the New Mortgage) have been delivered to the Purchaser, and all Mortgages (other than the New Mortgage), except for the description of the property contained therein, are substantially in the form of Exhibit H to the Original Credit Agreement, as originally executed, except, as of the Closing Date but not as of the date hereof, as amended and modified by the Mortgage Assignments, Splitting Agreements, Mortgage Modification Agreements, Restated Mortgages, Amendments (Spreaders), Releases and Substitutions. The provisions of the Collateral Documents heretofore and hereafter executed by the Company in favor of the holders of the Notes are, or will upon execution be, effective to create, in favor of the Collateral Agent for the benefit of the holders of the Notes, legal, valid and enforceable Security Interests in all right, title and interest of the Company in any and all of the collateral described therein, securing the Notes and all other Obligations from time to time outstanding and each of such Collateral Documents constitute (or, in the case of Substituted Collateral Documents, will upon execution constitute) a lien on, and (subject to the due recordation thereof or filing of financing statements in respect thereof, to the extent that such recordation or filing has not already occurred) a fully perfected Security Interest in, all right, title and interest of the Company in such collateral superior in right to any liens, existing or future, which the Company or any creditors of or purchasers from, or any other Person, may have against such collateral or interests therein, except to the extent, if any, otherwise provided therein.

§ B-20. Hazardous Materials. Except as disclosed in § D-12, neither the Company nor, to the Company's knowledge, any other Person has ever caused or permitted any Hazardous Material to be disposed of (in a manner which might result in any liability to the Company, its Subsidiaries or the holders of the Notes) on, under or at any real property legally or beneficially owned (or any interest or estate in which any real property is owned) or operated by the Company or any Subsidiary of the Company (including, without limitation, any property owned by a land trust the beneficial interest in which is owned in whole or in part, by the Company or any Subsidiary of the Company), and no such real property has ever been used (either by the Company or, to the Company's knowledge, by any other Person) as (A) a dump site or permanent storage site for any Hazardous Material or (B) a temporary storage site for any Hazardous Material. The Company and its Subsidiaries have been issued and are in compliance with all permits, certificates, licenses, approvals and other authorizations relating to environmental matters, and have filed all notifications and reports, relating to chemical substances, air emissions, effluent discharges and Hazardous Material waste storage, treatment and disposal required in connection with the operation of their businesses the failure to have or comply with would, individually or in the aggregate, have a Materially

Adverse Effect. All Hazardous Materials used or generated by the Company and its Subsidiaries or any business merged into or otherwise acquired by the Company and its Subsidiaries have been generated, accumulated, stored, transported, treated, recycled and disposed of in compliance with all applicable laws and regulations the violation of which has any reasonable likelihood of having a Materially Adverse Effect. The Company and its Subsidiaries have no liabilities with respect to Hazardous Materials, and no facts or circumstances exist which could give rise to liabilities with respect to Hazardous Materials, which could have any reasonable likelihood of having a Materially Adverse Effect.

§ B-21. Offering of Notes. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities (including the Senior Notes of Shoney's Funding Corp. referred to in the Memorandum) for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchaser, the other purchasers referred to in § B-22 and not more than 28 other institutional investors. Neither the Company nor anyone acting on its behalf has taken, or will take, any action which would subject the issuance or sale of the Notes to Section 5 of the Securities Act of 1933, as amended.

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§ B-22. Other Agreements. Simultaneously with the execution of this Agreement, the Company, the Collateral Agent and the Transferor are entering into agreements identical in all respects with this Agreement (except for the principal amount of the Tranche C Note to be purchased) with the other purchasers named in Schedule I. The aggregate principal amount of the purchases to be made by the Purchaser and such other purchasers is $160,000,000, but the purchases by the Purchaser and such other purchasers are to be separate and several transactions.

§ B-23. Credit Agreement Representations, etc. The Company hereby, in addition to the foregoing representations and warranties, confirms, for the benefit of the Purchaser, as of the date the same were made,

(A) each and all of the representations and warranties contained in the Original Credit Agreement, as of the date amended and restated, and the other Loan Documents, to the extent made as of such date, and

(B) each and all of the representations and warranties in the Collateral Documents.

For purposes of its opinion of counsel referred to in § C-8, Milbank, Tweed, Hadley & McCloy, your special counsel, may rely on the representations and warranties contained in the Original Credit Agreement, as of the date originally executed, and in the other Loan Documents, to the extent made as of such date and as

of the date of the closing of the transactions contemplated by the Original Credit Agreement, as of such date.

PART TWO--REPRESENTATIONS BY THE TRANSFEROR

§ B-24. Organization, etc. The Transferor is a corporation validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full power and authority to enter into and perform this Agreement and to sell and assign the portion of the Tranche C Note sold and assigned pursuant to this Agreement and the other agreements referred to in § B-22.

§ B-25. Due Authorization. The execution, delivery and performance by the Transferor of this Agreement have been duly authorized by all necessary corporate action, do not require any filing or registration with or approval or consent of any governmental agency or authority, any creditor or any stockholder, and do not conflict with, result in any violation of, or constitute any default under any provision of the Charter or By-Laws of the Transferor, any material agreement or other material Instrument binding upon or applicable to the Transferor or its property or any present law or governmental regulation or court decree or order applicable to the Transferor.

§ B-26. Validity, etc. This Agreement has been duly executed and delivered by the Transferor and is the legal, valid and binding obligation of the Transferor, enforceable in accordance with its terms, subject, as to enforcement, only to bankruptcy, insolvency, reorganization, moratorium or similar laws at the time in effect affecting the enforceability of the rights of creditors generally and the effect of general principles of equity (regardless of whether considered in a proceeding in law or at equity).

§ B-27. Security Interests. The Transferor has good and valid title to the Tranche C Note, free and clear of any Security Interest.

PART THREE -- REPRESENTATIONS BY THE PURCHASER

§ B-28. Acquisition of Notes. If the Purchaser is other than Canadian Imperial Bank of Commerce, Atlanta Agency, and is not a bank, it will acquire the Notes to be purchased by it on the Closing Date for its own general account and/or for one or more separate accounts maintained by it, for investment and not with a view to any distribution of such Notes or with any present intention of distributing or selling any of such Notes, but subject, nevertheless, to the disposition of such Notes being at all times within its control. If the Purchaser is other than

Canadian Imperial Bank of Commerce, Atlanta Agency, and is a bank, it will acquire the Notes to be purchased by it on the Closing Date for its own account in the course of its commercial banking business or for investment and not with a view to any distribution of such Notes or with any present intention of distributing or selling any of such Notes, but subject, nevertheless, to the disposition of such Notes being at all times within its control. If the Purchaser is Canadian Imperial Bank of Commerce, Atlanta Agency, it represents and warrants that it will sell or otherwise dispose of the Notes only (A) in a manner that will not subject the Notes to the registration requirements of applicable securities laws, including Section 5 of the Securities Act of 1933, as amended, and (B) to an institutional investor that shall have delivered to the Company (for its benefit and the benefit of the holders of the Notes) a statement substantially to the effect set forth in one of the preceding two sentences of this Section and to the effect set forth in § B-29.

§ B-29. Source of Funds. Either (A) (1) if the Purchaser is a bank, no part of its purchase of Notes hereunder will be made out of the assets of any trust fund or other account held by it in which any employee benefit plan has an interest or, if it is an insurance company, no part of its purchase hereunder will be made out of the assets of any separate account maintained by it in which any employee benefit plan has an interest, or (2) its purchase hereunder will be made out of (a) assets of a governmental plan or (b) assets of a church plan which has not made the election provided for under Section 410(d) of the Code; or (B) if any part of its purchase of Notes hereunder will be made out of the assets of any trust fund or other account or separate account in which any employee benefit plan has an interest, (1) such trust fund or other account is entitled to the exemption granted by the Prohibited Transaction Class Exemption 80-51 issued by the United States Department of Labor, (2) such separate account is a "pooled separate account" or a "guaranteed contract-separate account" entitled to the exemption granted by the Prohibited Transaction Class Exemption 78-19 or 81-82 issued by said Department or (3) on or prior to the Closing Date it shall have furnished to the Company written advice identifying each employee benefit plan the assets of which (together with the assets of any other plan maintained by the same employer or employee organization) constitute or are expected to constitute more than 5% of the total assets of any such trust fund or separate account as of the Closing Date. As used in this § B-29, the terms "separate account", "employee benefit plan", "governmental plan" and "church plan" shall have the respective meanings assigned to them in ERISA.

PART FOUR -- OTHER REPRESENTATIONS

§ B-30. Alabama Qualification to Do Business. The Purchaser, the Collateral Agent in its capacity as collateral

agent hereunder, as the initial holder of the Tranche C Note and as collateral agent for the Lenders (as defined in the Original Credit Agreement) and the Transferor, each on behalf of itself only, represents and warrants for the benefit of the holders from time to time of the Notes that either

(A) it

(i) does not now have and has not had since prior to July 13, 1988 an office or employee in the State of Alabama,

(ii) has not at any time sent any officer, agent or employee into said State in connection with the transactions contemplated by the Original Credit Agreement (either as originally executed and delivered or as amended and restated) or the Debt referred to therein, if any, held by it,

(iii) has not had any contacts with said State in connection with such transactions or indebtedness (except to the extent that having a portion of the Collateral (as defined in the Mortgages) located in said State constitutes a contact) and

(iv) is not otherwise doing business in said State, or

(B) it was duly qualified to do business in the State of Alabama prior to the later of (i) July 13, 1988 and (ii) the date on which the first event or action described in clause (A) above applicable to it occurred.

§ B-31. Transfers of Notes. The Purchaser represents and warrants for the benefit of the holders from time to time of the Notes that it will not sell, assign or otherwise transfer any Note to any Person other than one that represents and warrants that

(A) it either

(i) is not an "alien corporation" within the meaning of Section 16-14-15 of the Official Code of State of Georgia Annotated, as amended (the "Georgia Code"), and all successors thereto, or

(ii) has duly complied with either

(a) the registration and filing requirements of such Section and its successors, or

(b) if registration under Section 7-1-11 of the Georgia Code, or any successor thereto, exempts such Person from the registration and filing requirements of such Section 16-14-15 and its successors, the

registration requirements of such Section 7-1-11 or any successor, and

(B) it will not sell, assign or otherwise transfer any Note to a Person other than one that makes representations and warranties for the benefit of the holders from time to time of the Notes substantially in the form of Subsection (A) above and this Subsection (B).

EXHIBIT C

CLOSING CONDITIONS

§ C-1. Representations and Warranties True. All representations and warranties of the Company and the Transferor made in Exhibit B, the Transferor Side Letter or otherwise under or pursuant to this Agreement shall (except as affected by the transactions hereby contemplated) be true as though made on the Closing Date, and the Company and the Transferor shall have performed all agreements on their part to be performed under this Agreement on or prior to the Closing Date.

§ C-2. No Merger, etc. The Company shall not have consolidated or merged with, or sold, leased or otherwise disposed of its properties as an entirety or substantially as an entirety to, any person.

§ C-3. No Event of Default or Potential Event of Default. No Event of Default or Default shall have occurred and be continuing.

§ C-4. Instruments and Proceedings to be Satisfactory. All Instruments and corporate proceedings relating to the borrowing hereunder by the Company and the Transferor shall be satisfactory to the Purchaser and its Special Counsel named in § C-8.

§ C-5. Compliance Certificate. The Company shall have delivered to the Purchaser an Officer's Certificate, dated the Closing Date, certifying to the effect set forth in §§ C-1 through C-3 (insofar as such Sections relate to the Company) and that the amendments to the Original Credit Agreement referred to § C-11(A) have become effective, and the Transferor shall have delivered to the Purchaser a certificate, signed by a Vice President of the Transferor, dated the Closing Date, certifying to the effect set forth in § C-1 (insofar as such Section relates to the Transferor).

§ C-6. Opinion of Company's Counsel. The Purchaser shall have received from Farris, Warfield & Kanaday, counsel for the Company ("Company's Counsel"), an opinion, dated the Closing Date, substantially in the form set forth in Exhibit E-1, covering such other matters incident to the transactions contemplated hereby as the Purchaser may reasonably request and otherwise in scope and substance satisfactory to the Purchaser.

§ C-7. Opinion of CIBC and Transferor's Special Counsel. The Purchaser shall have received from Mark Cahaney, Esq., counsel to the Collateral Agent and special counsel to the Transferor, Derek Hayes, general counsel of Canadian Imperial Bank of Commerce, Atlanta Agency, and Mayer, Brown & Platt, special counsel to the Transferor, opinions, dated the Closing

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Date, substantially in the forms set forth in Exhibits E-2, E-3 and E-4, respectively, covering such other matters incident to the transactions contemplated hereby as the Purchaser may reasonably request and otherwise satisfactory in scope and substance to the Purchaser.

§ C-8. Opinion of Purchaser's Special Counsel. The Purchaser (if other than Canadian Imperial Bank of Commerce, Atlanta Agency) shall have received from Milbank, Tweed, Hadley & McCloy, an opinion, dated the Closing Date, substantially in the form set forth in Exhibit E-5, covering such other matters incident to the transactions contemplated hereby as such Purchaser may reasonably request and otherwise satisfactory in scope and substance to such Purchaser.

§ C-9. Opinions of Local Counsel. The Purchaser shall have received from each of (A) Maynard, Cooper, Frierson & Gale, P.C., special Alabama counsel to the Company; (B) Hatcher, Stubbs, Land, Hollis & Rothschild, special Georgia counsel to the Company; (C) Frensley & Towerman, special Kansas and Missouri counsel to the Company; (D) Mulloy, Walz, Wetterer, Fore & Schwartz, special Kentucky counsel to the Company; (E) Butler, Snow, O'Mara, Stevens & Cannada, special Mississippi counsel to the Company; (F) Andrews Davis Legg Bixler Milsten & Price, special Oklahoma counsel to the Company; (G) Leatherwood, Walker, Todd & Mann, P.C., special South Carolina counsel to the Company; (H) Jackson & Kelly, special West Virginia counsel to the Company and (I) Dewey, Ballantine, Bushby, Palmer & Wood, special New York counsel to the Company, opinions, dated the Closing Date, substantially in the forms set forth in Exhibits E-6, E-7, E-8, E-9, E-10, E-11, E-12, E-13 and E-14, respectively, covering such other matters incident to the transactions contemplated hereby as the Purchaser may reasonably request and otherwise satisfactory in scope and substance to such Purchaser.

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§ C-10. Legality of Investment. On the Closing Date, each Note to be purchased by the Purchaser shall be a legal investment for the Purchaser under the laws of each jurisdiction to which it may be subject without resort to any basket provision of such laws such as New York Insurance Law Section 1405(a)(8); and the Purchaser shall have received such certificates or other evidence as it may reasonably request demonstrating the legality of such purchase under such laws.

§ C-11. Amendment of Original Credit Agreement; Assignment of Security Agreement, etc. Each of the following conditions shall have been satisfied:

(A) the Original Credit Agreement shall have been amended by the parties thereto substantially as provided in Exhibit F;

(B) the Security Agreement, insofar as it relates to collateral other than Tranche C Collateral, shall have been

amended and restated by the parties thereto substantially as provided in Exhibit G;

(C) Canadian Imperial Bank of Commerce, New York Agency, as collateral agent under the Security Agreement, shall have assigned its Security Interest in the Tranche C Collateral, and any related rights thereunder with respect thereto, to the Collateral Agent pursuant to an assignment substantially in the form of Exhibit H (the "Tranche C Collateral Assignment"), and the Company and the Canadian Imperial Bank of Commerce, New York Agency, as agent under the Amended Credit Agreement, shall have acknowledged and consented thereto;

(D) the Company and the Collateral Agent shall have entered into a Security Agreement substantially in the form of Exhibit I (the "Tranche C Security Agreement"); and

(E) (i) all conditions to the effectiveness of the amendments to the Original Credit Agreement referred to in Subsection (A) above shall have been satisfied or be satisfied simultaneously with the transfer of funds from the Purchaser and the purchasers under the other agreements listed in § B-22 to the Transferor; (ii) the Purchaser shall have received from the Agent under the Amended Credit Agreement a letter stating that the Agent and all lenders thereunder have executed and delivered such amendments and such amendments have become effective; (iii) such amendments, the amended and restated Security Agreement referred to in Subsection (B) above, the Tranche C Collateral Assignment and the Tranche C Security Agreement shall be in full force and effect; (iv) the Purchaser shall have received a complete and correct copy of each thereof as executed; and (v) no term or condition thereof shall have been amended, modified or waived without the Purchaser's prior written consent.

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§ C-12. Mortgage Assignments; Splitting Agreements, etc. The Company and the Collateral Agent (in its capacity as collateral agent and/or "Corporate Trustee" under the Mortgages) and where applicable the "Individual Trustee" or "Deed of Trust Trustee" under the Mortgages shall have entered into

(A) (1) an Assignment of Mortgage (and Appointment of Substitute Individual Trustee), (2) an Assignment of Mortgage, (3) an Assignment of Deed to Secure Debt or (4) an Assignment of Deed of Trust substantially in the form of Exhibit J-1, J-2, J-3 or J-4, respectively, with respect to each real property included in the Tranche C Collateral, and substantially in the form of the Mortgage Assignment for such property specified in § D-2 (collectively, the "Mortgage Assignments");

(B) (1) a Mortgage Modification Agreement, (2) a Deed to Secure Debt Modification Agreement or (3) a Deed of Trust Modification Agreement substantially in the form of Exhibit K-1, K-2 or K-3, respectively, with respect to each real property included in the Tranche C Collateral, and substantially in the form of the Mortgage Modification Agreement for such property specified in § D-2 (collectively, the "Mortgage Modification Agreements");

(C) (1) an Agreement for Segregation and Division of Collateral and Restatement of Mortgage, (2) an Agreement for Segregation and Division of Collateral and Restatement of Deed to Secure Debt or (3) an Agreement for Segregation and Division of Collateral and Restatement of Deed of Trust substantially in the form of Exhibit L-1, L-2 or L-3, respectively, with respect to each real property included in the Tranche C Collateral identified in § D-2 as requiring a Splitting Agreement and substantially in the form of the Splitting Agreement specified for such property in such Section (collectively, the "Splitting Agreements");

(D) (1) a Restated Mortgage Indenture and Deed of Trust with Assignment of Leases and Rents and Security Agreement (designated therein as a "Restated Mortgage A"), (2) a Restated Deed to Secure Debt with Assignment of Leases and Rents and Security Agreement (designated therein as a "Restated Security Deed A") or (3) a Restated Deed of Trust and Security Agreement with Assignment of Leases and Rents (designated therein as "Restated Deed of Trust A") substantially in the form of Exhibit M-1, M-2 or M-3, respectively, with respect to each real property included in the Tranche C Collateral identified in § D-2 as requiring a Restated Mortgage and substantially in the form of the Restated Mortgage specified for such property in such Section (collectively, the "Restated Mortgages");

(E) (1) a Partial Release of Mortgage substantially in the form of Exhibit N and

(2) a Substitution of Individual Trustee substantially in the form of Exhibit O

with respect to each Mortgage encumbering real property included in the Tranche C Collateral located in West Virginia (collectively, the "Releases" and "Substitutions", respectively);

(F) an Amendment of Deed substantially in the form of Exhibit P with respect to each real property included in the Tranche C Collateral identified in § D-2 as requiring an Amendment (Spreader) (collectively, the "Amendments (Spreaders)");

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(G) a Mortgage Indenture and Deed of Trust with Assignment of Rents and Leases and Security Agreement substantially in the form of Exhibit Q with respect to the Tranche C Collateral located in Newberry, Richland County, South Carolina (the "New Mortgage"); and

(H) a Fixture Filing Assignment substantially in the form of Exhibit R-1 with respect to each real property included in the Tranche C Collateral located in South Carolina (collectively, the "Fixture Filing Assignments") and a Fixture Filing Financing Statement substantially in the form of Exhibit R-2 with respect to each real property included in the Tranche C Collateral located in Kansas and Missouri.

Each of the foregoing documents shall have been delivered by the Company and the Collateral Agent to the title companies for recordation. Each of the Mortgages, Mortgage Assignments, Restated Mortgages, Releases, Substitutions, Mortgage Modification Agreements and Splitting Agreements and the New Mortgage shall be in full force and effect, the Purchaser or its special counsel shall have received a complete and correct copy of each thereof as executed and no term or condition thereof shall have been amended, modified or waived without the Purchaser's prior written consent.

§ C-13. Title Policies. The Purchaser shall have received endorsements, dated the Closing Date, with respect to each of the title policies referred to in § B-15, and a new title policy, dated the Closing Date, with respect to the New Mortgage, and such endorsements and new title policy shall be acceptable in form, scope and substance to the Purchaser. The Purchaser also shall have received evidence satisfactory to it of the payment of all premiums due in connection with such endorsements and new title policy. The Collateral Agent shall have received a duplicate original of each of the title policies referred to in § B-15.

§ C-14. U.C.C. Filings and Recordations of Mortgage Assignments. The Purchaser shall have received evidence satisfactory to its special counsel of the filing of all Uniform Commercial Code financing statements and recordation of all Mortgages (other than the New Mortgage) where necessary to give the Collateral Agent on behalf of the holders of the Notes a perfected first priority Security Interest in the Tranche C Collateral (subject, in the case of such Mortgages, to the recordation of the Splitting Agreements, Mortgage Assignments and Mortgage Modification Agreements and, in the case of such financing statements to the filing of any UCC-3 financing statements reflecting the assignment of Tranche C Collateral consisting of personal property to the Collateral Agent), and the Collateral Agent on behalf of the holders of the Notes shall have a lien on, and a perfected Security Interest in, the Tranche C Collateral. The Collateral Agent shall have received the

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recorded counterpart original of each Mortgage (other than the New Mortgage).

§ C-15. Private Placement Number. The Company shall have furnished the Purchaser with a certificate or other evidence satisfactory to its special counsel that the Company has obtained, on the Purchaser's behalf, from Standard & Poor's Corporation CUSIP Service Bureau a private placement number with respect to the Notes.

§ C-16. Purchases by Other Purchasers. Each of the other purchasers referred to in § B-22 shall have purchased and made payment for the principal amount of the Notes to be purchased by it pursuant to the other agreements referred to in such Section.

§ C-17. Transferor Side Letter. The Purchaser shall have received from the Transferor a side letter (the "Transferor Side Letter") substantially in the form of Exhibit S.

§ C-18. Payment of Accrued Interest. The Company shall have paid to the Transferor all accrued interest on the Tranche C Note from the date thereof through the day prior to the Closing Date.

§ C-19. Intercreditor Agreement. Canadian Imperial Bank of Commerce, New York Agency, in its capacity as a purchaser of Notes, the Collateral Agent and the other purchasers referred to in § B-22 shall have entered into an Intercreditor Agreement substantially in the form of Exhibit T, and the Company shall have consented thereto.

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EXHIBIT D

DOCUMENTS AND INFORMATION FURNISHED TO THE PURCHASER

§ D-1. Debt and Security Interests.

§ D-2. Tranche C Collateral.

§ D-3. Investments.

§ D-4. Guaranties.

§ D-5. Litigation.

§ D-6. ERISA Matters.

§ D-7. Labor Controversies.

§ D-8. Subsidiaries.

§ D-9. Appraisal of Tranche C Collateral.

§ D-10. Patents and Trademarks.

§ D-11. Company's reports and proxy statements required to be filed with Securities and Exchange Commission since October 29, 1989.

§ D-12. Environmental Matters.

STATE OF ALA. SHELBY CO.
I CERTIFY THIS

90 JUL 17 PM 4:25

1. [illegible]
2. [illegible]
3. [illegible] 3.00
4. [illegible] 1.00
Total [illegible] 284.50

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