

A.P.N.-1420-06-602-015

After recording, return to:
MICHAELS STORES, INC.
8000 Bent Branch Drive
Irving, Texas 75063
ATTN: Director - Real Estate Administration

REQUESTED BY
FIRST AMERICAN TITLE CO.

IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

2004 OCT 14 PM 4:04

WERNER CHRISTEN
RECORDER

\$45.00 PAID *KY* DEPUTY

SUBORDINATION, NON-DISTURBANCE AND ATTORNMEN T AGREEMENT

STATE OF NEVADA §
 §
COUNTY OF DOUGLAS §

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMEN T AGREEMENT (this "Agreement") is made and entered into this 31st day of August, 2004, by and between CARSON VALLEY CENTER, LLC, a Missouri limited liability company ("Landlord"), successor in interest to AIG Baker Carson Valley, LLC ("Original Landlord"); LEHMAN BROTHERS BANK, FSB, a federal stock savings bank ("Lender"); and MICHAELS STORES, INC., a Delaware corporation ("Tenant").

WITNESSETH:

WHEREAS, Original Landlord and Tenant entered into that certain Shopping Center Lease dated October 29, 2002, for retail premises ("Premises") in Carson Valley Plaza (the "Shopping Center"), constructed on that certain tract or parcel of land in the City of Carson City, County of Douglas and State of Nevada, more particularly described in Exhibit A attached to this Agreement and incorporated herein by reference, which such Shopping Center Lease and all amendments and modifications thereto are hereinafter collectively referred to as the "Lease"; and

WHEREAS, Landlord is acquiring the Shopping Center from Original Landlord; and

WHEREAS, Landlord has assigned or will assign to Lender and Lender's successors and assigns, Landlord's interest in, to and under the Lease as a portion of the collateral security for a loan in the amount of \$ 45,365,000.00 made or to be made by Lender to Landlord and to be additionally secured by a first lien mortgage or deed of trust, including any amendments and modifications thereto (collectively the "Mortgage"); and

WHEREAS, Tenant desires to be assured of the continued use and occupancy of the Premises under the terms and conditions of the Lease.

NOW THEREFORE, for and in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the undersigned parties hereby agree as follows:

1. Tenant does hereby consent to the subordination of the Lease and Tenant's rights thereunder to the lien of the Mortgage and to any and all increases, renewals, and extensions thereof; provided, however, that the consent and subordination will be contingent upon and subject to (i) the terms of this Agreement, and (ii) the condition that so long as Tenant is not in default, after receipt of any written notice required to be given under the Lease and the expiration of any applicable grace and/or curative period thereunder, in the performance of any of the terms of the Lease, Tenant's possession of the Premises and Tenant's rights and privileges under the Lease or any extensions or renewals thereof will not be disturbed, diminished or interfered with by Lender or by anyone claiming an interest in the Shopping Center, whether by purchase at foreclosure, deed in lieu of foreclosure or otherwise.

2. In the event of a foreclosure sale under the Mortgage or deed in lieu thereof, Tenant will be bound to Lender or to any purchaser at foreclosure or recipient of a deed in lieu of foreclosure (collectively, "Purchaser") under all of the terms of the Lease for the balance of the term thereof remaining, including any extensions or renewals thereof elected by Tenant with the same force and effect as if Lender or Purchaser were Landlord under the Lease, and Tenant hereby attorns to Lender or Purchaser as "Landlord" under the Lease, such attornment to be effective and self-operative without the execution of any further instrument. Notwithstanding anything to the contrary contained herein, Tenant will be under no obligation to pay rent to Lender or Purchaser until Tenant receives written notice from Lender or Purchaser that Lender and/or such other party has succeeded to the interest of "landlord" under the Lease. The respective rights and obligations of Tenant and Lender or Purchaser upon such attornment will, to the extent of the then remaining balance of the term of the Lease, including, any extensions or renewals thereof elected by Tenant, be the same as now set forth therein, it being the intention of the parties hereto for this purpose to incorporate the Lease in this Agreement by reference with the same force and effect as if set forth at length herein.

3. In the event that there is a foreclosure for any reason, Lender or Purchaser will be bound to Tenant under all the terms of the Lease and Tenant will, from and after such event, have the same remedies against Lender or Purchaser for the breach of any covenant contained in the Lease that Tenant might have had under the Lease against Landlord; provided, however, Lender or Purchaser shall not be:

- (a) liable for any act or omission of any prior landlord, (including Landlord); provided, however, Tenant may give Lender or Purchaser notice of any event of default

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which originated prior to, and continues to exist subsequent to, the succession of Lender or Purchaser to the interest of "landlord" under the Lease (a "Continuing Default") and Lender or Purchaser shall have the same obligation to cure any such Continuing Default, and Tenant shall have the same rights and remedies should Lender or Purchaser fail to cure such Continuing Default, as if the Continuing Default had originated subsequent to the succession of Lender or Purchaser to the interest of "landlord" under the Lease; or

- (b) subject to any offsets or defenses which Tenant may be entitled to against any prior landlord, including Landlord, except to the extent such offset or defense (i) arises out of Lender's or Purchaser's failure to cure Continuing Defaults within the cure period allowed "landlord" under the Lease, or (ii) such offset or defense is provided for under the Lease; or
- (c) bound by any rent paid by Tenant more than thirty (30) days in advance; provided, however, Tenant's estimated payments towards its share of Common Area Charges, insurance, Real Estate Taxes or otherwise shall not be deemed "paid in advance" when paid in accordance with the terms of the Lease, and such estimated payments shall be credited to Tenant's account and recognized by Lender or Purchaser the same as if such estimated payments had actually been paid to Lender or Purchaser; or
- (d) personally liable for the obligations of "landlord" under the Lease, it being acknowledged that Tenant's sole remedy in the event of any failure by Lender or Purchaser to perform the obligations of "landlord" under the Lease shall be to proceed against Lender's or Purchaser's interest in the Shopping Center, including the rent, income, profits and proceeds therefrom; or
- (e) bound by any amendment or modification of the Lease made after the date hereof without Lender's consent (which consent shall not be unreasonably withheld, delayed, or conditioned), if such amendment or modification (i) reduces the amount of rent payable under the Lease, (ii) shortens the term of the Lease, or (iii) materially increases Landlord's obligations or decreases Landlord's rights under the Lease. Lender's consent shall be deemed granted if Lender fails to respond to Tenant's written request for consent within thirty (30) days of the date of Tenant's request.

4. In the event Lender notifies Tenant of the occurrence of a default under the Mortgage and demands that Tenant pay its rents and all other sums due or to become due under the Lease directly to Lender, Tenant shall honor such demand and pay its rent and all other sums due under the Lease directly to Lender or as otherwise authorized in writing by Lender. Landlord hereby irrevocably authorizes Tenant to make the foregoing payments to Lender upon such notice and demand.

5. Tenant shall notify Lender of any default by Landlord under the Lease which would entitle Tenant to cancel the Lease, and agrees that, notwithstanding any provisions of the Lease to the contrary, no notice of cancellation thereof shall be effective unless Lender shall have received notice of default giving rise to such cancellation and shall have failed within thirty (30) days after receipt of such notice to cure such default (but Lender shall not be obligated to cure any default by Landlord if and until Lender succeeds to the interest of Landlord, as provided herein); provided, however, that if the default is of a non-monetary nature, and is not reasonably susceptible of cure within such thirty (30) day period, and Lender has commenced the cure of such non-monetary default within the thirty (30) day period and notified Tenant in writing of its commencement, and continues to diligently prosecute such curative action without interruption, then the time to cure such non-monetary default shall be extended until such cure is effectuated as long as Lender continues to diligently prosecute the cure to completion, but in no event shall the time to cure such non-monetary default exceed one hundred twenty (120) days. Notwithstanding anything to the contrary contained herein, nothing shall prevent Tenant from exercising any self-help rights or remedies afforded to Tenant under the Lease in emergency situations and/or events where no notice is required to be given under the Lease.

6. Any and all notices required or permitted to be given or served by the terms and provisions of this Agreement shall be in writing and shall be deemed duly given when received or refused if (a) sent certified or registered mail, postage prepaid, return receipt requested, or (b) delivered by express overnight delivery, at the addresses set forth below:

LANDLORD: CARSON VALLEY CENTER, LLC
c/o Rubenstein Real Estate Company, LC
4350 Shawnee Mission Parkway, Suite 159
Shawnee Mission, KS 66205
ATTN: John L. Rubenstein

LENDER: LEHMAN BROTHERS BANK FSB
399 Park Avenue
New York, NY 10022
ATTN: John Herman

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TENANT: MICHAELS STORES, INC.
8000 Bent Branch Drive
Irving, TX 75063
ATTN: Director of Real Estate Administration

Any party hereto may change its address and designate such other parties to receive additional copies of any notice for the above purposes by giving notice as aforesaid stating the change and setting forth the new address.

7. This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the parties hereto or their respective successors in interest. This Agreement will inure to the benefit of and be binding upon the parties hereto, their successors and assigns, and any purchaser or purchasers at foreclosure of the Shopping Center and their respective heirs, personal representatives, successors and assigns.

8. This Agreement will be governed by and construed in accordance with the laws of the State of Nevada.

9. The effective date of this Agreement will be the later of: (i) the date of execution by the last party to sign this Agreement provided an executed original of this Agreement is thereafter delivered to all other parties to this Agreement, or (ii) the date the mortgage referenced in the Subordination, Non-Disturbance and Attornment Agreement dated January 6, 2003, between Original Landlord, Tenant and Keybank National Association ("Keybank") is fully discharged and released. Landlord agrees to provide Tenant with evidence of the discharge of the Keybank mortgage within thirty (30) days after the release of same.

10. IN THE EVENT A FULLY EXECUTED ORIGINAL COUNTERPART OF THIS AGREEMENT IS NOT PROVIDED TO TENANT WITHIN NINETY (90) DAYS OF THE DATE OF EXECUTION BY TENANT AS SHOWN BELOW, THIS AGREEMENT SHALL SELF-OPERATIVELY BECOME NULL AND VOID.

[SIGNATURES FOLLOWING ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed and sealed this Agreement as of the day and year first above written.

LANDLORD:

CARSON VALLEY CENTER, LLC,
a Missouri limited liability company
By: CV Development Corp., It's Manager
By: [Signature]
Name: E. Stanley Kroenke
Title: President

ATTEST Witness
By: [Signature]
Name: Jay LeBorde
Title: _____

LENDER:

LEHMAN BROTHERS BANK FSB,
a federal stock savings bank
By: [Signature]
Name: CHARLENE THOMAS
Title: VICE PRESIDENT

ATTEST
By: [Signature]
Name: AREFEEN SYED
Title: ANALYST

TENANT:

MICHAELS STORES, INC.,
a Delaware corporation
By: [Signature]
Name: Douglas B. Sullivan
Title: Executive Vice President - Development

ATTEST
By: [Signature]
Name: Janet S. Morehouse
Title: Assistant Secretary

ACKNOWLEDGMENTS

LANDLORD

STATE OF Missouri §
COUNTY OF Boone §

On 9/14/2004 before me, Sarah J. Gastler, Notary Public
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Er Stanley Kroenke
NAME(S) OF SIGNER(S)

personally known to me - or -

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.

"NOTARY SEAL"
Sarah J. Gastler, Notary Public
Boone County, State of Missouri
My Commission Expires 5/12/2006

WITNESS my hand and official seal.
Sarah J. Gastler
SIGNATURE OF NOTARY

LENDER

STATE OF New York §
COUNTY OF New York §

On September 20, 2004 before me, EDNA LANAHAN, Notary Public
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Charlene Thomas
NAME(S) OF SIGNER(S)

personally known to me - or -

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.

EDNA LANAHAN
NOTARY PUBLIC, State of New York
No. 01LA6070349
Qualified in New York County
Commission Expires March 4, 2006

WITNESS my hand and official seal.
Edna Lananhan
SIGNATURE OF NOTARY

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TENANT

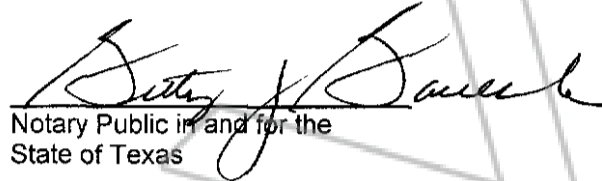
STATE OF TEXAS

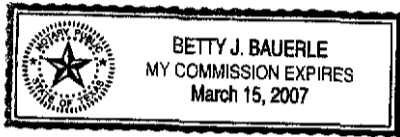
COUNTY OF DALLAS

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BEFORE ME, the undersigned authority, on this day personally appeared Douglas B. Sullivan, Executive Vice President - Development of MICHAELS STORES, INC., a Delaware corporation, who acknowledged that he was duly authorized to execute this agreement on behalf of said corporation.

GIVEN under my hand and seal of office this 24th day of August, 2004.


Notary Public in and for the
State of Texas



COPY

EXHIBIT A

Legal Description

All that certain parcel of land situate within Section Six (6), Township Fourteen North (T.14N.), Range Twenty East (R.20 E.), M.D.M., County of Douglas, State of Nevada, being more particularly described as follows:

BEGINNING at the southwest corner of that 10.09 acre parcel as shown on that record of survey map titled "Record of Survey for Douglas County" recorded April 10, 2000 in Book 0400 of Official Records at Page 1314, Document No. 489613, Douglas County, Nevada, said POINT OF BEGINNING also being referred to as the center of said Section Six;

THENCE South 89°43'29" East along the south line of the northeast-one-quarter (NE ¼) of said section, a distance of 1316.34 feet;

THENCE continuing along said south line South 89°43'57" East, 27.35 feet to a point on the westerly line of U.S. Highway 395, a four hundred-foot (400') wide right-of-way;

THENCE North 08°31'54" East along said west line, a distance of 1341.23 feet;

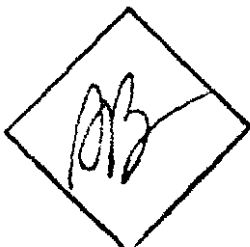
THENCE North 89°45'27" West, 201.70 feet;

THENCE North 89°44'22" West, 1317.49 feet to the north center one-sixteenth corner of said Section Six (6);

THENCE South 01°00'51" West along the west line of the northeast one quarter (NE ¼) of said section a distance of 1326.99 feet to said POINT OF BEGINNING, containing 1,899,608.000 square feet or 43.610 acres, more or less.

The Basis of Bearings for this description is Nevada State Plane Coordinate System, West Zone.

Michael J. Miller, P.L.S. #6636
CFA Inc.
1150 Corporate Blvd.
Reno, NV. 89502



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