



02/12/2008 08:08:20 AM

Fee: \$61.00

Prepared by, recording requested by  
and after recording return to:  
Michaels Stores, Inc.  
8000 Bent Branch Drive  
Irving, Texas 75063  
Attn: Real Estate Attorney  
Store No. 8791

**MEMORANDUM OF SHOPPING CENTER LEASE**

1. Effective Date of Lease. Jan 10, 2008.
2. Name and Address of Landlord. K FALLS ONE LLC, an Oregon limited liability company having an office at 4260 Galewood Street, Suite A, Lake Oswego, Oregon 97035, Attention: Chief Financial Officer.
3. Name and Address of Tenant. MICHAELS STORES, INC., a Delaware corporation, having an office at 8000 Bent Branch Drive, Irving, Texas 75063, Attention: Director of Real Estate Administration.
4. Description of Premises. Approximately 17,040 (Dimensions 120' frontage x 142' depth) Leasable Square Feet and being a part of Klamath Falls Town Center (the "**Shopping Center**") located in the City of Klamath Falls, County of Klamath, State of Oregon, and constructed on land described in Exhibit A attached hereto.
5. Term of Lease. Commencing on the "Completion Date" of the Lease (as such term is defined in the Lease) and ending on the last day of February, 2019.
6. Options to Extend. The Lease grants to Tenant successive options to extend the Lease Term from the date upon which the Lease Term would otherwise expire for four (4) additional periods of five (5) years each.

7. Restrictions on Construction. Except with respect to the Future Area (as such term is defined in the Lease), Landlord will not create out parcels or pad sites, in addition to the out parcels or pad sites shown on Exhibit B to the Lease. Any buildings, pylon or monument signs constructed on the out parcels or pad sites shall be subject to the following restrictions: (i) no building or improvements constructed on any out parcel or pad site shown on Exhibit B shall exceed one (1) story in height, or the height of the Premises, inclusive of architectural features, (ii) the buildings on such out parcels or pad sites shall be located only within the building areas set forth on Exhibit B, (iii) each building shall comply with Laws, and (iv) any pylon or monument signs erected or constructed on the out parcels or pad sites shall not obstruct the visibility of the pylon or monument signs identifying the Shopping Center or Tenant. The roof line and parapet wall of any other premises in the Shopping Center (other than buildings or improvements constructed (a) on any out parcel or pad site, which shall be subject to the height limitation set forth in the preceding sentence, and (b) in the Future Area that are used (as permitted in the Lease) for the operation of a theater or Non-Retail Use [as defined in Exhibit J]) shall not be higher than the height of the roof line and parapet wall of the Premises. Landlord will not construct, or allow any other party to construct, other buildings or improvements in the parking areas shown on Exhibit B to the Lease or on any other area of the Shopping Center. Landlord acknowledges that the foregoing restrictions on construction constitute a material inducement to Tenant's agreement to enter into the Lease, and any violation of the provisions of this section shall be deemed to be a material breach under the Lease. Landlord shall not perform (nor permit to be performed) any exterior construction in the Shopping Center during the months of October, November or December after Tenant has opened for business in the Premises except that Landlord may perform work in the Future Area and the areas identified on Exhibit B as "Building 'G-1'", "Building 'H'", "Building 'I'" and "Building 'J'" during such months subject to the conditions set forth elsewhere in the Lease (including the following paragraph).

Tenant acknowledges that certain portions of the Shopping Center (i.e., the Future Area and the areas identified on Exhibit B as "Building 'A'", "Building 'B'", "Building 'G-1'", "Building 'H'", "Building 'I'" and "Building 'J'") may not be completed on or before the Completion Date and same, except as expressly set forth in the Lease, shall not be a requirement of the Completion Date. However, ongoing construction may cause significant disruption to Tenant's business. Therefore, Landlord covenants and

agrees that (1) all materials, equipment and vehicles required for construction of the buildings in the Future Area shall be stored only within the applicable buildings being constructed and the Common Areas immediately behind same during construction thereof and the applicable area shall be fenced off from the remainder of the Shopping Center during the performance of said construction, but in no event in the Critical Common Area (defined below), and all pedestrian and vehicular traffic shall be clearly routed so as to have the least inhibited access to the Premises from the remainder of the Shopping Center as reasonably practicable, (2) Landlord shall utilize good and safe construction practices, including without limitation, in Landlord's reasonable discretion, the posting of warning signs, roping off of construction areas and the erection of barricades (but no such "roping off" or "barricades" shall interfere with the use of the Common Areas), (3) the Shopping Center, and in particular the areas around the Premises, shall be clean and kept free of debris from construction, (4) following the commencement of such construction of each applicable building, Landlord shall diligently pursue the completion of such construction and (5) no costs for the construction of such buildings shall be passed through to Tenant, including but not limited to, Common Area Charges and insurance.

8. Prohibited Uses. There exists in the Lease various restrictions upon other uses at the Shopping Center.

9. Employee Parking. Landlord will designate, and may from time to time change the designation of, the particular parking areas in the Shopping Center to be used by the employees of the various occupants of the Shopping Center (the "Employee Parking Areas"); provided that the rules for parking shall be uniformly imposed upon all tenants of the Shopping Center. Landlord agrees that any designated Employee Parking Areas shall impose no unreasonable burden upon the employees of Tenant and shall impose no greater safety or security risk upon Tenant's employees than any other parking areas of the Shopping Center.

Exclusive. Section 16.4.1 of Exhibit C to the Lease provides as follows: "Limitation on Use. Neither Landlord nor any entity controlled by Landlord will use, lease (or permit the use, leasing or

subleasing of) or sell any space in or portion of the Shopping Center (other than the Premises) or any property contiguous to the Shopping Center (including, without limitation, any property that would be contiguous or adjacent to the Shopping Center but for any intervening road, street, alley or highway) owned or controlled now or at any time hereafter by Landlord or any affiliate of Landlord, to any "craft store", store selling arts and crafts, art supplies, craft supplies, picture frames or picture framing services, framed art, artificial flowers and/or plants, artificial floral and/or plant arrangements, wedding or party goods (except apparel), scrapbooking/memory book store, or a store selling scrapbooking/memory book supplies, accessories, and/or decorations or other papercrafting (e.g. making greeting cards, gift bags, tags, and other related or similar items) supplies, accessories and/or decorations associated with the foregoing, or providing classes on any of the foregoing or any combination of the foregoing categories, or any store similar to Tenant in operation or merchandising. This Section 16.4.1 shall not apply to (i) any lessee whose lease was fully executed on the Effective Date hereof and is identified on Exhibit I as an "Existing Lease Not Subject to Tenant's Exclusive;" provided, however, that this exception shall not apply if (a) Landlord permits or agrees to an expansion of the premises for any such permitted use which violates Tenant's exclusive, or (b) Landlord permits or agrees to the change of a permitted use by any such lessee or its successors or assigns, or (c) Landlord permits or agrees to an assignment or sublease of such existing lease if Landlord may avoid the granting of such permission, or (d) Landlord has the right, by virtue of the provisions of the existing lease, to cause said lessee to honor the exclusive granted to Tenant by giving said existing lessee notice of this exclusive or otherwise or (ii) to any lessee for which the sale of a product or service covered by the exclusive granted to Tenant hereunder is merely incidental to such lessee's primary use, unless the total space which such lessee devotes to the products or services which violate the exclusive contained in this Section 16.4.1 exceeds the lesser of ten percent (10%) of the Leasable Square Feet within such lessee's premises or one thousand (1,000) Leasable Square Feet (inclusive of allocable aisle space and linear shelf space); and further provided, in no event shall this exception for incidental use apply to picture framing services, it being the intention that no other lessee or occupant of the Shopping Center shall be permitted to offer picture framing services. Further, Tenant hereby acknowledges that a typical "wedding wear" store, such as David's Bridal, shall not be a violation of this Section 16.4.1, provided such typical "wedding wear" store operates in the same manner

as a typical "wedding wear" store operates as of the Effective Date of the Lease. The operation in the Shopping Center of a typical "Hallmark" store shall not be a violation of this Section 16.4.1; provided that such typical Hallmark store operates in the same manner as a typical Hallmark store operates as of the Effective Date of the Lease and further provided that such Hallmark store shall not exceed 5,000 Leasable Square Feet."

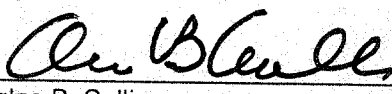
This instrument is intended to be only a Memorandum of Lease in respect to the Lease, to which Lease reference is made for the full agreement between the parties. This Memorandum is not intended to modify any term, provision or condition of the Lease and to the extent of any conflict between this Memorandum and the Lease, the Lease will control.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK]

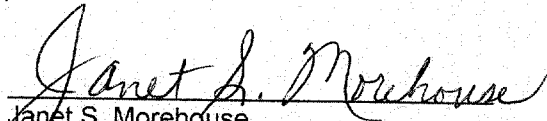
EXECUTED this 10 day of JANUARY, 2008.

TENANT

MICHAELS STORES, INC.,  
a Delaware corporation

By:   
Name: Douglas B. Sullivan  
Title: Executive Vice President - Development

ATTEST

By:   
Name: Janet S. Morehouse  
Title: Assistant Secretary


Date of Execution By Tenant:

Jan. 7, 2008

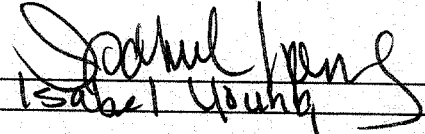
LANDLORD

K FALLS ONE LLC, an Oregon Limited Liability Company

By: Western Development Partners, LLC, a  
California limited liability company,  
its manager

By:   
Name: Greg Geertsen  
Title: Manager

ATTEST

By:   
Name: Isabel Young  
Title:

Date of Execution By Landlord:

Jan 10, 2008

SIGNATURE PAGE

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ACKNOWLEDGEMENTS

TENANT

STATE OF TEXAS

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§  
§

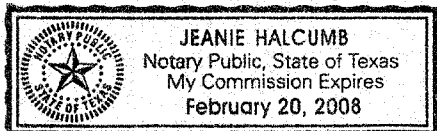
COUNTY OF DALLAS

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 7 day of Jan., 2008

*Jeanie Halcumb*

Notary Public in and for the  
State of Texas



Notary's Printed Name

My Commission Expires: \_\_\_\_\_

LANDLORD

STATE OF \_\_\_\_\_

§  
§  
§

COUNTY OF \_\_\_\_\_

*See attached*

On \_\_\_\_\_

DATE

before me, \_\_\_\_\_

NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared \_\_\_\_\_

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.

WITNESS my hand and official seal

\_\_\_\_\_  
SIGNATURE OF NOTARY

NOTARY PAGE

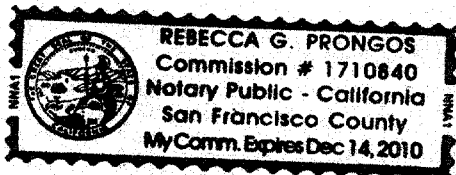
# CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Francisco

On 7/10/08 before me, Rebecca G. Prongos  
Date Here Insert Name and Title of the Officer

personally appeared Greg Geertsen  
Name(s) of Signer(s)



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.

Signature Rebecca G. Prongos  
Signature of Notary Public

Place Notary Seal Above

## OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

### Description of Attached Document

Title or Type of Document: Memorandum of Shopping Center Lease

Document Date: 7/10/08 Number of Pages: 9

Signer(s) Other Than Named Above: \_\_\_\_\_

### Capacity(ies) Claimed by Signer(s)

Signer's Name: \_\_\_\_\_

- ☐ Individual  
☐ Corporate Officer — Title(s): \_\_\_\_\_  
☐ Partner — ☐ Limited ☐ General  
☐ Attorney in Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

RIGHT THUMBPRINT  
OF SIGNER  
Top of thumb here

Signer's Name: \_\_\_\_\_

- ☐ Individual  
☐ Corporate Officer — Title(s): \_\_\_\_\_  
☐ Partner — ☐ Limited ☐ General  
☐ Attorney in Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

RIGHT THUMBPRINT  
OF SIGNER  
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EXHIBIT A  
TO  
MEMORANDUM OF SHOPPING CENTER LEASE  
BETWEEN  
COVENTRY II DDR FAIRPLAIN LLC  
AND  
MICHAELS STORES, INC.

LEGAL DESCRIPTION OF SHOPPING CENTER

A tract of land being all that portion of Tracts 32, 33A and 36 of Enterprise Tracts, situated in the Northwest One-Quarter of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at a 5/8" iron rod with a 1 1/2" aluminum cap per Klamath County Survey No. 1441 and located at the intersection of the northeasterly right-of-way line of Pershing Way and the westerly right-of-way line of Austin Street; thence north 55°53'18" west along said northwesterly right-of-way line 880.81 feet to the easterly right-of-way line of Avalon Street; thence north 30°35'30" east along said easterly line 1001.49 feet; thence north 89°51'08" east 110.58 feet; thence north 00°10'38" west 150.05 feet to the south right-of-way line of Shasta Way; thence north 89°49'57" east along said south line 376.79 feet to said westerly right-of-way line; thence south 00°19'16" west along said westerly line 1,122.19 feet to an angle point in said right-of-way line; thence continuing along said right-of-way line south 34°06'49" west 465.41 feet to said northeasterly right-of-way line and the point of beginning.

Said tract contains 952,197 square feet or 21.86 acres, more or less.

The basis of bearing for this description is per C.S. No. 4204, Klamath County Survey Records.