

Witnesseth:

LEASE MODIFICATION AGREEMENT NO. 3

WHEREAS, the undersigned parties now being Landlord and Tenant, respectively, under the terms of a lease dated March 5, 1980, and thereafter modified by two (2) separate modification agreements, and primarily covering a Kroger storeroom located at the north side of Hall Road, between Gill St. and Lindsay St., City of Alcoa, County of Blount, and State of Tennessee, do now desire to modify and amend such lease.

NOW, THEREFORE, for and in consideration of One Dollar (\$1.00) and other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged, and of the promises and undertakings hereinafter set forth, the parties agree that such lease shall be and is hereby amended and modified as follows:

A RIDER CONTAINING PARAGRAPHS 1 THROUGH 12 IS ATTACHED HERETO AND MADE A PART HEREOF.

All other terms and conditions of said lease and of any previous modification thereof shall remain unchanged.

The provisions of this Lease Modification Agreement shall bind and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, said parties have hereunto set their hands and seals, AUGUST 24, 1991 (as to Landlord), 1991 (as to Tenant).

Signed and acknowledged in quadruplicate duplicate in presence of:

Witnesses for Landlord:

Landlord:

James R. Hodson (signature)
James R. Hodson (signature)

KING HOLDING COMPANY (Seal)

By: H. G. King, President (Seal)

REGAL INVESTMENT COMPANY (Seal)

By: Mark Thompson, President (Seal)

Witnesses for Tenant:

Tenant:

Beth Jones (signature)



THE KROGER CO.
By: Mark Thompson, President
Nashville Marketing Area

STATE OF _____ }
COUNTY OF _____ } SS

This day, before me, a Notary Public in and for said County, personally came _____
the Landlord in the foregoing Lease Modification Agreement, and acknowledged the signing to be _____ voluntary act.

Witness my hand and official seal this _____ day of _____ A. D., 19____

My commission expires _____ Notary Public _____

STATE OF TENNESSEE }
COUNTY OF BLOUNT } SS

This day, before me, a Notary Public in and for said County, personally came H. G. King and Harold G. King, Jr. President and Secretary, respectively of King Holding Company, the corporation described in and which executed the above instrument; who being by me duly sworn, did depose and say that they know the seal of said corporation; that the seal affixed to said instrument was such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that they signed their names thereto by like order.

Witness my hand and official seal this 24th day of AUGUST A. D., 1991

Charles E. Brown
Notary Public

My commission expires
1-3-93

STATE OF Tennessee }
COUNTY OF Davidson } SS

This day, before me, a Notary Public in and for said County, personally came Mark Thompson Vice President, Marketing Area of The Kroger Co., the corporation described in and which executed the above instrument; who being by me duly sworn, did depose and say that: he knew the seal of said corporation; that the seal affixed to said instrument was such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Witness my hand and official seal this 27th day of August A. D., 1991

Beth Jones
Notary Public

My commission expires
5-20-92

STATE OF TENNESSEE)
COUNTY OF BLOUNT)

This day, before me, a Notary Public in and for said County, personally came H. G. King and Harold G. King, Jr., President and Secretary, respectively of Regal Investment Company, the corporation described in and which executed the above instrument; who being by me duly sworn, did depose and say that: they know the seal of said corporation; that the seal affixed to said instrument was such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that they signed their names thereto in like order.

Witness my hand and official seal at office, this 24th day of AUGUST, 1991.

Charles E. Brown
Notary Public

My Commission Expires: 1-3-91

RIDER

THIS RIDER, consisting of Paragraphs 1 through 12, is attached to and made a part of Lease Modification Agreement #3 between KING HOLDING COMPANY and REGAL INVESTMENT COMPANY, as Landlord, and THE KROGER CO., as Tenant.

1. Expansion of Tenant's Demised Premises. Landlord hereby consents to Tenant expanding the Demised Premises at Tenant's sole cost and expense, including such reasonable costs and expenses as may be required to obtain the hereinafter defined Landlord's Mortgagee(s) approval. Paragraph 7 of the Rider to the Lease Modification Agreement #2 is hereby modified to permit an expansion of one hundred eighty-four (184) feet by (92) feet containing a total of sixteen thousand nine hundred eighty-two (16,982) square feet plus a ninety (90) square foot restaurant projection, so as to enlarge to approximately fifty-nine thousand four hundred sixty (59,460) square feet as shown on the Plot Plan attached hereto and made a part hereof, which Plot Plan supersedes the Plot Plan dated November 4, 1987 attached to Lease Modification Agreement #2.

2. Plans and Specifications. The modifications to the Demised Premises shall be constructed in general conformity with the plans and specifications based on Tenant's standard requirement drawings (hereinafter referred collectively as "Plans") which Landlord has reviewed and approved.

3. Completion, Rent and Percentage Payments. Subject to the provisions of Paragraph 4 hereof, effective on the date ("Grand New Reopening Date") on which Tenant holds its grand reopening promotion for business in the Demised Premises after expansion and remodeling as provided for herein, the minimum sales base set forth in Line 185 of the Lease Agreement and as modified in Paragraph 3 of the Rider to the Lease Modification Agreement #2 shall be increased to Thirty-Six Million (\$36,000,000.00) Dollars for the balance of the Lease and any extensions thereof. The Grand New Reopening Date shall be no

later than ninety (90) days after the expansion area is opened for business.

4. Inspection and Maintenance. Within thirty (30) days of Landlord's receipt of notice from Tenant that the expansion and alteration contemplated herein are substantially complete ("Completion Notice"), Landlord shall inspect the modifications made to the premises by Tenant and notify Tenant, within thirty (30) days of Landlord's receipt of Tenant's completion notice, of any defects to which Landlord reasonably objects which are not in general conformity with the Plans or applicable codes and Tenant shall cause the same to be corrected ("Landlord's Punch List").

Tenant shall provide plans and specifications to Landlord's Mortgagee, Aetna Casualty and Surety Company ("Aetna") who will make a final inspection of the property to determine whether construction is completed in a manner satisfactory to Aetna and in accordance with final plans and specifications. The final and complete plans and specifications, including architectural, mechanical, plumbing and electrical landscaping, and soils report shall be submitted to and approved by Aetna. Tenant shall certify that all improvements, including landscaping and interior finish, indicated on the plans and specifications, have been completed in accordance with said plans excepting minor punch list items and that all utilities such as public water, sewer and electricity have been connected and that the improvements are ready for occupancy within sixty (60) days from the date of substantial completion as certified by Tenant's architect. Tenant shall deliver to Aetna a copy of the Certificate of Occupancy for the expansion area within thirty (30) days of the issuance thereof.

Tenant shall provide to Landlord and Aetna, upon completion of the construction, a certification from all contractors that (i) except for payment currently due in the ordinary course, it and all of its suppliers of labor and material have been duly paid and (ii) that the general contractor

has no monetary claims against the Demised Premises. Upon the completion of Landlord's Punch List, Landlord and Tenant shall assume their respective responsibilities for maintaining and repairing the expanded and remodeled Demised Premises as required by the Lease to be performed by them during the term of this Lease and any extension or renewal hereof including, but not limited to, the provisions as outlined in Paragraph 10 of this Rider.

5. Indemnification. Tenant shall indemnify and save harmless Landlord from all claims, losses or expenses, including without limitation, reasonable attorney fees, arising from the negligence or willful misconduct of Tenant or its agents, provided that this indemnity shall be inapplicable to the tortuous actions or omissions of Landlord or its employees, agents or contractors. Tenant or Tenant's general contractor shall acquire construction insurance naming Kroger, Hooks-Super X, Inc. ("Super X") and Landlord and Landlord's mortgagees as insureds on the policy in an amount of Two Million (\$2,000,000.00) Dollars for general liability and One Million (\$1,000,000.00) Dollars for property damage. The insurance shall be with an insurance company that has an A-XIII BEST Rating. In the alternative, Tenant may provide proof to Landlord that Tenant has a net worth in excess of Fifty Million (\$50,000,000.00) Dollars or market capitalization in excess of One Hundred Million (\$100,000,000.00) Dollars, in which event Tenant may self-insure this obligation. Tenant shall provide a certificate of insurance or self-insurance upon Landlord's request.

Landlord agrees to and shall indemnify, defend and hold Tenant harmless from and against any and all claims, demands, liabilities, damages, actions, suits, judgments, fines, penalties, losses, removal and/or remedial costs and/or charges, costs and expenses (including attorney fees) arising or resulting from, or suffered, sustained or incurred by Tenant as a result of any activities involving storage, treatment, transportation, refinement, handling, production or disposal of any contaminated

soil, hazardous waste or other environmental material in, at, on, under, upon or from the Shopping Center; and discharge, deposit, injection, dumping, leakage, spillage, escape, or "release" of any contaminated soil, hazardous waste or environmental material in, at, on, under, upon or from the Shopping Center

6. Additional Landlord Warranties and Covenants of Quiet Enjoyment. Landlord warrants that (i) there is no lawsuit, claim, condemnation, judgment, order or ruling threatened or pending against the Shopping Center as of this date; (ii) all real estate taxes and assessments levied against the Shopping Center shall be fully paid; (iii) it has the lawful right and title to make this modification agreement; (iv) Tenant shall quietly and peacefully enjoy the Demised Premises as expanded and Common Area, together with all rights, privileges and appurtenances thereto appertaining, free and clear of any hindrance or molestation; (v) it owns fee simple title to the Shopping Center, as well as a leasehold interest in the improvements, free and clear of all liens, easements, restrictions and other encumbrances, other than those set forth in Exhibit "A" attached hereto and made a part hereof, and other than Landlord's Mortgagee(s) which are outlined in Exhibit "B" attached hereto and made a part hereof; (vi) it shall provide Tenant with satisfactory evidence that Mortgagee(s) listed on Exhibit "B" have consented to this Lease Modification Agreement; (vii) there is no contaminated soil or hazardous waste or other environmental waste located within the Reserved Area for Kroger Expansion including, but not limited to, any type of contamination which would require the excavated soil to be transported to a designated environmental site. For the purpose of this Lease, contaminated soil, hazardous waste or environmental material shall mean (i) hazardous waste as defined by RCRA as amended from time to time and regulations promulgated thereunder; (ii) any hazardous substance as defined by CERCLA, as amended from time to time, and regulations promulgated thereunder; (iii) asbestos, (iv) underground or above ground

storage tanks; (v) any substance the presence of which on the Shopping Center is prohibited by any governmental requirement; (vi) any other substance which any governmental requirement requires special handling or notification of any federal, state or local government entity in its collection, storage, treatment or disposal; (vii) urea-formaldehyde insulation; (viii) "toxic chemicals", "hazardous chemicals" or "extremely hazardous substances", under either the Emergency Planning and Community Right to Know Act of 1986 or OSHA; (ix) any "pollutant" within the meaning of the Federal Clean Water Act and the regulations promulgated thereunder; and (x) any substance governed by the Toxic Substances Control Act.

7. Landlord's and Tenant's Obligation to Execute an Estoppel Certificate and Subordination, Non-Disturbance and Attornment Agreement. Landlord and/or Tenant shall execute and return to the requesting party, a certificate, in the same form as attached hereto as Exhibit "C1" as to Tenant and "C2" as to Landlord, both of which are made a part hereof, confirming that the Lease is in full force and effect and free of default by either party within ten (10) days after receipt of same. In the event either party fails to execute and return to the requesting party, the estoppel certificate in the said time period, the requested party shall be deemed to have certified the matters therein, which certification is hereby self-operative and without further agreement. Tenant shall execute a Subordination, Non-Disturbance and Attornment Agreement wherein Tenant subordinates this Lease and agrees to attorn to Landlord's first mortgagee, within forty-five (45) days of Landlord's request provided the first mortgagee agrees not to disturb Tenant's interest; the form and content of agreement to be approved by Tenant.

8. Right of Refusal to Purchase Shopping Center. Tenant shall have the right of refusal to purchase the Shopping Center from Landlord. In the event Landlord receives a bona fide offer to purchase all or a portion of the Shopping Center,

Landlord shall notify Tenant in writing of such offer and upon receipt of notice, Tenant shall have sixty (60) days within which to exercise its right to purchase the Shopping Center for the same purchase price as outlined in the bona fide offer. In the event Tenant does not notify Landlord of their acceptance or rejection of the offer within thirty (30) days of receipt of notice of offer, then Tenant shall pay One Thousand (\$1,000.00) Dollars per day until notification is sent by Tenant to Landlord of Tenant's acceptance or rejection to purchase the Shopping Center. All such payments shall be credited to the purchase price. In the event Tenant notifies Landlord of its acceptance and desire to purchase the Shopping Center, then the parties shall immediately prepare a contract for the same purchase price as outlined in Exhibit "D" attached hereto and made a part hereof. In the event Tenant does not exercise its right to purchase the Shopping Center and in the event that any purchase contemplated in Landlord's bona fide offer fails to materialize, or materializes as to only a portion but not all of the Shopping Center, then this right of refusal for Tenant to purchase the Shopping Center or the portion not sold shall survive. For purposes of this paragraph, a bona fide offer is one that is received from a non-related purchaser (i.e., no relationship to officers or shareholders of Landlord, any partnerships composed of any related partners to any officers or shareholders of Landlord, any joint venture composed of a venturer related to an officer or shareholder of Landlord, any corporation that has as any of its officers or shareholders related to the officers or shareholders of Landlord, or any other type of entity or individual related to the officers or shareholders of Landlord). Notwithstanding, in the event Landlord, upon proper notice having been provided to Tenant as outlined above, conveys the portion of the Shopping Center in which the Kroger store is located to a bona fide purchaser as defined herein, then in such event, Tenant's right of refusal to purchase the balance of the Shopping Center shall terminate.

9. Common Area Maintenance. As outlined in Line 28 of the Lease Agreement, Landlord is responsible for maintenance of the Common Area. Line 16 of the Rider to the original Lease Agreement which reads as follows: "Landlord agrees to invoice Tenant annually, not later than thirty (30) days after the end of each lease year, and Tenant agrees to pay the same within thirty (30) days of receipt of the invoice" is hereby deleted and in its place the following shall be inserted: "Landlord agrees to invoice Tenant semi-annually, not later than thirty (30) days after June 30 and December 31 of each year, and Tenant agrees to pay the same within thirty (30) days of receipt of the invoice." Tenant shall not be responsible for payment to Landlord for any invoice or portion thereof which are not substantiated by legible and accurate paid receipts which shall be attached to all invoices.

10. Maintenance of Improvements. Tenant shall be responsible for the maintenance of the Demised Premises as expanded. Landlord shall remain responsible for the maintenance, replacement and repairs to the Common Area including, but not limited to, the utilities up to the Demised Premises but maintenance as to the Demised Premises itself shall be the responsibility of the Tenant.

11. Tenant's Right to Void Expansion. Tenant may delay the expansion plans as outlined within this Lease Modification Agreement for a period up to one hundred twenty (120) days from the execution of this Agreement, subject to force majeure. In the event Tenant does not begin construction of the expansion within the one hundred twenty (120) days, subject to force majeure, then this Lease Modification Agreement #3 and the Lease Amendment executed simultaneously with this Agreement shall become null and void and of no further force and effect. In such event Landlord and Tenant agree to abide by the agreements outlined in Lease Modification Agreement #2 and the Lease Amendment executed simultaneously therewith including, but not limited to, the payment of rent as outlined therein.

12. Separate Real Estate Tax Assessment. Should Landlord improve Tracts II or III with uses other than commercial retail, then Landlord shall have such Tract assessed separate from the rest of the Shopping Center for purposes of determining Ad Valorem real estate taxes. Landlord shall then exclude such Tract from the proration and reimbursement of real estate taxes provided for in the Addition to Paragraph 24 of the Lease Agreement.

k:rider

8/23/91

Exhibit "A"

Liens, Easements, Restrictions and Other Encumbrances

1. Lease by and between King Holding Company and The Kroger Co.
2. Lease by and between King Holding Company and Super X Drugs Corporation.
3. Sublease by and between King Holding Company and James W. Newman d/b/a Volunteer Car Wash and/or Magic Tunnel CarWash, which lessor's interest in equipment and fixtures under this sublease are subject to the interest of American Fidelity Bank under a note from James W. Newman as shown on a UCC-1 Financing Statement from King Holding Company (as lessor) to American Fidelity Bank (as lender to James W. Newman).
4. Sewer Easement from Ira W. Peery and Nolia N. Peery to City of Alcoa dated June 7, 1965 and recorded on September 2, 1965 in Misc. Book 28, page 389 in Register of Deeds for Blount County, Tennessee.
5. All matters shown on Plat of record in Plat Book 3, page 124 in Register of Deeds for Blount County, Tennessee.
6. All matters as shown by survey prepared by Howard W. McClanahan dated August 28, 1990.

Exhibit "B"

Landlord's Mortgagee(s)

1. The Aetna Casualty & Surety Company
 - a. Leasehold Deed of Trust from King Holding Company.
 - b. Assignment of Rents from King Holding Company.
2. First Tennessee Bank National Association as Successor of Bank of Maryville
 - a. Leasehold Deed of Trust and Assignment of Rents from King Holding Company..
 - b. Assignment of Rents and Leases from King Holding Company.
3. First Tennessee Bank National Association
 - a. Deed of Trust from Regal Investment Company.
 - b. Assignment of Rents from King Holding Company.
 - c. Deed of Trust from King Holding Company.
4. Third National Bank in Knoxville
 - a. Deed of Trust and Modification Agreement from Regal Investment Company and King Holding Company.

Exhibit "C1"

RE: LEASE INFORMATION
LANDLORD:
TENANT: The Kroger Co.
STREET ADDRESS: 244 South Hall Road, Alcoa, Tennessee

Gentlemen:

The undersigned, based on its present actual knowledge and without conducting an independent investigation, makes the following representations with respect to the referenced lease ("Lease"), which representations are effective as of this date:

1. The Lease is for a base term of twenty (20) years, commencing on _____, and expiring on the last day of _____, together with _____ () year successive renewal terms.
2. The monthly rental for the Lease during the base term and any renewal term is \$_____, which rental is being paid to _____.
3. The undersigned has not served any notice of default under the Lease to the landlord or its mortgagee.
4. There are no modifications or amendments to the Lease, except as follows: _____

_____.

Sincerely,

Pursuant to authorization
By Landlord

Exhibit "C2"

RE: LEASE INFORMATION
LANDLORD:
TENANT: The Kroger Co.
STREET ADDRESS: 244 South Hall Road, Alcoa, Tennessee

Gentlemen:

The undersigned, based on its present actual knowledge and without conducting an independent investigation, makes the following representations with respect to the referenced lease ("Lease"), which representations are effective as of this date:

1. The Lease is for a base term of twenty (20) years, commencing on _____, and expiring on the last day of _____, together with _____ () year successive renewal terms.
2. The monthly rental for the Lease during the base term and any renewal term is \$ _____, said rental being paid from The Kroger Co. to the undersigned and which payments are current.
3. The undersigned has not served any notice of default under the Lease to the tenant.
4. There are no modifications or amendments to the Lease, except as follows: _____

_____.
5. The above mentioned Lease is in full force and effect, there being no default on the part of The Kroger Co.

Sincerely,

Pursuant to authorization By
King Holding Company

By: _____
H. G. King, President