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**2010-012226**

**Klamath County, Oregon**



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10/15/2010 03:47:09 PM

Fee: \$132.00

**RECORDING REQUESTED BY**

**AND WHEN RECORDED MAIL TO:**

Grocery Outlet, Inc.  
Attn: Michael Ward  
2000 Fifth Street  
Berkeley, CA 94710-1918

Space Above This Line for Recorder's Use Only

**LEASEHOLD MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES, RENTS AND  
PROFITS AND FIXTURE FILING**

From

GROCERY OUTLET INC.

To

SOCIÉTÉ GÉNÉRALE

Dated May 10, 2010

STATE OF Oregon

COUNTY OF Klamath

Premises: 4333 S. 6th Street  
Klamath Falls, OR 97603

Store #: 149

**LEASEHOLD MORTGAGE, SECURITY AGREEMENT,  
ASSIGNMENT OF LEASES, RENTS AND PROFITS AND FIXTURE FILING**

This Leasehold Mortgage, Security Agreement, Assignment of Leases, Rents and Profits and Fixture Filing (this "**Mortgage**") is given this 10th day of May, 2010, by **GROCERY OUTLET INC.**, a California corporation with a mailing address of 2000 Fifth Street, Berkeley, CA 94710-1918 (the "**Grantor**"), for the benefit of **SOCIÉTÉ GÉNÉRALE**, with a mailing address of 1221 Avenue of the Americas, 11<sup>th</sup> Floor, New York, NY 10020, in its capacity as administrative agent and collateral agent (in such capacities, herein called the "**Collateral Agent**") for the Secured Parties under the Credit Agreement (as hereinafter defined).

**RECITALS:**

**Whereas**, the Lenders have provided the Grantor with a term and revolving credit facility in the maximum principal amount of \$175,000,000 pursuant to that certain Credit Agreement, dated November 2, 2009, among the Grantor, GOBP Acquisition Three Corp., a California corporation, GOBP Midco Inc., a Delaware corporation, Société Générale, as administrative agent, and the Lenders listed therein (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"; capitalized terms used herein without being defined shall have the meanings ascribed thereto in the Credit Agreement);

**Whereas**, **KLAMATH-ETNA, L.L.C.**, an Oregon limited liability company (the "**Lessor**") is the owner in fee simple of the real property described in Exhibit A-1 and A-2 attached hereto (the "**Land**");

**Whereas**, the Lessor and the Grantor have entered into that certain lease covering and encumbering the Land, which lease is more specifically described on Exhibit B attached hereto (such lease, as amended, modified, extended or renewed from time to time, the "**Lease**"); and

**Whereas**, this Mortgage is being delivered to the Collateral Agent pursuant to the requirements of the Credit Agreement.

**WITNESSETH:**

The Grantor, in consideration of the Secured Obligations (as hereinafter defined) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby grant, assign, pledge, mortgage, transfer and convey to the Collateral Agent and the Collateral Agent's successors and permitted assigns, a mortgage lien on and a continuing security interest in and to all of the Grantor's right, title and interest in and to the following described property, whether now owned or hereafter held:

- (a) All of the Grantor's right, title and interest in the Lease (the "**Leasehold Interest**"); and
- (b) All of Grantor's right, title and interest in and to the leasehold estate in the Land created by the Lease, all buildings, improvements, structures, paving, parking areas, walkways and landscaping now or hereafter erected or located upon the Land, and all fixtures of every kind and type affixed or attached to or forming part of any structures, buildings or improvements and replacements thereof now or hereafter erected or located upon the Land (collectively, the "**Improvements**") and all materials intended for construction, reconstruction, alteration and repair of the Improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the premises hereby conveyed immediately upon the delivery thereof to the Leasehold Interest, and all fixtures now or hereafter owned by the Grantor and

attached to or contained in and used in connection with the Leasehold Interest and Improvements (collectively, the "**Fixtures**"), and all articles of personal property now or hereafter owned by the Grantor and attached to or contained in or used in connection with the Leasehold Interest and Improvements, including, but not limited to, all furniture, furnishings, apparatus, machinery, equipment, motors, elevators, fittings, radiators, ranges, refrigerators, awnings, shades, screens, blinds, carpeting, office equipment and other furnishings and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air conditioning and sprinkler equipment and fixtures and appurtenances thereto and all renewals or replacements thereof or articles in substitution thereof, whether or not the same are or shall be attached to the Leasehold Interest and Improvements in any manner (collectively, the "**Tangible Personalty**") and all proceeds of the Tangible Personalty, the Fixtures and the Improvements and all appurtenances to the Leasehold Interest (collectively, the "**Appurtenances**") and all proceeds and products of the Leasehold Interest, including casualty and condemnation proceeds (collectively, the "**Proceeds**") (hereinafter, the Leasehold Interest, the Improvements, the Fixtures, the Tangible Personalty, the Appurtenances and the Proceeds may be collectively referred to as the "**Leasehold Premises**").

**To Have and Hold** the same, together with all privileges, hereditaments, easements and appurtenances thereunto belonging, subject to the Permitted Liens (as hereinafter defined), to the Collateral Agent and the Collateral Agent's successors and permitted assigns to secure the Secured Obligations; **provided, however, that** should the Secured Obligations (other than Obligations related to the Unasserted Obligations) be paid in full in cash, the Letters of Credit be terminated or expired (or cash collateralized or otherwise provided for to the reasonable satisfaction of the Issuing Lender thereof) and all Commitments be terminated (the date on which all these events shall occur, the "**Termination Date**"), this Mortgage and the estate hereby granted shall cease, terminate and be void and the Collateral Agent shall, at the Grantor's sole cost and expense, release this Mortgage and the lien hereof by proper instrument; otherwise it shall remain in full force and effect.

And, as additional security for the Secured Obligations, the Grantor hereby conditionally assigns to the Collateral Agent and the Collateral Agent's successors and permitted assigns, all security deposits, rents, issues, profits and revenues of the Leasehold Premises from time to time accruing (the "**Rents and Profits**"), reserving, however, the right of the Grantor to collect, enjoy and apply the same as the Grantor chooses as long as there shall exist no Event of Default (as defined in Article III hereof).

As additional collateral and further security for the Secured Obligations, the Grantor does hereby assign and grant to the Collateral Agent a security interest in all of the right, title and the interest of the Grantor in and to any and all insurance policies and proceeds thereof and any and all leases (including equipment leases), rental agreements, sales contracts, management contracts, franchise agreements, construction contracts, architects' contracts, technical services agreements and other contracts, licenses and permits to the extent now or hereafter relating to the Leasehold Premises (the "**Intangible Personalty**") or any part thereof, and the Grantor agrees to execute and deliver to the Collateral Agent such additional instruments, in form and substance reasonably satisfactory to the Collateral Agent, as may hereafter be reasonably requested by the Collateral Agent to evidence and confirm said assignment; **provided, however, that** acceptance of any such assignment shall not be construed as a consent by the Collateral Agent to any lease, rental agreement, management contract, franchise agreement, construction contract, technical services agreement or other contract, license or permit, or to impose upon the Collateral Agent any obligation with respect thereto. Notwithstanding the

foregoing provisions, such assignment and grant of security interest contained herein shall not extend to, and the Intangible Personalty shall not include, any personalty that is now or hereafter held by the Grantor as licensee, lessee or otherwise, to the extent that (a) such personalty is not assignable or capable of being encumbered as a matter of law or under the terms of the license, lease or other agreement applicable thereto (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of the licensor or lessor thereof or other applicable party thereto, without breaching the terms of such license, lease or other agreement applicable thereto or without constituting a default thereunder, and (b) such consent has not been obtained or such breach or default has not been waived, as the case may be; **provided, however, that** the foregoing assignment and grant of security interest shall extend to, and the Intangible Personalty shall include, any and all proceeds of such personalty to the extent that the assignment or encumbering of such proceeds is not so restricted under the terms of the license, lease or other agreement applicable thereto.

Hereinafter, the Leasehold Premises, Rents and Profits and Intangible Personalty may be collectively referred to as the **"Mortgaged Property"**.

## **ARTICLE I**

### **INDEBTEDNESS SECURED**

#### **Section 1.1 Indebtedness**

This Mortgage is given to secure the payment of all Obligations now or hereafter owing under the Credit Agreement, this Mortgage and the other Loan Documents from the Grantor to any Secured Party, howsoever evidenced, created, incurred or acquired, whether primary, secondary, direct, contingent, or joint and several, including, without limitation, any liability arising under Hedge Agreements entered into with Hedge Agreement Counterparties and all obligations and liabilities incurred in connection with the collection and enforcement of the foregoing in accordance with the terms of the Loan Documents (collectively, the **"Secured Obligations"**).

#### **Section 1.2 Amount Secured**

This Mortgage is intended to secure all past, present and future loan disbursements made by the Lenders under the Credit Agreement, and all other Secured Obligations from time to time owing to the Secured Parties and the Collateral Agent by the Loan Parties under the Loan Documents. The Grantor, and each party at any time claiming an interest in or lien or encumbrance against the Leasehold Premises by, through or under the Grantor, agrees that (a) to the maximum extent permitted by applicable law, all advances made by the Lenders under the Credit Agreement after the date of this Mortgage, and all other Secured Obligations incurred after the date of this Mortgage, shall be secured by this Mortgage with priority as if all of the same had been advanced, had arisen or become owing or performable on the recording date of this Mortgage, (b) no reduction from time to time (even to zero) of the outstanding principal balance of the Secured Obligations (other than by virtue of the occurrence of the Termination Date) shall extinguish, release or subordinate any rights, titles, interest, liens, security interests, power or privileges intended, created or arising hereunder or under the Credit Agreement or any of the other Loan Documents, and (c) this Mortgage shall remain in full force and effect as to any subsequent advances or subsequently arising portions of the Secured Obligations without loss of priority until the Termination Date.

## **ARTICLE II**

### **GRANTOR'S COVENANTS, REPRESENTATIONS AND AGREEMENTS**

#### **Section 2.1 Leasehold Interest**

The Grantor represents and warrants to the Collateral Agent that (i) it has a valid Leasehold Interest in the Land, the Improvements, and the Fixtures thereon and has the right to encumber and convey the same, (ii) as of the date hereof, the Leasehold Premises are free and clear of all liens and encumbrances except for Liens permitted under the Credit Agreement, fee title to the Land and the matters shown on the title policy for the Leasehold Premises, if any, reasonably accepted by the Collateral Agent in connection with this Mortgage (the "**Permitted Liens**"), and (iii) it will forever warrant and defend its title to the Leasehold Premises, the rights of the Secured Parties therein under this Mortgage and the validity and priority of the lien of this Mortgage thereon against the claims of all persons and parties except those having rights under Permitted Liens (but to the extent of those rights). As to the balance of the Leasehold Premises, the Rents and Profits and the Intangible Personalty, the Grantor represents and warrants that it has title to such property, that it has valid title to such property, that it has the right to encumber and convey such property and that it will warrant and defend to the Collateral Agent and its permitted successors and assigns such property against the claims of all Persons, subject to the Permitted Liens.

#### **Section 2.2 Taxes and Fees**

To the extent required under the terms of the Lease, the Grantor will pay all taxes, general and special assessments, insurance premiums, permit fees, inspection fees, user fees, license fees, water and sewer charges, franchise fees and equipment rents and any other charges or fees against it or the Leasehold Premises each in accordance with, and to the extent required under, the Credit Agreement (and the Grantor, upon reasonable request of the Collateral Agent, will submit to the Collateral Agent receipts evidencing said payments). The Grantor shall also pay all mortgage taxes, recording fees and all other reasonable costs and out-of-pocket expenses to the extent required under the Credit Agreement, if any, due or payable in connection with the execution, delivery and/or recording of this Mortgage and in connection with any advance secured by this Mortgage.

#### **Section 2.3 Reimbursement**

The Grantor agrees that, to the extent required under the terms of the Lease, if it shall fail to pay any tax, assessment or charge levied or assessed against the Leasehold Premises or any utility charge, whether public or private, or any insurance premium, or if it shall fail to procure the insurance coverage and the delivery of the insurance certificates (in each case to the extent required under the Credit Agreement), or if it shall fail to pay any other charge or fee described in Sections 2.2, 2.3 or 2.5 hereof to the extent required under the Credit Agreement, then the Collateral Agent, at its option and after 15 days prior written notice to the Grantor, may pay or procure the same and will give the Grantor prompt notice and reasonable documentation of any such expenditures. The Grantor will reimburse the Collateral Agent, within 15 days following receipt of written notice therefor, for any sums of money paid by the Collateral Agent pursuant to this Section, and to the extent overdue, together with interest on each such payment at the rate specified in Section 2.2(e) of the Credit Agreement.

#### **Section 2.4 Additional Documents**

The Grantor agrees to execute and deliver to the Collateral Agent, concurrently with the execution of this Mortgage and upon the reasonable request of the Collateral Agent from time to time hereafter, all financing statements and other documents reasonably required to perfect and maintain the security interest created hereby. The Grantor hereby irrevocably (until the Termination Date) makes, constitutes and appoints the Collateral Agent as the true and lawful attorney of the Grantor (such appointment being coupled with an interest) to file, and, if necessary, sign the name of the Grantor on, any financing statement, continuation of financing statement or similar document reasonably required to perfect or continue such security interests.

#### **Section 2.5 Fees and Expenses**

The Grantor will promptly pay upon demand any and all reasonable and documented out-of-pocket costs and expenses of the Collateral Agent, (a) as required under Section 10.2 of the Credit Agreement and (b) as reasonably necessary to protect the Leasehold Premises, the Rents and Profits or the Intangible Personalty in accordance with the terms of this Mortgage or to exercise any rights or remedies under this Mortgage but, in each case, subject to the limitations set forth in Section 10.2 of the Credit Agreement. All of the foregoing costs and expenses shall be secured hereby.

#### **Section 2.6 Eminent Domain**

Subject to the provisions of the Credit Agreement, the Grantor assigns to the Collateral Agent any Net Insurance/Condemnation Proceeds that may become due by reason of any condemnation or other taking for public use of the whole or any part of the Leasehold Premises or any rights appurtenant thereto to which the Grantor is entitled, and such Net Insurance/Condemnation Proceeds shall be applied in the manner set forth in Section 2.4(b)(iv)(B) of the Credit Agreement. The Grantor agrees to execute such further assignments and agreements as may be reasonably required by the Collateral Agent to assure the effectiveness of this Section. In the event any Government Authority shall require or commence any proceedings for the demolition of any buildings or structures comprising a part of the Leasehold Premises, or shall commence any proceedings to condemn or otherwise take pursuant to the power of eminent domain a material portion of the Leasehold Premises, the Grantor shall, to the extent previously notified in writing by such Government Authority, promptly notify the Collateral Agent of such requirements or commencement of proceeding (for demolition, condemnation or other taking).

#### **Section 2.7 Releases and Waivers**

The Grantor agrees that no release by the Collateral Agent of any portion of the Leasehold Premises, the Rents and Profits or the Intangible Personalty, no subordination of lien, no forbearance on the part of the Collateral Agent to collect on the Loans or any other part of the Secured Obligations, no waiver of any right granted or remedy available to the Collateral Agent and no action taken or not taken by the Collateral Agent shall, except to the extent expressly released or otherwise terminated in connection with the Termination Date, in any way have the effect of releasing the Grantor from full responsibility to the Collateral Agent for the complete discharge of the Secured Obligations.

#### **Section 2.8 Security Agreement**

- (a) Insofar as the Fixtures and other personal property included in the Mortgaged Property are used or necessary for the use, operation and maintenance of the Leasehold Premises, this Mortgage is hereby made and declared to be a security agreement, encumbering each and every item of personal property included therein, in compliance with the provisions of the Uniform Commercial Code as enacted in the

State in which the Land is located. A financing statement or statements reciting this Mortgage to be a security agreement, affecting all of said personal property aforementioned, shall be executed by the Grantor and the Collateral Agent, if required by law, and appropriately filed. The remedies during the existence of any Event of Default shall be as provided in the Security Agreement.

- (b) The Grantor represents and warrants that the exact name of the "Debtor", (which is the Grantor) and the mailing address of the "Debtor" are as set forth in Section 6.2; the "Debtor's" organizational identification number is 015789-21; and a statement indicating the types, or describing the items, of collateral is set forth hereinabove. The Grantor covenants to promptly execute any financing statements or other instruments deemed reasonably necessary by the Collateral Agent to prevent any filed financing statement from becoming misleading or losing its perfected status.
- (c) Certain of the Leasehold Premises is or will become "fixtures" (as that term is defined in the Uniform Commercial Code as enacted in the State in which the Land is located) and this Mortgage, upon being filed for record in the real estate records of the county or counties wherein such fixtures are situated, shall also operate as a financing statement filed as a fixture filing in accordance with the applicable provisions of said Uniform Commercial Code upon such of the Leasehold Premises that is or may become fixtures.

#### **Section 2.9 Lease**

With respect to the Lease, the Grantor represents, warrants and covenants with the Collateral Agent as follows:

- (a) To the Grantor's knowledge, all rents presently due under the Lease have been paid and no default exists beyond notice and applicable grace period by any party under the Lease;
- (b) To the Grantor's knowledge, the granting of this Mortgage upon the Leasehold Interest does not constitute a default under the Lease (or if it does constitute a default the appropriate consent has been obtained) or require the consent of any party to any of the foregoing (other than the lessor or other consent that has been obtained);
- (c) The Grantor will promptly provide the Collateral Agent with copies of any and all notices of any default under the Lease;
- (d) Except as otherwise permitted by the Credit Agreement, the Grantor will fully comply with all obligations imposed upon it under the Lease and will do all things necessary to keep the Lease in full force and effect for the entire term thereof;
- (e) In the event the Grantor defaults under the Lease, then the Collateral Agent, at its option, upon ten (10) days prior written notice to the Grantor, may take all steps necessary, including the payment of money, to preserve and maintain the Lease and any sums so spent or expenses incurred (including without limitation attorneys' fees of one counsel and to the extent provided in the Credit Agreement) in such action shall be subject to the security interest of this Mortgage;

- (f) Without the Collateral Agent's prior written consent or unless such Amendment (hereinafter defined) shall not be materially adverse to the interests of the Lenders, the Grantor shall not agree to any modification, amendment or termination of the Lease (other than, for the avoidance of doubt, any termination upon the occurrence of the scheduled expiry date or any termination otherwise permitted by the Credit Agreement) (an "**Amendment**");
- (g) If the Grantor acquires the fee title or any additional estate, title or interest in the real property covered by the Lease, this Mortgage shall be a lien upon the fee title or other estate obtained by the Grantor and the Grantor shall promptly notify the Collateral Agent of any such acquisition by the Grantor and, upon the Collateral Agent's reasonable request, shall cause to be executed and recorded any instrument deemed necessary by the Collateral Agent to cause this Mortgage to encumber such fee title or additional estate, title or interest obtained by the Grantor.

### **ARTICLE III EVENTS OF DEFAULT**

An Event of Default shall exist under the terms of this Mortgage upon the existence of an Event of Default under and as defined in the Credit Agreement.

### **ARTICLE IV FORECLOSURE**

#### **Section 4.1 Acceleration of Secured Indebtedness; Foreclosure**

Upon the occurrence and during the continuance of an Event of Default under the Credit Agreement or this Mortgage, the Collateral Agent may, upon prior written notice to Grantor, foreclose the lien of this Mortgage by judicial or non-judicial proceeding in any manner permitted by applicable law. If the Collateral Agent institutes judicial proceedings to foreclose this Mortgage, the Grantor hereby waives or does not waive, at the sole option of the Collateral Agent, appraisal of the Leasehold Premises, such option to be exercised by the Collateral Agent at the time judgment is rendered or at any time prior thereto.

#### **Section 4.2 Proceeds of Sale**

Following a foreclosure sale (whether by judicial foreclosure or nonjudicial foreclosure), the proceeds of such sale shall, subject to applicable law, be applied in accordance with the Loan Documents.

### **ARTICLE V ADDITIONAL RIGHTS AND REMEDIES OF THE COLLATERAL AGENT**

#### **Section 5.1 Rights Upon an Event of Default**

Without limiting the provisions of Article IV in any way, upon the occurrence and during the continuance of an Event of Default, the Collateral Agent, upon prior written notice to the Grantor and without liability therefor to the Grantor, except for gross negligence, willful misconduct, unlawful conduct, bad faith or breach of the Loan Documents (in each case as determined by a final judgment of a court of competent jurisdiction), may do or cause to be done any or all of the following to the extent permitted by and in compliance with applicable law: (a) take physical possession of the Leasehold Premises; (b) exercise its right to collect the Rents and Profits; (c) enter into contracts for



the completion, repair and maintenance of the Improvements; (d) expend any rents, income and profits derived from the Leasehold Premises for the payment of any taxes, insurance premiums, assessments and charges for completion, repair and maintenance of the Improvements, preservation of the lien of this Mortgage and satisfaction and fulfillment of any liabilities or obligations of the Grantor arising out of or in any way connected with the Leasehold Premises whether or not such liabilities and obligations in any way affect the lien of this Mortgage; (e) take such steps to protect and enforce the specific performance, to the extent permitted by applicable law, of any covenant, condition or agreement in the Notes, this Mortgage, the Credit Agreement or the other Loan Documents, or to aid the execution of any power herein granted; and (f) generally, supervise, manage and contract with reference to the Leasehold Premises. Notwithstanding the occurrence of an Event of Default or acceleration of the Loans, the Collateral Agent shall continue to have the right to pay money, whether or not Loan funds, for the purposes described in Sections 2.2, 2.3 and 2.5 hereof, and all such sums and interest thereon shall be secured hereby. The Grantor also agrees that any of the foregoing rights and remedies of the Collateral Agent may be exercised at any time during the continuance of an Event of Default independently of the exercise of any other such rights and remedies, and the Collateral Agent may continue to exercise any or all such rights and remedies until the applicable Event(s) of Default are cured or waived with the consent of the Collateral Agent or until foreclosure and the conveyance of the Leasehold Premises to the high bidder or until the Secured Obligations are satisfied or paid in full, as applicable.

Lender shall be entitled as a matter of right to the immediate appointment of a receiver for all or any party of the Leasehold Premises and the Rents and Profits therefrom.

#### **Section 5.2 Appointment of Receiver**

Upon the occurrence and during the continuance of an Event of Default, the Collateral Agent shall be entitled, as a matter of right, upon prior written notice to Grantor and subject to applicable law, to the appointment of a receiver in any action to foreclose this Mortgage to take possession of and to operate the Leasehold Premises, and to collect Rents and Profits, all reasonable expenses of which shall be added to the Secured Obligations secured hereby. The receiver shall have all the rights and powers provided for under the laws of the State in which the Land is located, including without limitation, the power to execute leases, and the power to collect Rents and Profits of the Leasehold Premises during the pendency of such foreclosure suit, as well as during any further times when the Grantor, its successors or assigns, except for the intervention of such receiver, would be entitled to collect such rents, sales proceeds, issues, proceeds and profits, and all other powers that may be reasonably necessary or are usual in such cases for the protection, possession, control, management and operation of the Leasehold Premises during the whole of said period. All reasonable costs and out-of-pocket expenses in connection with the appointment of a receiver shall be secured by this Mortgage. Notwithstanding the appointment of any receiver, trustee or other custodian, the Collateral Agent shall be entitled to retain possession and control of any cash or other instruments at the time held by or payable or deliverable under the terms of this Mortgage to the Collateral Agent to the fullest extent permitted by law.

#### **Section 5.3 Waivers**

No waiver of any Event of Default shall at any time thereafter be held to be a waiver of any rights of the Collateral Agent stated anywhere in this Mortgage, the Credit Agreement or any of the other Loan Documents, nor shall any waiver of a prior Event of Default operate to waive any subsequent Event(s) of Default. All remedies provided in this Mortgage, the Credit Agreement or any of the other Loan

Documents are cumulative and may, at the election of the Collateral Agent, be exercised alternatively, successively, or in any manner and are in addition to any other rights provided by law.

#### **Section 5.4 Marshalling**

To the extent permitted by applicable law, the Grantor hereby waives, in the event of foreclosure of this Mortgage or the enforcement by the Collateral Agent of any other rights and remedies hereunder, any right otherwise available in respect to marshalling of assets that secure the Loans and any other Secured Obligations or to require the Collateral Agent to pursue its remedies against any other such assets.

### **ARTICLE VI GENERAL CONDITIONS**

#### **Section 6.1 Terms**

The singular used herein shall be deemed to include the plural; the masculine deemed to include the feminine and neuter; and the named parties deemed to include their heirs, successors and assigns.

#### **Section 6.2 Notices**

All notices and other communications required to be given hereunder shall be in writing and given in accordance with Section 10.7 of the Credit Agreement, in each case at the address or telecopy numbers set forth below, or to such other address as may hereafter be given by notice in accordance with this paragraph.

to the Grantor:

Grocery Outlet Inc.  
2000 Fifth Street  
Berkeley, CA 94710-1918  
Attention: Chief Financial Officer  
Telephone: (510) 704-2878  
Fax: (510) 845-8617

to the Collateral Agent:

Société Générale, as the Collateral Agent  
1221 Avenue of the Americas, 11<sup>th</sup> Floor  
New York, NY 10020  
Attention: Edward Grimm  
Telephone: (212) 278-6450  
Fax: (212) 278-6136

#### **Section 6.3 Severability**

If any provision of this Mortgage is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

#### **Section 6.4 Headings**

The captions and headings herein are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope of this Mortgage nor the intent of any provision hereof.

**Section 6.5 Conflicting Terms**

In the event the terms and conditions of this Mortgage conflict with the terms and conditions of the Credit Agreement, the terms and conditions of the Credit Agreement shall control and supersede the provisions of this Mortgage with respect to such conflicts.

**Section 6.6 Governing Law**

This Mortgage shall be governed by and construed in accordance with the internal law of the State in which the Land is located.

**Section 6.7 Application of the Foreclosure Law**

If any provision in this Mortgage shall be inconsistent with any provision of the foreclosure laws of the State in which the Land is located, the provisions of such laws shall take precedence over the provisions of this Mortgage, but shall not invalidate or render unenforceable any other provision of this Mortgage that can be construed in a manner consistent with such laws.

**Section 6.8 Written Agreement**

- (a) THE RIGHTS AND OBLIGATIONS OF THE GRANTOR AND THE COLLATERAL AGENT SHALL BE DETERMINED SOLELY FROM THIS WRITTEN MORTGAGE AND THE OTHER LOAN DOCUMENTS, AND ANY PRIOR ORAL OR WRITTEN AGREEMENTS BETWEEN THE COLLATERAL AGENT AND THE GRANTOR CONCERNING THE SUBJECT MATTER HEREOF AND OF THE OTHER LOAN DOCUMENTS ARE SUPERSEDED BY AND MERGED INTO THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS.
- (b) THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS MAY NOT BE VARIED BY ANY ORAL AGREEMENTS OR DISCUSSIONS THAT OCCUR BEFORE, CONTEMPORANEOUSLY WITH, OR SUBSEQUENT TO THE EXECUTION OF THIS MORTGAGE OR THE OTHER LOAN DOCUMENTS.
- (c) THIS WRITTEN MORTGAGE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENTS BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

**Section 6.9 Waiver of Jury Trial**

THE COLLATERAL AGENT AND THE GRANTOR HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS MORTGAGE. THIS WAIVER IS KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY MADE BY THE COLLATERAL AGENT AND THE GRANTOR, AND THE COLLATERAL AGENT AND THE GRANTOR ACKNOWLEDGE THAT NO PERSON ACTING ON BEHALF OF ANOTHER PARTY TO THIS MORTGAGE HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THE COLLATERAL AGENT AND THE GRANTOR FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS MORTGAGE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF THEIR

OWN FREE WILL, AND THAT THEY HAVE HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

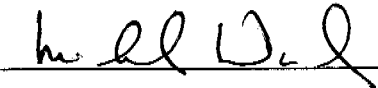
**Section 6.10 Request for Notice**

The Grantor requests a copy of any statutory notice of default and a copy of any statutory notice of sale hereunder be mailed to the Grantor at the address specified in Section 6.2 of this Mortgage.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

In witness whereof, the Grantor has executed this Mortgage as of the above written date.

**GROCERY OUTLET INC.,**  
a California corporation

By: 

Name: Michael Ward

Title: Chief Financial Officer

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# CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT CERTIFICATE

State of California )  
 )ss.  
County of Alameda )

On May 12, 2010, before me, Janis M. Watt, Notary Public, personally appeared Michael Ward, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Janis M. Watt



My Commission Expires:

7/21/11

(Place Notary Seal Above)

## Optional Document Information

Certificate must be attached to the following document:

Leasehold Mortgage, Security  
Agreement, Assignment of Leases,  
Rents and Profits and Fixture Filing  
Store # 149

Capacity Claimed by Signer:

Chief Financial Officer,

Grocery Outlet Inc., a California corporation

Real property in the County of Klamath, State of Oregon, described as follows:

Parcel 1:

A tract of land situated in the SW 1/4 NW 1/4 of Section 2, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, described as follows:

Commencing at the Westerly one-quarter corner of said Section 2; thence North 89°44'52" East 517.06 feet; thence North 00°20'15" East 37.91 feet to a point on the Northerly boundary line of State Highway 66; thence North 89°43'30" East 166.30 feet; thence North 00°20'15" East 196.70 feet to the point of beginning; thence North 05°06'40" East 34.24 feet; thence North 00°15'00" West 205.91 feet; thence North 89°43'30" East 228.48 feet; thence South 00°06'39" East 142.53 feet; thence North 89°43'30" East 184.10 feet to the Westerly boundary line of Gary Street; thence South 00°09'21" West 37.47 feet; thence South 89°43'30" West 324.56 feet; thence South 00°20'15" West 60.00 feet; thence South 89°43'30" West 90.00 feet to the true point of beginning.

TOGETHER WITH an easement for the joint right to use for customer, patron, invitee and employee parking and for the purposes of ingress and egress and passage for automobile and pedestrian traffic on all that real property described hereinafter.

A tract of land situated in the SW 1/4 NW 1/4 of Section 2, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the West one-fourth corner of said Section 2, said point being marked by a brass plug in a capped monument which is 1.60 feet North of the centerline of State Highway 66 (South Sixth Street); thence North 89°44'52" East along the East-West centerline of said Section 2 (this is the bearing to the center one-fourth corner of said Section 2 which is monumented by a bolt in the pavement that is 1.20 feet North of the centerline of said highway) a distance of 517.06 feet; thence North 0°20'15" East a distance of 37.91 feet to a one-half inch iron pin on the Northerly line of State Highway 66 to be relocated a distance of 40.00 feet at right angles to the centerline of said highway; thence North 89°43'30" East along said Northerly line of State Highway 66 a distance of 166.30 feet to a 5/8 inch iron pin on the true point of beginning of this description, said point being on the Westerly line of the Peace Memorial Church property as described in Deed Volume 317 at Page 491, Klamath County Deed Records and the Easterly line of the Bennington property as described in Deed Volume 331 at Page 402, Klamath County Deed Records; thence North 0°20'15" East along the last described line a distance of 196.70 feet to a 5/8 inch iron pin; thence North 89°43'30" East a distance of 90.00 feet to a 5/8 inch iron pin; thence North 0°20'15" East a distance of 60.00 feet to a 5/8 inch iron pin on the Southerly line of the Collier property as described in Deed Volume 353 at Page 398, Klamath County Deed Records; thence North 89°43'30" East along the Southerly line of said Collier property a distance of 76.30 feet to a 5/8 inch iron pin; thence South 0°20'15" West a distance of 256.70 feet to a 5/8 inch iron pin on the Northerly line of the above described State Highway 66 right of way, said point also being on the Easterly line of the above described church property; thence South 89°43'30" West along said Northerly line of State Highway 66 a distance of 166.30 feet to the true point of beginning.

Parcel 2:

A tract of land situated in the SW 1/4 NW 1/4 of Section 2, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

EXHIBIT A-1

*First American Title*

Beginning at the West one-quarter corner of said Section 2, said point being marked by a brass plug in a capped monument which is 1.60 feet North of the centerline of State Highway 66 (South Sixth Street); thence North 89°44'52" East along the East-West centerline of said Section 2 (this is the bearing to the center one-fourth corner of said Section 2 which is monumented by a bolt in the pavement that is 1.20 feet North of the centerline of said highway) a distance of 517.06 feet; thence North 0°20'15" East a distance of 37.91 feet to a one-half inch iron pin on the true point of beginning of this description, said point being on the Northerly line of State Highway 66, as relocated a distance of 40.00 feet at right angles to the centerline of said highway, said point also being on the Westerly line of the Bennington property as described in Deed Volume 331 at Page 402, Klamath County Deed Records; thence North 89°43'30" East along the Northerly line of Highway 66 as relocated a distance of 40.00 feet at right angles to the centerline of said highway a distance of 166.30 feet to a 5/8 inch iron pin on the Easterly line of said Bennington property and the Westerly line of the Peace Memorial Presbyterian Church property as described in Deed Volume 317 at Page 491, Klamath County Deed Records; thence North 0°20'15" East along the last described line a distance of 196.70 feet to a 5/8 inch iron pin; thence North 05°06'40" East a distance of 34.24 feet; thence North 00°15'00" East a distance of 205.91 feet; thence South 89°43'30" West a distance of 155.57 feet; thence South 00°14'10" East a distance of 205.89 feet; thence South 17°20'35" West a distance of 46.27 feet; thence South 00°20'15" West a distance of 186.70 feet to the true point of beginning.

TOGETHER WITH a non-exclusive easement for ingress, egress, and traveling by vehicular or pedestrian travel over and across the herein mentioned described easement area and for utility and service line over, under and across that said certain easement area situated in the SW 1/4 NW 1/4 of Section 2, Township 39 South, Range 9 East of the Willamette Meridian, more particularly described as follows:

Commencing at the West one-quarter corner of said Section 2; thence North 89°44'52" East 517.06 feet; thence North 00°20'15" East, 224.61 feet; thence North 17°20'35" East, 46.27 feet to the Southwest corner of an existing building; thence along the Westerly face of said building North 00°14'10" West 123.96 feet to the Northwest corner of said building; thence continuing North 00°14'10" West 30.00 feet to the true point of beginning; thence South 89°43'30" West 148.30 feet to the Easterly boundary line of Etna Street; thence North 00°20'15" East 20.00 feet; thence leaving the Easterly boundary line of Etna Street North 89°43'30" East 148.10 feet; thence South 00°14'10" East 20.00 feet to the true point of beginning.

Tax Parcel Number: R516846 and R787599



**Exhibit B**

**DESCRIPTION OF THE LEASE**

Store #149, 4333 S. 6th Street, Klamath Falls, OR 97603

**GROCERY OUTLET LEASE** between **KLAMATH-ETNA, L.L.C.**, an Oregon limited liability company and **GROCERY OUTLET INC.**, a California corporation, dated October 18, 2004

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