

10/6/12 1747388
FIRST AMERICAN TITLE
NCS-500767-A-SC



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RECORDATION REQUESTED BY:

Umpqua Bank
PO Box 1580
445 SE MAIN St
Roseburg, OR 97470

01/06/2012 11:00:26 AM

Fee: \$72.00

WHEN RECORDED MAIL TO:

Umpqua Bank
PO Box 1580
Roseburg, OR 97470

SEND TAX NOTICES TO:

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PO Box 1580
445 SE MAIN St
Roseburg, OR 97470

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

NOTICE: THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENMENT AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE COLLATERAL BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

**SUBORDINATION, NON-DISTURBANCE AND
ATTORNMENMENT AGREEMENT AND ESTOPPEL CERTIFICATE**

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENMENT AGREEMENT AND ESTOPPEL CERTIFICATE dated November 8, 2011 ("Agreement"), is made and executed among Read Real Estate II, LLC, whose address is 2025 Fourth Street, Berkeley, CA 94710 ("Landlord"); Grocery Outlet Inc., whose address is 2000 Fifth Street, Berkeley, CA 94710 ("Tenant"); and Umpqua Bank, PO Box 1580, 445 SE Main Street, Roseburg, OR 97470 ("Lender").

SUBORDINATED LEASE. Tenant and Landlord's predecessor in interest executed a lease dated October 18, 2004, for the property described herein (the "Subordinated Lease") of which a Memorandum of Lease was recorded on October 15, 2010, Document #2010-012225. Subsequently, a First Amendment to Lease was executed on April 13, 2011, and a Second Amendment to Lease was executed on September 16, 2011. The following information is the summary of the basic terms and conditions of the Subordinated Lease: The Subordinated Lease expires on January 31, 2021 (as extended) with one (1) remaining up to sixty (60)-month option to extend. The Subordinated Lease provides for monthly base rent payable according to the following schedule:

Current to January 31, 2012	\$20,613.20
February 1, 2012 to January 31, 2016	\$19,675.70
February 1, 2016 to January 31, 2021	\$19,543.92
Remaining Option Period	Fair Market Value

REAL PROPERTY DESCRIPTION. The Subordinated Lease covers a portion of the following described real property (the "Real Property") located in Klamath County, Oregon:

See Exhibit A attached to this Agreement and hereby made a part of this Agreement as if fully set forth herein.

The Real Property or its address is commonly known as 4333 S. 6th Street, Klamath Falls, OR.

SUPERIOR INDEBTEDNESS. Lender has extended or has agreed to extend the following described financial accommodations ("Loan") to Read Real Estate II LLC, secured by the Real Property (the "Superior Indebtedness"):

See Exhibit B attached to this Agreement and hereby made a part of this Agreement as if fully set forth herein.

LENDER'S LIEN. The Superior Indebtedness is or will be secured by the Real Property and evidenced by a mortgage, deed of trust, or other lien instrument, dated January 6, 2012, from Read Real Estate II, LLC to Lender (the "Lender's Lien") and recorded in Klamath County, Oregon as follows:

Deed of Trust Dated January 6, 2012, recorded January 6, 2012, under Auditor's File No 2012-00109 records of Klamath County, Oregon.

As a condition to the granting of the requested financial accommodations, Lender has required that the Lender's Lien be and remain superior to the Subordinated Lease and all of Tenant's rights under the Subordinated Lease in the Real Property ("Lease Rights").

REQUESTED FINANCIAL ACCOMMODATIONS. Landlord wants Lender to provide financial accommodations to Landlord in the form of the Superior Indebtedness. Landlord represents and acknowledges to Lender that Landlord will benefit as a result of these financial accommodations from Lender to Landlord, and Landlord and Tenant acknowledge receipt of valuable consideration for entering into this Agreement.

IN EXCHANGE FOR GOOD AND VALUABLE CONSIDERATION, THE SUFFICIENCY AND RECEIPT OF WHICH ARE HEREBY ACKNOWLEDGED, LENDER, LANDLORD, AND TENANT HEREBY AGREE AS FOLLOWS:

ESTOPPEL CERTIFICATE. Tenant hereby certifies to and agrees with Lender that Lender is relying on all of the following certifications and agreements to Tenant's actual knowledge as of the date hereof as consideration for Lender executing this Agreement:

- (A) The Subordinated Lease is in full force and effect and is the valid and binding obligation of Tenant, enforceable in accordance with its terms.
- (B) All requirements for the commencement and validity of the Subordinated Lease have been satisfied.
- (C) Neither Tenant nor Landlord is in default under the Subordinated Lease and no event has occurred and no condition exists, which with the giving of notice, the passage of time, or both, would constitute a default by Tenant or Landlord under the Subordinated Lease.
- (D) There are no defenses, counterclaims or setoffs against rents or charges due or which may become due under the Subordinated Lease and no claim by Tenant of any nature exists against Landlord under the Subordinated Lease. All obligations of Landlord have been fully performed.
- (E) None of the rent, which Tenant is required to pay under the Subordinated Lease, has been prepaid, or will in the future be prepaid, more than one (1) month in advance.
- (F) Tenant has not assigned, mortgaged, sublet, encumbered or otherwise transferred any or all of its interest under the Subordinated Lease, except as to the Leasehold Mortgage, Security Agreement, Assignment of Leases, Rents, and Profits and Fixture Filing dated May 10, 2010, between Societe Generale and Tenant and, during the term of the Loan, agrees not to further assign, mortgage, sublet, encumber, or otherwise transfer any or all of its interest under the Subordinated Lease without the prior written consent of Lender, except as permitted in the Subordinated Lease.

SUBORDINATION. Notwithstanding anything in the Subordinated Lease to the contrary, the parties acknowledge and agree that the Subordinated Lease and Lease Rights are and shall be subject and subordinate in right, interest and lien, and for all purposes, to Lender's Lien, and to all renewals, modifications, consolidations, replacements, and extensions thereof, and to any subsequent lien of the Lender with which Lender's Lien may be spread or consolidated, to the full extent of the principal sum and all other amounts secured thereby and interest thereon. Tenant will not in the future cause the Subordinated Lease to be subordinated to any interests other than those held by or made for the benefit of Lender, and its successors and assigns, without the prior written consent of Lender, except as permitted in the Subordinated Lease.

NON-DISTURBANCE. So long as the Subordinated Lease is in full force and effect and Tenant is not in default under the Subordinated Lease beyond any applicable cure period, Lender shall not name or join Tenant as a defendant in any exercise of Lender's rights and remedies arising upon a default of the Loan under the Note and/or under Lender's Lien unless applicable law requires Tenant to be made a party thereto as a condition to proceeding against Landlord or pursuing such rights and remedies. In the latter case, Lender may join Tenant as a defendant in such action only for such purpose and not to terminate the Subordinated Lease or otherwise adversely affect Tenant's rights under the Subordinated Lease or this Agreement in such action. If the Subordinated Lease has not been terminated, then, when Lender succeeds to the interest of Landlord, the Lender shall not terminate or disturb Tenant's possession of Tenant's premises under the Subordinated Lease, except in accordance with the terms of the Subordinated Lease.

ATTORNMENr. If Lender shall succeed to the interest of the Landlord under the Subordinated Lease, and the Subordinated Lease shall not have expired or been terminated in accordance with the terms of the Subordinated Lease, Tenant shall, from and after such event, attorn to Lender, all rights and obligations under the Subordinated Lease to continue as though the interest of Landlord had not terminated. Such attornment shall be effective and self-operative without the execution of any further instrument on the part of the parties hereto. Tenant agrees, however, to execute and deliver at any

time and from time to time, upon the request of Lender, any instrument or certificate which may be necessary or appropriate in any such foreclosure proceeding or otherwise to evidence such attornment.

NO LIABILITY FOR LENDER. Lender in the event of attornment shall have the same remedies in the event of any default by Tenant (beyond any period given Tenant to cure such default) in the payment of annual base rent or additional rent or in the performance of any of the terms, covenants, and conditions of the Subordinated Lease on Tenant's part to be performed that are available to Landlord under the Subordinated Lease. Tenant shall have the same remedies against Lender for the breach of an agreement contained in the Subordinated Lease that Tenant might have had against Landlord if Lender had not succeeded to the interest of Landlord; provided, however, that Lender shall not be:

- (A) Liable for any act or omission of or any claims against any prior landlord, including Landlord; or
- (B) Subject to any offsets or defenses which Tenant might have against any prior landlord, including Landlord; or
- (C) Bound by any rent or additional rent which Tenant might have paid for more than one (1) month in advance to any prior landlord, including Landlord; or
- (D) Liable for any sum that any prior landlord, including Landlord, owed to Tenant, including without limitation any security deposit, unless the amount owed was actually delivered to Lender; or
- (E) Liable for any construction obligation of any prior landlord, including Landlord; or
- (F) Liable for any breach of representation or warranty of any prior landlord, including Landlord.

ACKNOWLEDGMENT AND AGREEMENT BY LANDLORD. Landlord, as landlord under the Subordinated Lease, acknowledges and agrees for itself and its heirs, successors and assigns to each of the following:

- (A) This Agreement does not in any way release Landlord from its obligations to comply with the terms, provisions, conditions, covenants, agreements and clauses of the Note, Lender's Lien or any other documents executed in connection with the Loan.
- (B) In the event of a default under the Note, or any of the other documents executed in connection with the Loan, Landlord hereby consents to Tenant's attornment to Lender and, upon such event, Tenant shall pay all rent and all other sums due under the Subordinated Lease to Lender as provided in the Subordinated Lease at Lender's address set forth at the beginning of this Agreement. Lender is also to provide to Tenant a W-9 with Lender's Tax ID number prior to any payments to be made to Lender.

ATTORNEY FEES AND EXPENSES. Landlord agrees to pay on demand all of Lender's costs and expenses, including Lender's attorney fees and legal expenses, incurred in connection with enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement. Lender may also use attorneys who are salaried employees of Lender to enforce this Agreement. The Landlord shall pay all costs and expenses of all such enforcement. In the event arbitration, suit, action or other legal proceeding is brought to interpret or enforce this Agreement, the Landlord agrees to pay all additional sums as the arbitrator or court may adjudge reasonable as Lender's costs, disbursements, and attorney fees at hearing, trial, and on any and all appeals. As used in this paragraph "Agreement" means the loan agreement, promissory note, guaranty, security agreement, or other agreement, document, or instrument in which this paragraph is found, even if this document is also described by another name. Whether or not an arbitration or court action is filed, all reasonable attorney fees and expenses Lender incurs in protecting its interests and/or enforcing this Agreement shall become part of the Indebtedness evidenced or secured by this Agreement, shall bear interest at the highest applicable rate under the promissory note or credit agreement, and shall be paid to Lender by Landlord on demand. The attorney fees and expenses covered by this paragraph include without limitation all of Lender's attorney fees (including the fees charged by Lender's in-house attorneys, calculated at hourly rates charged by attorneys in private practice with comparable skill and experience), Lender's fees and expenses for bankruptcy proceedings (including efforts to modify, vacate, or obtain relief from any automatic stay), fees and expenses for Lender's post-judgment collection activities, Lender's cost of searching lien records, searching public record databases, on-line computer legal research, title reports, surveyor reports, appraisal reports, collateral inspection reports, title insurance, and bonds issued to protect Lender's collateral, all to the fullest extent allowed by law.

WAIVE JURY. All parties hereby waive the right to any jury trial in any action, proceeding or counterclaim brought by any party against any other party.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Authority. Any person who signs this Agreement on behalf of Landlord, Lender, and Tenant represents and warrants that he or she has authority to execute this Agreement.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the

provisions of this Agreement.

Counterparts. This Agreement may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts, taken together, shall constitute one and the same Agreement.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Oregon without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Oregon.

Notices. Any notice required to be given under this Agreement shall be given in writing, and, shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing among Lender, Landlord, and Tenant shall constitute a waiver of any of Lender's rights or of any of Landlord's and/or Tenant's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

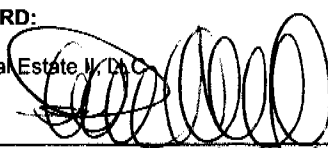
Successors. This Agreement shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Agreement.

EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT, AND EACH PARTY AGREES TO ITS TERMS. THIS AGREEMENT IS DATED November 9, 2011.

LANDLORD:

Read Real Estate II, LLC

By


Steven Read, Authorized signer for
Read Management, LLC

LENDER:

UMPQUA BANK

By *[Signature]*
Authorized Officer

TENANT:

GROCERY OUTLET INC.

By *[Signature]*
Marc Drasin
VP Real Estate

ALL PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
)ss.
COUNTY OF ALAMEDA)

On November 22, 2011, before me, Mary C. Briones, Notary Public, personally appeared Steven Read, 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.

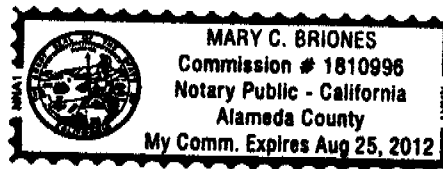
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Mary C. Briones

My Commission Expires: _____

Notary Seal Above



LENDER ACKNOWLEDGMENT

STATE OF Oregon

COUNTY OF Lane

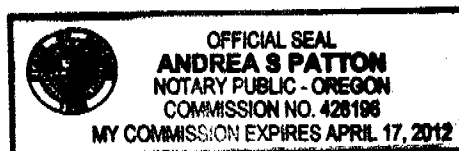
On this 1 day of December, 20 11, before me, the undersigned Notary Public, personally appeared Kara Holmes and known to me to be the Vice President, authorized agent for **Umpqua Bank** that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of **Umpqua Bank**, duly authorized by **Umpqua Bank** through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and in fact executed this said instrument on behalf of **Umpqua Bank**.

By Andrea S Patton

Residing at Harrisburg, OR

Notary Public in and for the State of Oregon

My commission expires April 17, 2012



ALL PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
)ss.
COUNTY OF ALAMEDA)

On November 28, 2011, before me, Janis M. Watt, Notary Public, personally appeared Marc Alarcon, 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: July 21, 2015

Notary Seal Above

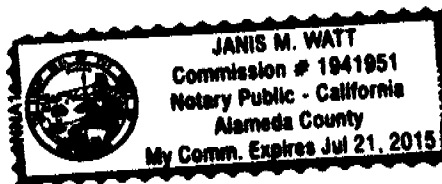


EXHIBIT A LEGAL DESCRIPTION

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:

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.