

#102022

OR

ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT

ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT (this "Agreement"), dated as of August 6, 1997, by and between PIZZA HUT OF OREGON, INC., an Oregon corporation (the "Assignor"), and PACPIZZA, LLC, a Delaware-limited liability company (the "Assignee").

WITNESSETH:

WHEREAS, the Assignor is a party to the Lease Agreement, dated as of January 6, 1989, with Clyde A. Collins and Linda J. Collins, as Landlord (collectively, the "Lease"), covering the property (the "Leased Premises") located in the City/Town of Klamath Falls, State of Oregon, commonly known as 3650 S. 6th Street, and more fully described in the Lease and in the legal description attached as Exhibit A hereto;

WHEREAS, pursuant to the Asset Sale Agreement, dated as of June 6, 1997 (the "Asset Sale Agreement"; capitalized terms used but not otherwise defined in this Agreement shall have the meanings ascribed to such terms in the Asset Sale Agreement), among the Assignor, PIZZA HUT OF OREGON, INC., and the Assignee, the Assignor has agreed to assign and transfer to the Assignee all of the Assignor's right, title and interest in and to, and the Assignee has agreed to assume and to faithfully perform, pay and discharge when due all of the terms, covenants, liabilities and obligations of the Assignor under, the Lease;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and in the Asset Sale Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Assignor and the Assignee hereby agree as follows:

1. The effective date of this Agreement and the assignment effected hereby is 11:59 p.m. on August 6, 1997 (the "Effective Date").

2. Assignor hereby assigns and transfers to the Assignee, and the Assignee hereby accepts the assignment and transfer of, all of the Assignor's right, title and interest in and to, and all of the Assignor's liabilities and obligations as tenant under the Lease, accruing from and after the Effective Date, (including, without limitation, any right of the Assignor to extend the term of the Lease and the Assignor's interests in all buildings and improvements presently located on the Leased Premises and all easements and appurtenances in favor of or benefiting the Leased Premises).

3. From and after the Effective Date, the Assignee hereby further assumes and agrees to faithfully perform and observe all of the covenants and obligations of the tenant under the Lease which accrue after the Effective Date.

4. It is expressly understood and agreed that the following liabilities and obligations of the Assignor shall not be assumed by the Assignee pursuant to this Agreement:

(a) any liability of the Assignor for any federal, state or local income taxes, whether incurred, accrued or assessed prior to, on or after the Effective Date; and

(b) any and all liabilities arising prior to the Effective Date with respect to claims, actions, suits and other proceedings of third parties against the Assignor that relate to the Lease or the Leased Premises prior to the Effective Date, at law, in equity or otherwise.

5. (a) From and after the Effective Date, the Assignee hereby agrees to indemnify the Assignor and its Affiliates, subsidiaries, employees, officers, directors and agents in respect of, and to hold each of them harmless from and against, any and all liabilities, obligations, claims, losses, judgments, actions, suits, proceedings, damages, penalties, costs and expenses (including, without limitation, attorneys fees and disbursements) in connection with, arising out of, or as a result of, each and all of the following: (i) the assumption and subsequent performance or non-performance by the Assignee of the Lease, and (ii) the encumbrance of the Leased Premises (or any portion thereof), or any fixtures, buildings or other improvements located thereon, without the prior written consent of the lessor under the Lease or otherwise in breach or violation of any provision of the Lease or any applicable law, rule or regulation.

(b) The Assignor hereby agrees to indemnify the Assignee and its Affiliates, subsidiaries, employees, officers, directors and agents (each, an "Assignee Indemnified Person") in respect of, and to hold each Assignee Indemnified Person harmless from and against, any and all liabilities, obligations, claims, actions, suits and other proceedings of third parties against such Assignee Indemnified Person (and any and all reasonable costs and expenses of such

Assignee Indemnified Person in connection therewith) in connection with, arising out of, or as a result of, the performance or non-performance by the Assignor of the obligations of tenant under the Lease prior to the Effective Date; provided, however, that notwithstanding anything to the contrary in this Section 4, the Assignor shall not indemnify or hold harmless any Assignee Indemnified Person from and against any claim, action, suit or other proceeding in connection with, arising out of, or as a result of any environmental matter not caused by Assignor's actions prior to the Effective Date.

6. (a) If, after the Effective Date, (i) any demand is made upon the Assignor or any of its Affiliates (a) to pay any amount or to perform any obligation of the Assignee under the Lease as a result of any alleged contingent liability, or to otherwise cure any actual or alleged default under the Lease occurring after the Effective Date of which the Assignee has been notified and, if such default is subject to a cure period, has not cured within such period, or (b) to pay any amount or to perform any act on behalf of the Assignee due to PHI's relationship with the Assignee as franchisor under the Franchise Agreement to which the Assignee is a party, or (ii) the Assignee is in default under the Franchise Agreement to which it is a party and, if such default is subject to a cure period, such default has not been cured within such period, then, in any such case, the Assignor may, at any time after receiving such demand or learning of such default, declare the assignment and transfer of the Assignor's right, title and interest in and to the Lease and the Leased Premises effected by this Agreement to be null and void, effective immediately upon delivery of notice to the Assignee unless Assignee has not taken such actions necessary to assure Assignor (in Assignor's sole discretion) that Assignor will not incur any losses or liabilities for any such alleged default under the Lease. Upon delivery of such notice, all rights of the Assignee under the Lease and this Agreement shall cease, and the Assignor shall be entitled to immediate possession of the Leased Premises. If the Assignee does not vacate the Leased Premises upon receipt of such notice, the Assignee's status in respect of the Leased Premises will be that of a trespasser, and the Assignor will have the rights available to a lessor to evict and remove the Assignee from the Leased Premises and to collect damages in respect of the trespass. The receipt by the Assignee of notice from the Assignor will not, however, relieve the Assignee of its covenants to assume the liabilities and obligations of the Assignor under the Lease effected by this Agreement and to indemnify the Assignor and its Affiliates, subsidiaries, employees, officers, directors and agents in respect of such liabilities and obligations.

(b) Any subsequent transfer(s) of the leasehold estate conveyed hereunder, whether by Assignee or its immediate or remote transferees, is subject to Assignor's prior written consent. Assignor will not unreasonably withhold its consent, but Assignee (on behalf of itself, its successors and assigns) agrees that it is not unreasonable for Assignor to withhold its consent if the proposed transfer is to

any individual or entity who plans to operate a restaurant, delivery or carryout business engaged in the sale of pizza, pasta, or Italian food products.

(c) If, for a period of twenty years from the date of this conveyance or such greater period that the property is operated as a Pizza Hut Restaurant and throughout the term of the Lease, including any options and extensions, Assignee or any owner of an Interest in Assignee receives and desires to accept any bona fide offer to transfer or sell all or any part of his, her or its Interest in the Lease and the Lease Premises ("Transfer"), Assignee will submit to Assignor a fully executed copy of the agreement for transfer or sale (which will be conditioned on this right of first refusal). Assignor may, within 30 days after receipt of a signed copy of the agreement and all necessary supporting documentation (including financial statements), send written notice to the transferor that Assignor (or a Person designated by Assignor) intends to purchase the Interest which is proposed to be Transferred on the same terms and conditions (or, at Assignor's election, the reasonable cash equivalent, not including the value of any tax benefits, of any non-cash consideration) offered by the third party. Any material change in the terms of an agreement before closing will constitute a new agreement, subject to the same right of first refusal by Assignor (or its designee) as in the case of the initial agreement. Assignor's failure to exercise its right of first refusal will not constitute a waiver of any other provision of this Agreement or Assignor's right of first refusal in any subsequent Transfers.

7. Any notice or other communication under this Agreement shall be in writing (including by telecopy or like transmission) and shall be considered given when delivered personally, when mailed by registered mail (return receipt requested) or overnight courier or when telecopied (with confirmation of transmission having been received) to the parties at the addresses set forth in subsection 12.1 of the Asset Sale Agreement (or at such other address as a party may specify by notice to the other). Notwithstanding the foregoing, any telecopied notice will be deemed effective only upon the receiving party's receipt of a copy of the telecopied notice via overnight courier.

8. This Agreement extends to, inures to the benefit of, and is binding upon, the parties hereto and all of their respective heirs, successors and permitted assigns. This Agreement is not, however, assignable or transferable, in whole or in part, by any of the parties except upon the express prior written consent of all of the other parties hereto, and any purported assignment in violation of this paragraph shall be void.

9. This Agreement may be amended, supplemented or otherwise modified only by a written instrument duly executed by all of the parties hereto.

10. If any provision or provisions of this Agreement, or any portion thereof, is invalid or unenforceable pursuant to a final determination of any court of competent jurisdiction or as a result of future legislative action, such determination or action will be construed consistent with the intent of the parties hereto so as (whenever possible) not to affect the validity or enforceability hereof and will not affect the validity or effect of any other portion hereof which shall remain in full force and effect.

11. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

12. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE SUBSTANTIVE LAWS OF THE STATE OF OREGON, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Assignment and Assumption of Lease Agreement as of the date first above written.

WITNESS:

Kimberly Grossardt
Kimberly Grossardt

PIZZA HUT OF OREGON, INC.

By: Robert C. Kreidler
Robert C. Kreidler, Attorney in Fact

WITNESS:

Cindy L. Long

PACPIZZA, LLC

By: Pilar M. Esperon
Pilar M. Esperon, Manager

Cindy L. Long

By: Michael D. Long
Michael D. Long, Manager

STATE OF KANSAS

COUNTY OF SEDGWICK

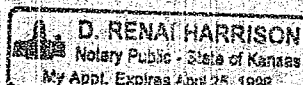
) s.s.:

27848

On August 6, 1997, before me, the undersigned, a Notary Public in and for said state and county, personally appeared ROBERT C. KREIDLER, known to me to be the Attorney-in-Fact of the corporation that executed the within instrument, known to me to be the person who executed the within instrument, on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal the day and year first above written.

My Appointment Expires:
April 25, 1998



D. Renai Harrison
D. Renai Harrison, Notary Public

STATE OF KANSAS

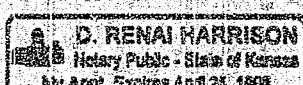
COUNTY OF SEDGWICK

) s.s.:

On August 6, 1997, before me, the undersigned, a Notary Public in and for said state and county, personally appeared PILAR M. ESPERON and MICHAEL D. LONG, known to me to be Managers of the limited liability company that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the company therein named, and acknowledged to me that such company executed the within instrument pursuant to its articles or Operating Agreement.

WITNESS my hand and official seal the day and year first above written.

My Appointment Expires:
April 25, 1998



D. Renai Harrison
D. Renai Harrison, Notary Public

#102022, 3650 South 6th Street, Klamath Falls, Klamath County, Oregon, which is more legally described as:

Approximately 4,833 square feet of leased area located in the Town and Country Shopping Center, Klamath Falls, Oregon, which shopping center is more fully described in Exhibit "A-1" hereto. Situated in Section 3, Township 39 South, Range 9 East Willamette Meridian, Klamath County, Oregon, and more particularly located at (unspecified) South Sixth Street, Klamath Falls, Oregon, designated as space D-1A on Exhibit "A-1" hereto.

Pursuant to Chicago Title Insurance Company's Commitment No. 39211 for Title Insurance dated August 27, 1996, the property may be legally described as follows:

A portion of the NE 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at an iron pin on the South right-of-way line of South Sixth Street as presently located and constructed, which bears South 0 degrees 22' 15" East a distance of 48.5 feet from the Northwest corner of said NE 1/4 SE 1/4; thence Easterly, along said right-of-way line a distance of 142.5 feet to a point; thence South at right angles to said right-of-way line a distance of 460.0 feet to a point; thence West, parallel to said right-of-way line a distance of 142.5 feet, more or less, to the West line of said NE 1/4 SE 1/4; thence North along said West line a distance of 460.0 feet to the point of beginning.

PARCEL 2

A tract of land situated in the NE 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

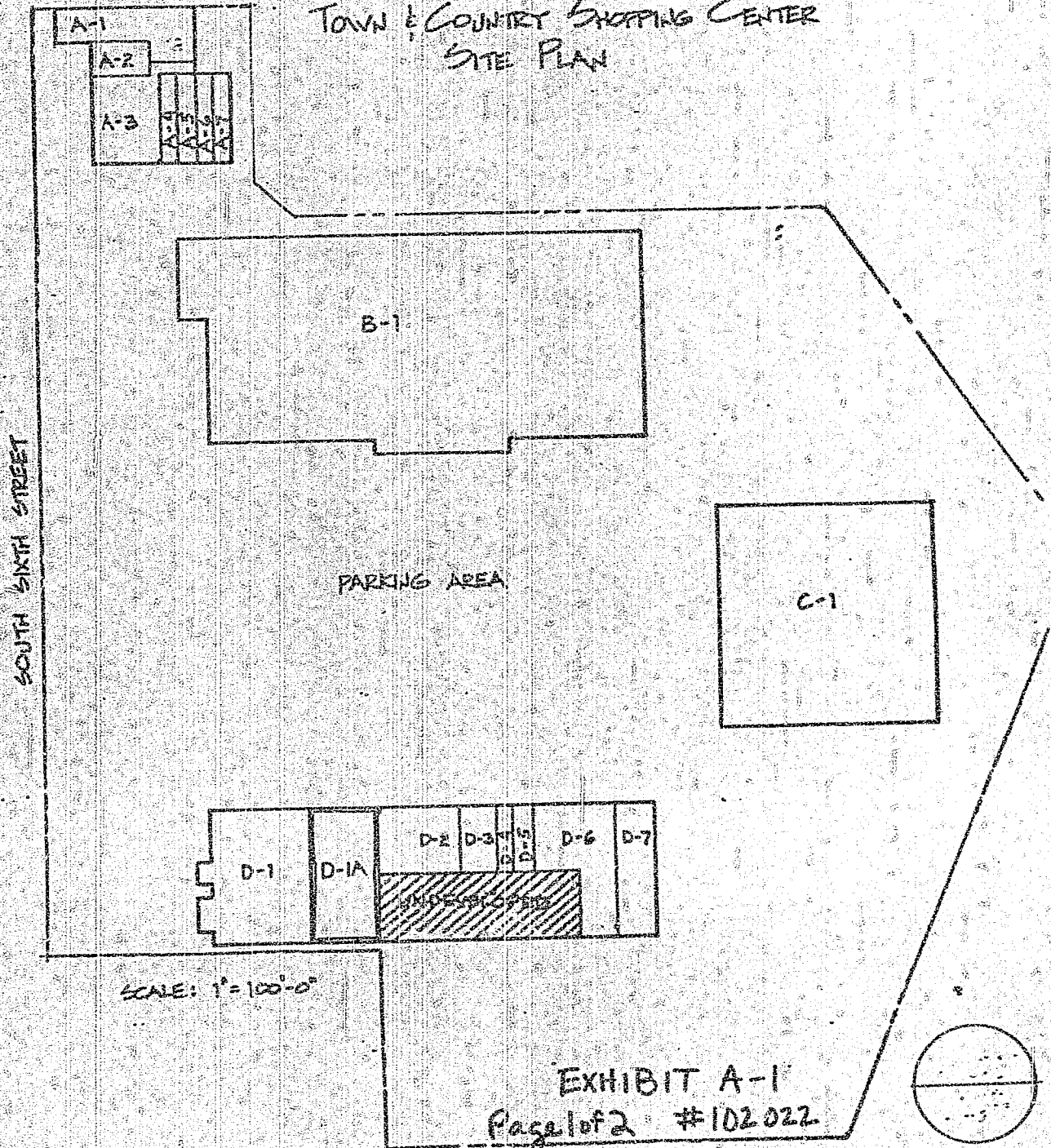
Beginning at a 1/2 inch iron pin which bears South 89 degrees 52' West a distance of 745.73 feet and South 0 degrees 20'55" East a distance of 220.16 feet from the brass cap monument marking the East quarter corner of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, said beginning point also being on the South line of tract described as Parcel #1 in Deed from Klamath County School District to Klamath County, recorded in Volume 295 at page 135, Deed Records of Klamath County, Oregon; thence continuing from said beginning point South 0 degrees 20'55" East along a line parallel to and 4.0 feet distant Easterly, when measured at right angles to, from the existing Easterly wall of the Payless Drug Store Building as the same is presently located and constructed a distance of 402.04 feet to a 1/2 inch iron pipe; thence South 53 degrees 42' 15" West a distance of 304.44 feet, more or less, to a 1/2 inch iron pipe on the Northeasterly boundary of the O. C. & E. Railroad right-of-way as the same is presently located and constructed, and from which point the aforesaid monument marking the East quarter corner of said Section 3 bears North 50 degrees 50'20" East a distance of 1273.34 feet; thence Northwesterly along said Northeasterly boundary of the O. C. & East Railroad right-of-way a distance of 299.5 feet, more or less to the West line of said NE 1/4 SE 1/4; thence North along said West line a distance of 186.5 feet, more or less,

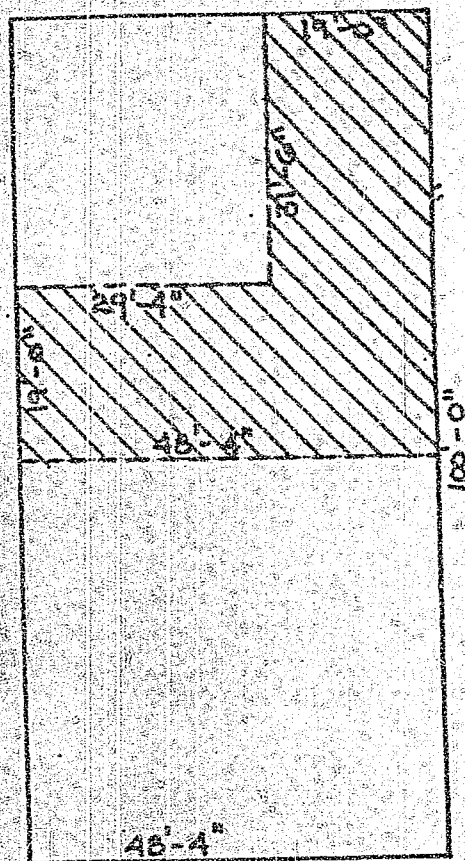
to a point on said West line which bears South 0 degrees 22'15" East a distance of 460.0 feet from the Southerly boundary line of the relocated right-of-way of the Klamath Falls-Lakeview Highway; thence easterly, parallel with said highway right-of-way line a distance of 142.5 feet to a point; thence North, parallel with the West line of said NE 1/4 SE 1/4, a distance of 460.0 feet, more or less, to the Southerly boundary of said relocated highway right-of-way; thence Easterly along said relocated right-of-way line a distance of 387.7 feet, more or less, to a point which bears North 0 degrees 20'55" West from the point of beginning; thence South 0 degrees 20' 55" East a distance of 174.66 feet, more or less, to the point of beginning

A parcel of land lying in the NE 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a point which bears South 01 degrees 14' East a distance of 55.03 feet and South 89 degrees 14' West a distance of 580.0 feet from the quarter section corner common to Sections 2 and 3, said Township and Range, said point being on the South right-of-way line of South Sixth Street as presently located and constructed; thence continuing South 89 degrees 14' West along said South right-of-way line a distance of 129.4 feet to the Northwest corner of this description; thence South 0 degrees 18' East a distance of 137.0 feet to an iron pin; thence North 89 degrees 14' East a distance of 131.9 feet to an iron pin; thence North 01 degrees 14' West a distance of 137.0 feet, more or less, to the point of beginning, EXCEPTING a strip of land 8 feet wide running North and South on the West side of said parcel reserved for sidewalk purposes.

Subject to easements and restrictions of record.

TOWN & COUNTRY SHOPPING CENTER
SITE PLAN



KEY:

SECOND FLOOR SPACE RESERVED BY LANDLORD
FOR FUTURE DEVELOPMENT.

EXHIBIT A-1 Page 2 of 2

#102022



STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Vinson & Elkins L.L.P. the 26th day
 of August A.D., 19 97 at 10:27 o'clock A.M., and duly recorded in Vol. M97
 of Deeds on Page 27843

FEE \$75.00

By Bernetha G. Leisch County Clerk
Kathleen Rose