

Kroger Update

5 /15/ 2018

Topics

1. Old Smith's and Mari-Mac – tenants / transactions status.
2. New Smith's – response to County request for an Amended Plan for Completion.
3. New Smith's – tenants / transactions status.

Old Smith's and Mari-Mac – tenants / transactions status

1. Spoke with the following Kroger personnel:
 - a) Nick Tompkins - Western Surplus Asset Specialist,
 - b) Jordin Horan - National Surplus Asset Manager, and
 - c) Don Barnett – Corporate Real Estate Manager.
2. They have received an offer to purchase their entire portion the Mari-Mac property and are working through their internal processes of underwriting and valuation on that offer. They are expecting progress during the next 90 days.
3. We expressed the County's interest in being helpful with any redevelopment efforts. They were appreciative and they indicated that they would convey this to the potential new owner at the appropriate time.
4. They have initiated discussions with other owners regarding potential uses currently not allowed within Mari-Mac covenants (i.e. housing), however they did not specify what the current offeror is planning for the site.

New Smith's – response to County request for an Amended Plan for Completion

1. Spoke with Don Barnett, Kroger Corporate Real Estate Manager.
2. They are planning to send a written response.
3. Kroger does not plan to build out the unbuilt sites based on speculation.
4. The County's options in the lease are outlined in Exhibit 1.

New Smith's – tenants / transactions status

1. They are actively marketing the 2 vacant spaces and 2 pad sites, but have indicated that their cost structure requires a higher price which creates difficulties finding tenants.
2. They are open to considering offers for build-to-suit.
3. Joanie Ahlers will be meeting with Don Barnett at the International Council of Shopping Centers (ICSC) - RECon Global Retail Real Estate Convention later this month to continue pursuing opportunities.
4. They are also open to, and interested in, whatever help and incentives the County could provide to any potential new tenants.

Exhibit 1

Summary of County Options in the New Smith's Ground Lease

If at least 35,000 sq ft of the Subsequent Development is not completed by 9/24/17 then at the County's sole option either:
(note - this milestone has not been met)

- A Shall notify Lessee of a time period of at least an additional 24 month under which the Lessee must construct at least 35,000 sq ft - "Extended Subsequent Development Phase Period",
or
- B Shall make a written request to Lessee that Lessee has 60 days to submit to the County amended plans for completion of the Undeveloped Portion of the minimum required 35,000 sq ft.

During the 60 day period, Lessee, in its sole option, shall submit amended plans and propose a date for completion - "Amended Plan for Completion"

Note: - there is no timeline defined for the County to initiate A or B

Then,
IF

1. Lessee does not complete as specified in A,
or
2. Lessee does not timely submit the Amended Plan for Completion in B,
or
3. The County in its sole option rejects the Amended Plan for Completion,

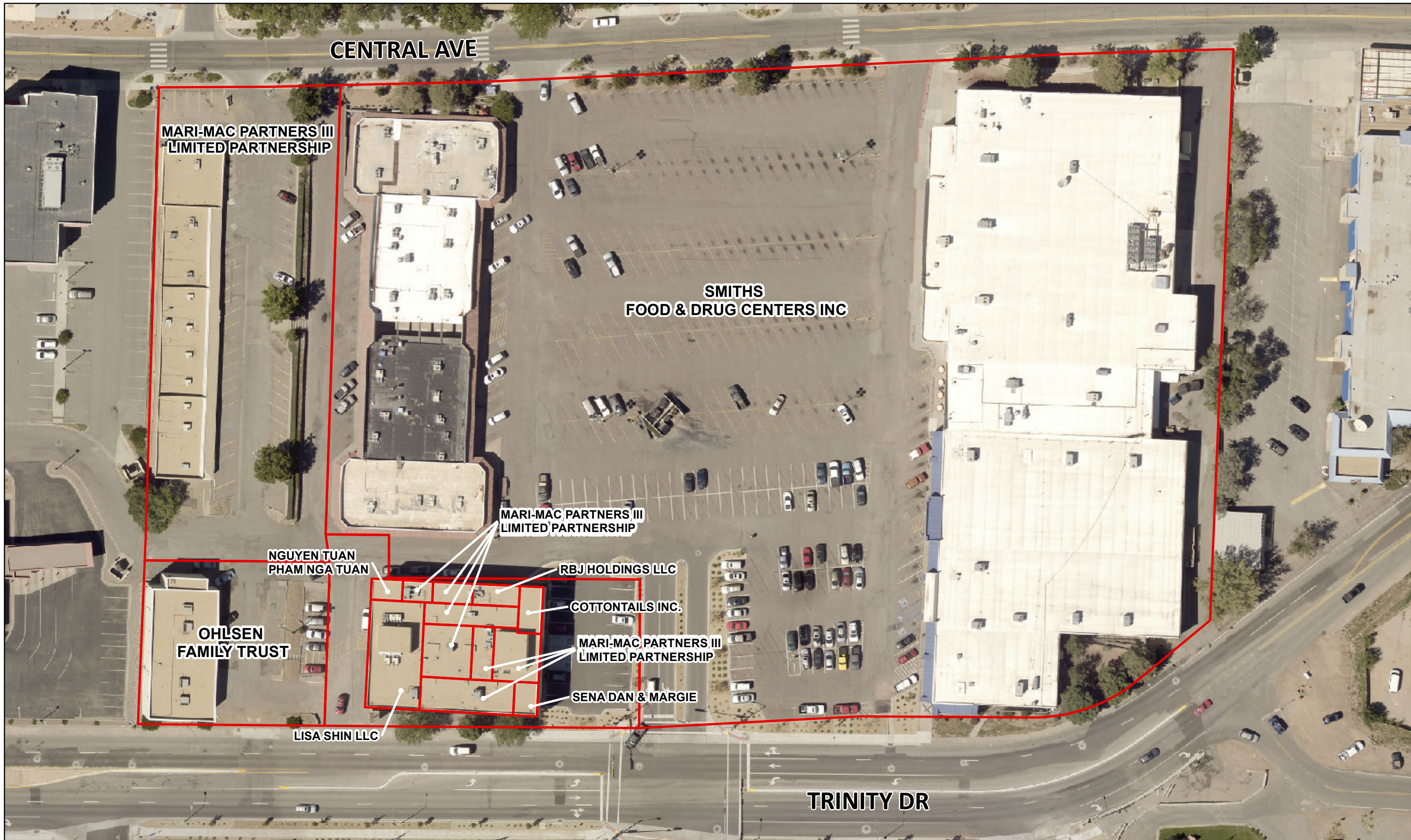
the County has the right to develop, at its sole cost and expense, the Undeveloped Portion "County Development Option".
This option expires on 9/24/24. (12th anniversary of the effective date)

Terms of County Development Option

Once County commences development, Lessee stops paying rent on that portion of the site.

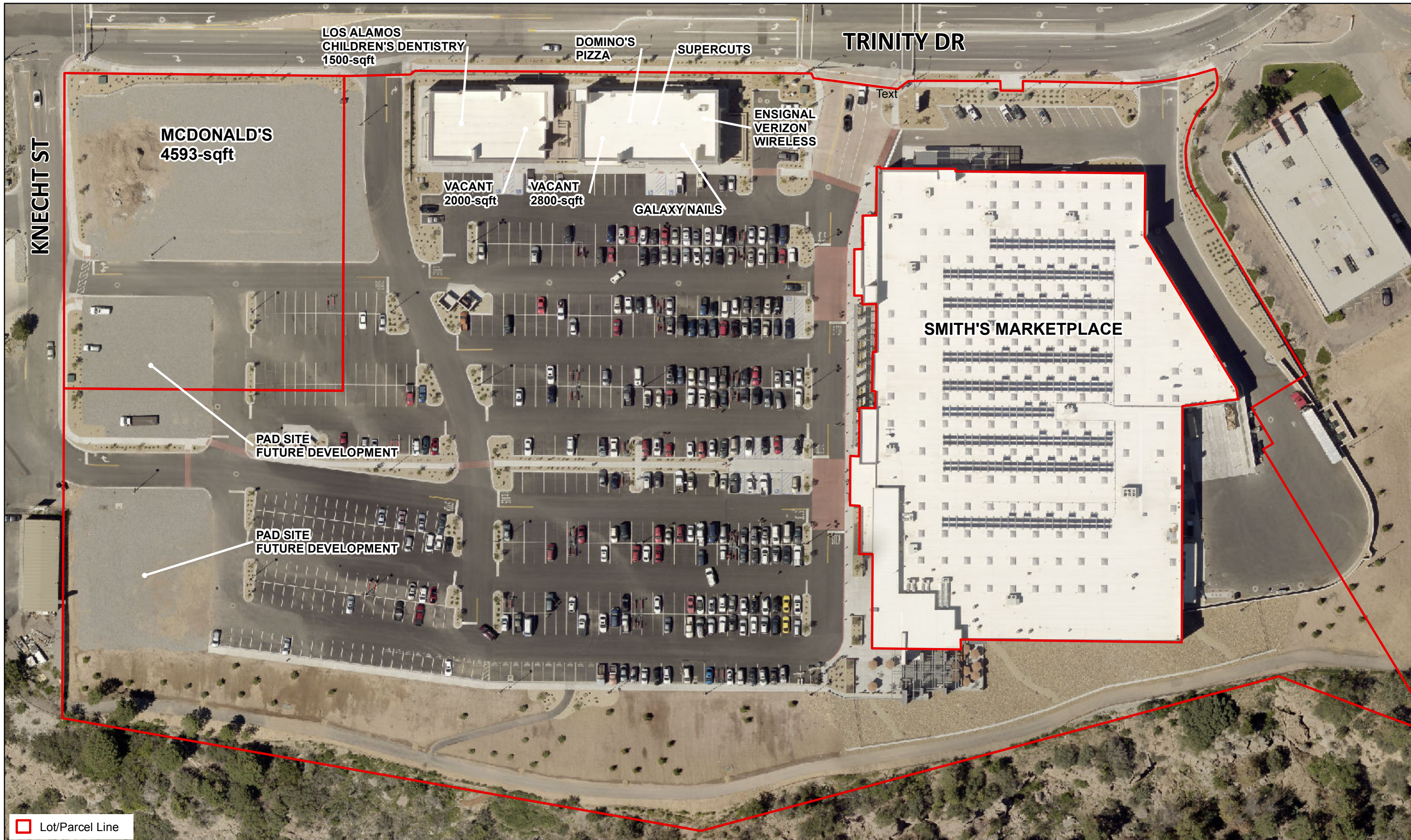
County can collect rents from that portion of development to recover costs plus a 10% return.
After that, development reverts back to Lessee, and Lessee resumes paying rent on that portion.

Lessee shall manage any developed property for a fee of 4% of the associated new rents.



All mapping information is for reference only.
Users are solely responsible to confirm data accuracy.
Los Alamos County assumes no liability for errors
associated with these data.

MARI-MAC VILLAGE



Lot/Parcel Line

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JN
5/10/18