

EXHIBIT A

The entire right, title and interest of Debtor in and to (a) all buildings, structures and other improvements now standing or at any time hereafter constructed or placed upon the land described on Schedule A hereto, including fixtures of every kind and nature on the Land Parcel or in any such building, structure or other improvement (other than Excluded Personal Property as defined in Section 2.10(b) of the Deed of Trust dated January 4, 1988 from Debtor to a trustee for Secured Party); (b) all rents, income, revenues, issues and profits from and in respect of the property described in clause (a) of this Exhibit, provided, however, that so long as an Event of Default under the above-referenced Deed of Trust shall not have occurred and be continuing, the Company shall have the right to collect and receive such rents and other moneys and (c) all awards which may at the time be made to the Debtor for taking by eminent domain the whole or any part of the collateral, including any awards for changes of grades or streets.

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SCHEDULE A

LEGAL DESCRIPTION

The Property referred to in Exhibit A is situated in the State of Oregon, County of Klamath, Town of Klamath Falls, and is described as follows:

All of Lots 1, 2, 3, 4, 5, 6, 7 and 8, Block 12 of the Original Town of Klamath Falls (formerly Linkville), Oregon according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

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(Klamath Falls, Oregon)

DEED OF TRUST

From

SAFENAY STORES, INCORPORATED
as Grantor

To

TRANSAMERICA TITLE INSURANCE COMPANY
as Trustee

And

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY
as Beneficiary

Dated as of January 4, 1988

NOTICE TO BORROWER

DO NOT SIGN THIS LOAN AGREEMENT BEFORE YOU READ IT. THIS LOAN AGREEMENT AUTHORIZES THE LENDER TO REFUSE TO ACCEPT PAYMENT OF THE LOAN PRIOR TO A DATE PROVIDED THEREIN AND PROVIDES FOR THE PAYMENT OF A PENALTY THEREAFTER IF YOU WISH TO REPAY THE LOAN PRIOR TO THE DATE PROVIDED FOR REPAYMENT IN THE LOAN AGREEMENT.

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SCHEDULE A Description of the Land Parcel

DEED OF TRUST, dated as of January 4, 1988, (together with all amendments and supplements hereto, called this Deed of Trust), from SAFENAY STORES, INCORPORATED, a Delaware corporation (herein called the Company), having an address at 201 Fourth Street, Oakland, California 94660, as grantor, to TRANSAMERICA TITLE INSURANCE COMPANY, as Trustee, having an address at 555 California Street, Suite 1400, San Francisco, California 94104 (herein, together with its successors as trustee hereunder, called the Trustee), and PRINCIPAL MUTUAL LIFE INSURANCE COMPANY, an Iowa corporation, having an address at 711 High Street, Des Moines, Iowa 50309, as beneficiary (herein, together with its successors as beneficiary hereunder, called the Beneficiary).

PRELIMINARY STATEMENT

Certain terms used in this Deed of Trust, if not elsewhere defined herein, have the meanings set forth in Article 1. The Company has borrowed \$4,575,000, such borrowing being evidenced by the 13.95% Secured Note issued June 23, 1981 and Due June 1, 1996 (the Note) of the Company, payable to Bankers Life Company, now known as Principal Mutual Life Insurance Company or its registered assigns. The final payment of principal and interest under the Note is due on or before June 1, 1996. This Deed of Trust secures and is for the benefit of the Note. The Company is duly authorized to issue the Note and to execute and deliver this Deed of Trust, and all actions required by law and all corporate actions of the Company required therefor have been duly taken.

GRANTING CLAUSES

NOW THEREFORE, THIS DEED OF TRUST WITNESSETH: That the Company, for good and valuable consideration, the receipt whereof is hereby acknowledged, and in order to secure the payment of all sums payable on the Note, has executed and delivered this Deed of Trust, and has created a security interest in, mortgaged, granted, bargained, sold and conveyed, and by these presents does create a security interest in, mortgage, grant, bargain, sell and convey unto the Trustee as to clauses (a), (b), (c) and (e) and unto the Beneficiary as to clause (d) and their successors as Trustee and Beneficiary hereunder in the trust hereby created and assigns forever all of the Company's estate, right, title and interest in, to and under any and all of the property described in this Granting Clause, subject only to the Permitted Encumbrances:

The entire right, title and interest of the Company in and to the parcel of land described in Schedule A (the Land Parcel), together with (a) all buildings, structures and other improvements now standing or at any time hereafter constructed or placed upon the Land Parcel, including fixtures of every kind and nature on the Land Parcel or in any such building, structure or other improvement (other than Excluded Personal Property; said buildings, structures, other improvements, and fixtures being herein collectively called the Improvements), (b) all and singular the tenements, hereditaments, easements, rights-of-way, rights, privileges and appurtenances in and to the Land Parcel, including without limitation, any streets, ways, alleys, vaults, gores or strips of land adjoining the Land Parcel, (c) all claims or demands of the Company, in law or in equity, in possession or expectancy of, in and to the Land Parcel; (d) all rents, income, revenues, issues and profits from and in respect of the property described in clauses (a) through (c) of this Granting Clause, provided, however, that so long as an Event of Default hereunder shall not have occurred and be continuing, the Company shall have the right to collect and receive such rents and other moneys and (e) all

awards which may at the time be made to the Company for taking by eminent domain the whole or any part of the Property or any easement therein, including any awards for changes of grades or streets. The Land Parcel, together with the Improvements located thereon, is herein called the Property.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or held or hereafter acquired, unto the Trustee, its successors in the trusts created hereby and assigns forever;

IN TRUST, NEVERTHELESS, with power of sale, for the equal and ratable benefit and security of the Note, without preference, priority or distinction of any thereof over any other by reason of difference in time of issuance or otherwise, except as expressly provided herein, and for the enforcement of the payment of the principal, premium and interest on the Note in accordance with its terms, and all other sums payable under this Deed of Trust or on the Note, and the observance and performance of the provisions of this Deed of Trust, all as herein provided.

ARTICLE 1
Defined Terms

Unless the context otherwise specifies or requires, the following terms shall have the meanings set forth below:

"Additional Notes" means the Additional Secured Notes as specified in the Note Agreement.

"Allocable Portion of the Note" with respect to the Property means 15.4% of the outstanding principal balance of the Note.

"Beneficiary" means Principal Mutual Insurance Company, together with its successors and assigns as registered owner of the Note.

"Company" means Safeway Stores, Incorporated, a Delaware corporation, together with any corporation succeeding thereto by consolidation, merger or acquisition of its assets substantially as an entirety.

"default" means any act or occurrence that, with notice, lapse of time, or both, would constitute an Event of Default.

"Event of Default" means any act or occurrence specified in Section 3.1(a) through 3.1(g).

"Excluded Personal Property" has the meaning specified in Section 2.10(b).

"Grant" means create a security interest in, mortgage, grant, bargain, sell and convey.

"Improvements" has the meaning set forth in the Granting Clause.

"Land Parcel" has the meaning set forth in the Granting Clause.

"Lien of this Deed of Trust" and terms of like import mean the security title or other interest or charge Granted to the Trustee by this Deed of Trust (including the after-acquired property clauses hereof) or subsequently Granted hereunder or pursuant hereto to the Trustee.

"Net Proceeds" has the meaning set forth in Section 2.11(a).

"Note" has the meaning specified in the Preliminary Statement hereof.

"Note Agreement" means the Note Purchase Agreement, dated as of June 1, 1981, between the Company and Bankers Life Company (now known as Principal Mutual Life Insurance Company).

"Other Lien Instruments" means any of the 3 Deeds of Trust, dated as of the date hereof, from the Company, as grantor, to the Beneficiary, as

beneficiary, and the Deed of Trust, dated June 1, 1981, from the Company, as grantor, to Bankers Life Company (now known as Principal Mutual Life Insurance Company), as beneficiary, together with all amendments and supplements thereto, securing the Note.

"Permitted Encumbrances" means:

(a) Easements, rights-of-way, servitudes, zoning laws, use regulations, other similar reservations, rights and restrictions and other minor defects and irregularities in the title to the Property, none of which materially lessens the value of the Property or materially impairs the use thereof for the purposes held by the Company;

(b) The right reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law to terminate such right, power, franchise, grant, license or permit (provided that the exercise of such right would not materially lessen the value of the Property or materially impair its use for the purposes held by the Company) or to condemn, appropriate, recapture or designate a purchaser of the Property;

(c) Any liens for taxes, assessments and other governmental charges and any liens of mechanics, materialmen and laborers for work or services performed or materials furnished in connection with the Property which are not due, or are being contested at the time by appropriate legal proceedings which shall operate to prevent the collection thereof or other realization thereon and the sale or forfeiture of the Property or any interest therein to satisfy the same, provided that the Company shall have complied with the provisions hereof dealing with the contest of any tax, assessment, other governmental charge or lien; and

(d) The easements, rights-of-way, encroachments, encumbrances, or other irregularities in the title, if any, set forth in Schedule A.

"person" means an individual, partnership, corporation, trust, unincorporated association, syndicate, joint venture or organization, or a government or any department or agency thereof.

"Property" has the meaning set forth in Granting Clause.

"Trustee" means Transamerica Title Insurance Company, as trustee under this Deed of Trust, together with his successors as such trustee.

"Trust Estate" means all property subject or intended to be subject to the lien of this Deed of Trust at any time.

ARTICLE 2
Particular Covenants of the Company

The Company represents, warrants, covenants and agrees with the Trustee and the Beneficiary as follows:

Section 2.1. Title to the Property. The Company has a good and marketable fee simple estate in the Property, free and clear of all liens, encumbrances, charges and other exceptions to title, except Permitted Encumbrances, has and will have full power and lawful authority to Grant the Property to the Trustee, will preserve its title to the Property subject only to Permitted Encumbrances, and will forever warrant and defend the same to the Trustee and the Beneficiary against the claims of all persons. This Deed of Trust constitutes a valid first lien on the Property, subject only to Permitted Encumbrances. The property is not used for agricultural, timber, or grazing purposes.

Section 2.2. Further Assurances. The Company will, at its expense, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, instruments and assurances required by the Beneficiary for the better Granting to the Trustee of the Property Granted hereby or intended so to be or which the Company may be or may hereafter become bound to Grant to the Trustee or for carrying out the intention or facilitating the performance hereof.

Section 2.3. Recording. The Company will, upon the execution and delivery hereof and thereafter from time to time, cause this Deed of Trust, and each supplement and amendment hereto (collectively called the Recordable Documents), to be filed, registered and recorded as may be required by present or future law to publish notice of and create, perfect and protect the lien hereof upon the Trust Estate. The Company will, from time to time, perform or cause to be performed any other act as required by law and will execute or cause to be executed any and all further instruments reasonably requested by the beneficiary for such creation, perfection, publication and protection, and will cause the same to be filed, registered and recorded as may be so required by any present or future law. If the Company shall fail to comply with this Section, the Beneficiary is hereby irrevocably authorized (but shall not be obligated), as the agent and attorney-in-fact of the Company, to comply therewith (including the execution, delivery and filing of such further instruments). To the extent permitted by law, the Company will pay or cause to be paid all filing, registration and recording taxes and fees incident thereto and all expenses, taxes and other governmental charges incident to or in connection with the preparation, execution, delivery or acknowledgment of the Recordable Documents, any instruments of further assurance and the Note. This Deed of Trust is to be recorded in the real estate records of each county in which the Property is located. This Deed of Trust creates a lien on and security interest in all fixtures described in the Granting Clauses hereof and constitutes a fixture financing statement with respect to such fixtures under the Uniform Commercial Code of the State in which they are located..

Section 2.4. Payment of the Note. The Company will punctually pay the principal, interest, premium, if any, and all other sums to become due in respect of the Note in accordance with this Deed of Trust and the Note.

Section 2.5. Existence; Compliance with Laws. The Company will preserve and keep in full force and effect its existence, franchises, rights and privileges as a corporation. The Company will comply in all material respects with (i) any law, statute, ordinance, regulation, order, rule, or similar requirement of the United States of America and of the state in which the Property is located, and (ii) any contract, restriction, agreement, or other instrument of which it has knowledge, in each case applicable to the Property or any part thereof.

Section 2.6. After-acquired Property. All right, title and interest of the Company in and to all extensions, improvements, betterments, renewals, alterations, substitutions, restorations and replacements of, and all additions and appurtenances to the Property (other than Excluded Personal Property), hereafter acquired by or released to the Company, immediately upon such acquisition or release and without any further Granting by the Company, shall become part of the Property and shall be subject to the lien hereof fully, completely and with the same effect as though now owned by the Company and specifically described in the Granting Clauses hereof; at any time the Company will execute and deliver to the Beneficiary any such further assurances, grants, conveyances or assignments thereof as the Beneficiary may require to subject the same to the lien hereof.

Section 2.7. Taxes. The Company will do or cause to be done everything necessary to fully preserve the lien hereof without expense to the Beneficiary, including, without limitation, paying and discharging (a) all taxes of every kind and description, assessments, levies, fees, water and sewer rents and charges which may at any time be assessed, levied or imposed upon or with respect to or become a lien or charge upon the Property, this Deed of Trust, the indebtedness secured hereby or the revenues, rents, issues, income and profits of the Property or any part thereof, and (b) all lawful claims and demands of mechanics, laborers, materialmen and others which, if unpaid, might create a lien on the Property or any part thereof or on the revenues, rents, issues, income and profits thereof. Nothing shall require payment of any sum by the Company pursuant to this Section 2.7 so long as the Company shall contest the amount or validity thereof by appropriate legal proceedings which shall have the effect of preventing (i) the collection thereof or other realization thereon and (ii) the sale or forfeiture of the Property or any part thereof to satisfy the same.

Section 2.8. Insurance. (a) The Company will maintain insurance on the Property of the following character:

- (1) Insurance against loss by fire, lightning and other risks from time to time included under "extended coverage" policies, with malicious mischief and vandalism endorsements, in amounts sufficient to prevent the Company from becoming a co-insurer of any loss but in any event in amounts not less than 100% of the actual replacement value of the improvements portion of the Property, exclusive of foundations, excavations, sidewalks, parking lots, and underground utilities.

- (ii) Boiler and machinery insurance in respect of any boilers and similar apparatus located on the Premises in the minimum amount of \$250,000 or in such greater amounts as may be reasonably requested by Beneficiary.
- (iii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property and adjoining streets and sidewalks, in the minimum amounts of \$500,000 for bodily injury or death to any one person; \$1,000,000 for any one accident; and \$500,000 for property damage.
- (iv) Workmen's compensation insurance to the extent required by the law of the state in which the Property is located and to the extent necessary to protect the Company and the Property against workmen's compensation claims.
- (v) At any time when Improvements to the Property are being constructed, altered or replaced, builder's risk insurance (in completed value non-reporting form) in an amount not less than the actual replacement value of such improvements, exclusive of foundations and excavations.
- (vi) Such other insurance, in such amounts and against such risks, as is commonly obtained by the Company in the case of property similar in use to the Property, including war-risk insurance when and to the extent obtainable from the United States Government or any agency thereof.

Such insurance shall be written by Employees Insurance of Wausau or other companies of nationally recognized financial standing, legally qualified to issue such insurance and shall name the Company and the Beneficiary as insured parties as their interests may appear. If such companies do not carry an A.M. Best rating of "A" or better, Principal Mutual Life Insurance Company shall have the right to prior approval of said insurers, such approval not to be unreasonably exercised.

(b) Every such policy (other than any liability or workmen's compensation policy) shall bear a first mortgagee endorsement in favor of the Beneficiary; and any loss under any such policy shall be payable to the Beneficiary to be held and applied pursuant to Section 2.11(c). Every policy referred to in Section 2.8(a) shall provide that it will not be cancelled except after 20 days' written notice to the Company and the Beneficiary and that it shall not be invalidated by any act or neglect of the Company, nor by occupancy of the insured Property for purposes more hazardous than permitted by such policy, nor by any foreclosure or other proceedings relating to the Property, nor by change in title to the Property.

(c) The Company shall deliver to the Beneficiary original or duplicate policies or certificates of insurers, satisfactory to the Beneficiary, evidencing the existence of all insurance which is required to be maintained hereunder, such delivery to be made (i) promptly after the execution and delivery hereof and (ii) not less than 30 days prior to the

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expiration of any such insurance. The Company shall not obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required by this Section 2.8 (other than liability or workmen's compensation policy) unless the Beneficiary is a named insured therein, with loss payable as provided herein. The Company shall immediately notify the Beneficiary whenever any such separate insurance is obtained and shall deliver to the Beneficiary the policies or certificates evidencing the same. Any insurance required hereunder may be provided under blanket policies which comply with the provisions hereof and specify the coverage and amounts thereof with respect to the Property.

Section 2.9. Maintenance and Repair; Indemnity. (a) The Company will maintain the Property in good repair and condition and will make all structural and non-structural replacements and repairs which may be required to keep the Property in good repair and condition.

(b) The Company shall pay, and shall protect, indemnify, and save harmless the Beneficiary from and against all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands, or judgments of any nature arising from injury or death of any person, or damage to or loss of property, on the Property or on adjoining sidewalks, streets or ways, or connected with the use, condition or occupancy thereof.

Section 2.10. Alterations. (a) The Company may, at its expense, make additions to and alterations of the Improvements to the Property, construct additional Improvements thereon and make substitutions and replacements for such Improvements, provided that (i) the quality and character of the property not be changed, (ii) the market value of the Property shall not be lessened thereby, (iii) such work shall be expeditiously performed and completed in a good and workmanlike manner, and (iv) no Improvements shall be demolished unless the Company shall have first furnished the Beneficiary with such security acceptable to the Beneficiary as shall be necessary to assure rebuilding of such Improvements. All such additions, alterations, additional Improvements, substitutions and replacements shall be and remain part of the realty and the Property and shall be subject to the lien hereof.

(b) The Company has placed and hereafter may place upon the Property any inventory, trade fixtures, machinery, equipment, cash registers, appliances, counters, decorations, seating facilities, trademarks, signs or other personal property, used or useful in the Company's business (collectively, Excluded Personal Property) which shall be owned by the Company. The Company may remove the Excluded Personal Property at any time, provided that the Company shall repair any damage to the Property caused by such removal.

Section 2.11. Condemnation and Casualty. (a) The Company hereby irrevocably assigns to the Beneficiary any award, compensation or insurance payment to which the Company may become entitled by reason of its interest in the Property (i) if the Property is damaged or destroyed by fire or other casualty or (ii) if title to the Property or a part thereof is taken in any eminent domain proceeding or other action by any person having the power of

eminent domain. All amounts paid in connection with any such damage, destruction or taking shall be applied pursuant to this Section 2.11, and all such amounts (minus the expense of collecting such amounts) are herein called the Net Proceeds. The Company shall take all appropriate action in connection with each such proceeding, action, negotiation, prosecution and adjustment and shall pay all expenses thereof, including the cost of the Beneficiary's participation therein.

(b) If an occurrence of the character referred to in clause (i) or (ii) of Section 2.11(a) shall affect all or a substantial portion of the Property and the Company determines not to restore the Property for continued use and occupancy in its business, then the Company shall, not later than 90 days after such occurrence (i) deliver to the Beneficiary a certificate of the Company signed by a Vice-President, describing such occurrence and stating that the Company has determined not to restore the Property for continued use and occupancy in its business and (ii) shall prepay the Allocable Portion of the Note, at a price equal to 100% of the principal amount to be prepaid, plus accrued and unpaid interest thereon, without premium. Upon such prepayment, the Beneficiary shall execute and deliver to the Company a release of the Property and of any Net Proceeds relating to the Property from the lien hereof, and shall pay to the Company any Net Proceeds received by the Beneficiary.

(c) If an occurrence of the character referred to in clause (i) or (ii) of Section 2.11(a) takes place and the Company does not prepay the Allocable Portion of the Note, then the Company shall expeditiously repair any damage to the Property in a good and workmanlike manner so as to restore the Property (as nearly as practicable) to the condition and market value thereof immediately prior to such occurrence. The Company shall be entitled to receive the Net Proceeds payable in connection with such occurrence, but if such Net Proceeds are \$250,000 or more, only against certificates of the Company delivered to the Beneficiary from time to time describing the work of repair for which the Company is requesting payment and the cost incurred by the Company in connection therewith and stating that the Company has not theretofore received payment for such work. If Net Proceeds remaining after final payment has been made for such work are \$100,000 or more, they shall be retained by the Beneficiary and applied to the partial prepayment of the Note, at a price equal to 100% of the unpaid principal amount thereof to be prepaid, plus accrued and unpaid interest thereon, without premium. If Net Proceeds remaining after final payment has been made for such work are less than \$100,000, they shall be paid to the Company.

Section 2.12. Performance by the Beneficiary. If the Company shall fail to perform or cause to be performed any of the covenants contained in Section 2.3, 2.7 or 2.8 or, after 30 days' notice from the Beneficiary, 2.9, the Beneficiary may perform any thereof and may make advances to perform the same, and all sums so advanced shall be secured hereby; and the Company will repay on demand all sums so advanced on its behalf with interest at the rate of 14.95% per annum (or the highest rate not prohibited by law, whichever is less), such interest to be computed from the date of the making of such advance to the date of such repayment.

Section 2.13. Financial Statements; Books and Records; Notice of Defaults; Inspection Rights. (a) The Company will deliver to the Beneficiary, in duplicate:

(i) promptly after they become available copies of all financial statements, reports, notices and proxy statements sent by the Company to its stockholder or to the Securities Exchange Commission, provided, however, that if such statements and reports do not include the following information, the Company will deliver to the Beneficiary the following:

Within 90 days after the end of each fiscal year of the Company, consolidated and consolidating balance sheets of the Company and its consolidated subsidiaries as at the end of such year and consolidated and consolidating statements of income, retained earnings and changes in financial position of the Company and its consolidated subsidiaries for such year setting forth in each case, in comparative form, the corresponding figures for the preceding fiscal year in reasonable detail and scope, as to said consolidated financial statements, certified by independent certified public accountants of recognized national standing selected by the Company and, as to the Company having knowledge thereof; and within 45 days after the end of each fiscal quarter of the Company, consolidated and consolidating balance sheets of the Company and its consolidated subsidiaries as at the end of such quarter and consolidated and consolidating statements of income, retained earnings and changes in financial position of the Company and its consolidated subsidiaries setting forth in each case, in comparative form, the corresponding figures for the similar quarter of the preceding year, in reasonable detail and scope, and certified by a financial officer of the Company having knowledge thereof;

(ii) With reasonable promptness such additional information (including copies of public reports filed by the Company) regarding the business affairs and financial condition of the Company as the Beneficiary may reasonably request; and

(iii) Upon the occurrence of any default or Event of Default hereunder, the Company promptly shall give written notice thereof to the Beneficiary.

All financial statements specified in clause (i) above shall be accompanied by the certificate of the chief financial officer of the Company stating that to the best of his knowledge and belief (A) no default or Event of Default hereunder has occurred and is continuing, (B) if any such default or Event of Default has occurred and is continuing, specifying the nature and the period of existence thereof and what action the Company has taken or is taking with respect thereto, and (C) except as otherwise stated, that the Company has fulfilled all its obligations hereunder. The certification accompanying each financial statement specified in clause (i) above shall include a certification that such financial statement presents fairly and completely the financial information which it purports to present.

(b) The Company will permit the Beneficiary to visit and inspect the Property and will permit the Beneficiary, at the expense of the Beneficiary, to visit the Company at its corporate headquarters and to discuss

the Company's affairs, finances and accounts with its officers, employees and independent public accountants all at such reasonable times and as often as may be reasonably required.

Section 2.14. Negative Covenants. The Company will not (i) claim any credit on, or make any deduction from interest or premium, if any, on the principal of the Note by reason of payment of any taxes levied or assessed or to be levied or assessed on the Trust Estate or any part thereof or (ii) create or suffer to be created, directly or indirectly, any mortgage, lien, encumbrance, charge or other exception to title or ownership upon or against the Property or any rents or other income arising therefrom other than Permitted Encumbrances and as expressly permitted by this Deed of Trust.

Section 2.15. Payment of Trustee's Fees. The Company will pay the fee, if any, to which the Trustee is entitled by law and all proper disbursements and expenses, if any, incurred by the Trustee in connection with the sale of any Property following the occurrence of an Event of Default hereunder.

ARTICLE 3
Events of Default and Remedies

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Section 3.1. Events of Default. If one or more of the following Events of Default shall happen, that is to say:

- (a) If default shall be made in the payment of the principal interest, or premium, if any, on the Note when and as the same shall become due and payable, whether an interest payment, installment of principal and interest, at maturity, by acceleration or as part of any prepayment or otherwise, as in the Note, the Note Agreement or this Deed of Trust provided;
- (b) If any representation or warranty of the Company set forth in this Deed of Trust or in the Note Agreement or any notice, certificate, demand or request delivered pursuant to or in connection with this Deed of Trust or the Note Agreement shall prove to be incorrect as of the time when the same shall have been made;
- (c) If default shall be made in the due observance or performance of any other covenant, condition or agreement of the Company contained herein, in the Note or in the Note Agreement, and such default shall have continued for 10 days (as to any default under Section 2.8 hereof) or for 30 days (in every other case);
- (d) If the Company shall be adjudicated a debtor or bankrupt or be declared insolvent under the Bankruptcy Code or any other federal or state law (as now or hereafter in effect) relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts (hereinafter collectively called Bankruptcy Laws), or if the Company shall (i) apply for or consent to the appointment of, or the taking of possession by, any receiver, custodian, trustee or liquidator (or other similar official) of the Trust Estate or of the Company or of any substantial portion of the Company's property, or (ii) generally not pay its debts as they become due, or admit in writing its inability to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of its creditors, or (iv) file a petition commencing a voluntary case under or seeking to take advantage of any Bankruptcy Law, or (v) fail to controvert in timely and appropriate manner, or in writing acquiesce to, any petition commencing an involuntary case against the Company or otherwise filed against the Company pursuant to any Bankruptcy Law, or (vi) take any corporate action in furtherance of any of the foregoing; or
- (e) If an order for relief against the Company shall be entered in an involuntary case under any Bankruptcy Law or any

similar order against the Company shall be entered pursuant to any Bankruptcy Law, or if a petition commencing an involuntary case against the Company proposing the reorganization of the Company under any Bankruptcy Law shall be filed in and approved by any court of competent jurisdiction and not be discharged or denied within 30 days after such filing, or if a proceeding or case shall be commenced in any court of competent jurisdiction seeking (i) the liquidation, reorganization, dissolution, winding-up or adjustment of debts of the Company, or (ii) the appointment of a receiver, custodian, trustee, or liquidator (or other similar official) of the Trust Estate or of the Company or of any substantial portion of the Company's property, or (iii) any similar relief as to the Company pursuant to any Bankruptcy Law, and any such proceeding or case shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for 30 days;

- (f) if any Event of Default under and as defined in any Other Lien Instrument shall have occurred and be continuing; or
- (g) if any default under any other material indebtedness of the Company for borrowed money shall have occurred and be continuing;

then in every such case during the continuance of any Event of Default:

I. At the option of the Beneficiary, by notice to the Company, the entire unpaid principal amount of the Note and all accrued and unpaid interest thereon shall become due and payable immediately, anything in the Note to the contrary notwithstanding.

II. The Beneficiary personally, or by its agents or attorneys, may enter into and upon the Property and may exclude the Company, its agents and servants wholly therefrom; and, at the expense of the Property, may use, lease, operate, manage and control the same and conduct the business thereof, may maintain and restore the Property, may insure and reinsure the same and may make all necessary or proper repairs, renewals and replacements and any useful alterations, additions, betterments and improvements thereto and thereon, all as the Beneficiary may deem advisable. The Beneficiary shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and income of the Property and said earnings, revenues, rents, issues, profits and income are, in case an Event of Default shall happen, hereby assigned to the Beneficiary, its successors and assigns. The moneys arising as aforesaid shall be applied in the order of priorities set forth in Section 3.2. The Company shall pay to the Beneficiary the expenses of conducting the business of the Property and of all maintenance, repairs, renewals, replacements, alterations, additions, betterments and improvements and taxes, assessments, insurance and prior or other proper charges upon the Property, as well as reasonable compensation for the services of all attorneys, servants and agents properly engaged and employed by the Beneficiary, and all such amounts shall be secured hereby.

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III. The Trustee shall, at the Beneficiary's election, with or without entry, personally or by its agents or attorneys, sell all or any of the Property and all estate, right, title, interest, claim and demand therein and right of redemption thereof at one or more private or public sales, as an entirety or in parcels and at such times and places and upon such terms as the Trustee may specify in the notice or notices of sale to be given to the Company or as may be required by law. The Trustee may conduct any number of sales from time to time. The power of sale shall not be exhausted by any one or more such sales as to the Property or any part of the Property remaining unsold, but shall continue unimpaired until all of the Property shall have been sold or the Note and all indebtedness of the Company secured hereby shall have been paid. In addition, the Trustee shall have the statutory power of sale, if any, as may be provided by the law of the state in which the Property is located. This Deed of Trust is made upon the statutory conditions provided for by the law of the state in which the Property is located.

IV. The Beneficiary may take all steps to protect and enforce its rights and remedies provided hereby or by applicable law, whether by action, suit or proceeding in equity or at law (for the complete or partial foreclosure hereof, for the specific performance of any covenant, condition or agreement contained in the Note or herein or in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy) or otherwise as the Beneficiary shall deem most effectual to protect and enforce the same.

V. The Beneficiary shall have all rights and remedies provided to a secured party by the Uniform Commercial Code with respect to such portions of the Trust Estate, if any, as are governed by the Uniform Commercial Code.

Section 3.2. Application of Proceeds. The purchase money or proceeds of any sale made under or by virtue of this Article, together with any other sums which then may be held by the Trustee or the Beneficiary as part of the Trust Estate or the proceeds thereof, shall be applied: first, to the payment of the costs and expenses of such sale, including attorney's fees and expenses in reasonable amounts, and of any judicial proceeding wherein the same may be made; second, to the payment of the whole amount then owing on the Note for principal; third, to the payment of the whole amount then owing on the Note (and not merely the Allocable Portion of the Note with respect to the Property) for interest; fourth, to the payment of any other sums secured by this Deed of Trust; and fifth, to the payment of the surplus, if any, to whosoever shall be lawfully entitled thereto.

Section 3.3. Purchase by the Beneficiary. Upon any sale made under or by virtue of this Article (whether made under any power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale), the Beneficiary may bid for and acquire the Property or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the indebtedness of the Company secured by this Deed of Trust the net proceeds of sale after deduction of all costs, expenses, compensations and other charges to be paid therefrom as herein provided. The person making such sale shall accept such settlement without requiring the production of the Note and without such production there

shall be deemed credited thereon the pro rata share of the net proceeds of sale ascertained and established as aforesaid. The Beneficiary upon so acquiring the Property or any part thereof, shall be entitled to hold, deal with and sell the same in any manner permitted by applicable laws.

Section 3.4. Receivers. After the happening of any Event of Default, immediately upon the commencement of any legal proceeding by the Beneficiary for or in aid of the enforcement of the Note or of this Deed of Trust, and without regard to the adequacy of the security of the Trust Estate, the Beneficiary shall be entitled to the appointment of a receiver or receivers of all or any of the Property and of all the earnings, revenues, rents, issues, profits and income thereof; and the Company hereby consents to any such appointment.

Section 3.5. Remedies Cumulative. No remedy herein shall be exclusive of any other remedy or remedies, and each such remedy shall be cumulative and in addition to every other remedy given hereunder or now or hereafter existing at law or in equity; and every power and remedy of the Trustee or Beneficiary hereunder may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Beneficiary. No delay or omission of the Trustee or Beneficiary to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

Section 3.6. Waiver of Rights. The Company agrees that it will not at any time or in any manner whatever claim or take any benefit of any stay, extension or moratorium law which may affect the terms of this Deed of Trust; nor claim or take any benefit of any law providing for the valuation or appraisal of the Trust Estate or any part thereof prior to any sale thereof; nor, prior to or after any such sale, claim or exercise any right to redeem the property so sold or to be sold or any part thereof; and the Company hereby, to the extent permitted by applicable law, expressly waives all benefit or advantage of any such law and covenants not to hinder, delay or impede the execution by the Trustee or Beneficiary of any power or remedy herein granted or available at law or in equity, but to suffer and permit the execution of every power and remedy as though no such law existed. The Company waives all right to have the Trust Estate marshaled upon any foreclosure hereof.

ARTICLE 4 Miscellany

Section 4.1. Satisfaction. If and when the Note shall have become due and payable (whether by lapse of time or by acceleration or by the exercise of the privilege of prepayment) and the Company shall have paid the full amount thereof and shall also have paid all other sums secured hereby, then, at the expense of the Company, the Beneficiary and the Trustee shall execute and deliver to the Company such instruments as shall be required by law to satisfy and discharge the lien hereof.

Section 4.2. Illegal Provision. In case any one or more of the provisions contained herein or in the Note shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Deed of Trust shall be construed as if such provision had never been contained herein or therein.

Section 4.3. Notices; Modification; Waiver. All notices, demands and other communications made pursuant to this Deed of Trust (collectively called Notices) shall be in writing. Any Notice to the Company, the Trustee or the Beneficiary shall be deemed to have been given by being mailed, by certified or registered mail postage prepaid, to such party at its address appearing in the first paragraph of this Deed of Trust, as to the Beneficiary and marked "Attention: Investment Services Department," or at such other address the party to be notified shall have specified by notice to the other party. This Deed of Trust may not be modified except by an instrument in writing executed by the Company and the Beneficiary. No requirement hereof may be waived at any time except by a writing signed by the Beneficiary, nor shall any waiver be deemed a waiver of any subsequent breach of default of the Company.

Section 4.4. Maximum Interest Payable. No provision of this Deed of Trust or of the Note shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any such excess interest is provided herein or in the Note, the Company shall not be obligated to pay such excess interest, and the right to demand the payment of any such excess shall be and hereby is waived. This provision shall control any other provision of this Deed of Trust and the Note.

Section 4.5. Counterparts. This Deed of Trust may be executed in any number of counterparts and each thereof shall be deemed to be an original; and all such counterparts shall constitute but one and the same instrument.

Section 4.6. Successor Trustee. The Beneficiary may at any time and from time to time, by an instrument in writing, substitute a successor or successors to the Trustee, which instrument, executed and acknowledged by the Beneficiary and recorded in the office of the recorder of each county where a Property is situated, shall be conclusive proof of proper substitution of such successor trustee or trustees, who shall, without conveyance from the predecessor Trustee, succeed to all its or his title, estate, rights, powers and duties. Said instrument shall contain in the name of the Company, the original Trustee and the Beneficiary, the book and page where this Deed of Trust is recorded, and the name and address of the new Trustee.

Section 4.7. Successors and Assigns. All of the provisions herein contained shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto, to the same extent as if each such successor and assign were in each case named as a party to this Deed of Trust. Wherever used, the singular shall include the plural, and the plural include the singular and the use of any gender to include all genders.

Section 4.8. Table of Contents, Headings. The table of contents and the headings appearing in this Deed of Trust have been inserted for convenient reference only and shall not modify, define, limit or expand the express provisions of this Deed of Trust.

Section 4.9. Governing Law. This Deed of Trust shall be governed by the laws of the state in which the Property is located.

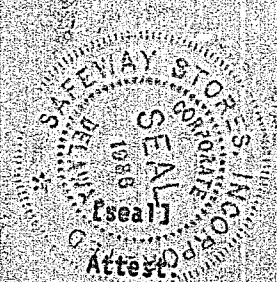
Section 4.10. Incorporated Schedule. The following is Schedule A referred to in this Deed of Trust, which is hereby incorporated by reference herein.



IN WITNESS WHEREOF, SAFEWAY STORES, INCORPORATED, by its duly authorized officers, has caused this Deed of Trust to be executed and delivered and its corporate seal hereunto affixed and attested, as of the day and year first above written.

SAFEWAY STORES, INCORPORATED
(a Delaware corporation)

By: *W. L. H.*
Vice President



By: *Michael P. Owens*
Assistant Secretary

SCHEDULE A

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LEGAL DESCRIPTION

All of Lots 1, 2, 3, 4, 5, 6, 7 and 8, Block 12 of the Original Town of Klamath Falls (formerly Linkville), Oregon according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

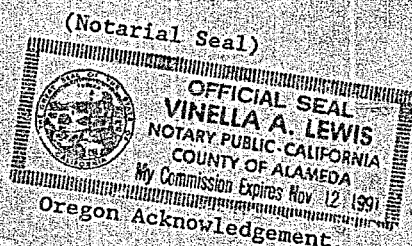
31830(8278)

STATE OF CALIFORNIA)
COUNTY OF ALAMEDA) ss.

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On this 5th day of January, 1988, before me appeared Russell L. Jacobus and Michael P. Avery, both to me personally known or proved to me on the basis of satisfactory evidence, who being duly sworn, did say that they, are the Vice President and the Assistant Secretary of SAFEWAY STORES, INCORPORATED, a Delaware corporation, the within named corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that the said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, this the day and year first in this, my certificate, written.



Vinella A. Lewis
Vinella A. Lewis
NOTARY PUBLIC in and for the State of
California, with principal office in
the County of Alameda.

My commission expires: 11/12/91

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title & Escrow, Inc.
of January A.D. 19 88 at 3:04 o'clock P M., and duly recorded in Vol. M88 day
of January Mortgages on Page 703

FEE \$125.00

By Evelyn Riehn County Clerk