STATE MS - DESOTO CO.
OCT 31 4 42 PM '02
BK 96 PG 398
W.E. DAVIS CH. CLK.

This instrument was prepared by
and upon recordation should be
returned to:

David W. Greenman, Esq.
Enterprise Counsel Group
18800 Von Karman Avenue, Suite 100
Irvine, California 92612
662-393-4450

**SUBORDINATION, NON-DISTURBANCE & ATTORNMENT AGREEMENT**

**THIS SUBORDINATION, NON-DISTURBANCE & ATTORNMENT AGREEMENT** ("Agreement") is made and entered into this 30th day of October, 2002, effective October 31, 2002, by and among **CHURCH ROAD JOINT VENTURE,** a Tennessee general partnership ("Landlord"), whose mailing address is 1770 Moriah Woods Boulevard, Suite 12, Memphis, TN 38117, **SCHOOL SPECIALTY, INC.**, a Wisconsin corporation, whose mailing address is 3395 W. College Avenue, Appleton, Wisconsin 54911 ("Tenant"), and **STATE FARM LIFE INSURANCE COMPANY**, an Illinois corporation, whose mailing address is One State Farm Plaza, E-3, Bloomington, IL 61710 ("State Farm").

**WITNESSETH:**

**WHEREAS,** Landlord (or its predecessor in interest) and Tenant have heretofore entered into that certain Lease Agreement (Single Tenant Facility) dated April 18, 2000 (said Lease, with attached Rider dated April 18, 2000, and attached Assignment and Assumption of Lease Agreement is herein called the "Lease"), with respect to and governing the terms of Tenant's use and occupancy of all or a portion of certain real estate and improvements legally described on Exhibit A attached hereto and made a part hereof (the "Premises"); and

**WHEREAS,** State Farm, as a condition to making a loan to Landlord in the principal amount of $5,000,000 (the "Loan"), which is to be secured by a Deed of Trust, Security Agreement and Fixture Filing executed by Landlord to and in favor of State Farm (the "Deed of Trust") constituting a first lien upon and encumbering the Premises, and further secured by an Assignment of Rents and Leases executed by Landlord to and in favor of State Farm (the "Assignment of Rents and Leases") assigning to State Farm all leases of and all rents derived from the Premises, has required the execution of this Agreement.

**NOW, THEREFORE,** in consideration of the mutual covenants and agreements herein contained and to induce State Farm to make said Loan and to accept said Deed of Trust upon said Premises as security for the Loan and in consideration of the sum of One Dollar ($1.00) by each of the parties hereto paid to the other, receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby covenant, stipulate and agree as follows:

1. The Lease, and any and all modifications thereof and amendments thereto, all of Tenant's rights thereunder and Tenant's leasehold interest and estate in the Premises shall be and is

hereby made junior, inferior, subordinate and subject in all respects to the lien and encumbrance of the Deed of Trust on the Premises and to all renewals, modifications, consolidations, replacements and extensions of the Deed of Trust, to the full extent of the principal sum secured thereby, all interest thereon and all other sums due or hereafter becoming due thereunder or secured thereby.

2. Tenant agrees that it shall promptly deliver or mail to State Farm a copy of each written notice given by Tenant to Landlord of a default by the Landlord under the Lease. Tenant further agrees that if, within the time provided in the Lease to cure defaults thereunder, State Farm, at its option, shall elect to perform or cause to be performed, the obligations with respect to which Landlord is in default under the Lease, as specified in such written notice, any right of Tenant to terminate the Lease by reason or on account of such default of Landlord shall cease and be null and void.

3. Tenant is advised and hereby acknowledges that the Deed of Trust, Assignment of Rents and Leases and other documents which evidence and secure the Loan (collectively, the "Loan Documents") grant and provide to State Farm the right to collect rents and other sums payable under the Lease (collectively, the "Rents") directly from Tenant upon the occurrence of an Event of Default by Landlord under the Loan Documents, and Tenant and Landlord each hereby agree that upon Tenant's receipt from State Farm of written notice of the occurrence of any Event of Default by Landlord under the Loan Documents, Tenant shall thereafter pay all Rents directly to State Farm (or as State Farm shall direct).

4. State Farm agrees that in the event it should become necessary for State Farm to foreclose the Deed of Trust, and provided that Tenant is not in default of its obligations under the Lease, Tenant shall be entitled to continue in possession of the Premises undisturbed. State Farm further agrees that unless required by law, State Farm will not join Tenant as defendant in any such foreclosure proceedings, and if such joinder is required by law, State Farm will not seek to terminate the Lease or Tenant's possession of the Premises.

5. It is further agreed that in the event State Farm should succeed to the interest of the Landlord under the Lease, State Farm agrees to be bound to Tenant under the Lease. Tenant agrees from and after such event to attorn to State Farm. From the date of such acquisition by State Farm, Tenant shall have the same rights and remedies against and obligations to State Farm that Tenant has against and to the prior Landlord for any default that is in existence and continues beyond the date of such acquisition, as if the default occurred on the date of State Farm's acquisition. However, State Farm shall not be:

(a) liable for the consequences of any act or omission of the prior Landlord that occurred prior to State Farm's acquisition;

(b) subject to any offsets or defenses which Tenant might have against the prior Landlord, for acts, omissions or defaults which occurred prior to State Farm's acquisition;

(c) bound by any rent or additional rent which Tenant might have paid in advance for more than one month;

(d) bound by any amendment or modification of the Lease made after the date of this Agreement without State Farm's prior written consent; or

(e) liable for any security deposit, unless actually received by State Farm from the prior Landlord.

6. Tenant agrees that notwithstanding anything to the contrary contained in this Agreement, in the Lease or in any other instrument, any interest of Tenant in or under any option to purchase or right of first refusal to purchase all or any part of the Premises is hereby specifically subordinated to the rights of State Farm under the Deed of Trust and other Loan Documents and such option to purchase or right of the first refusal to purchase shall not be binding upon State Farm, its successors and assigns.

7. This Agreement shall be binding upon and inure to the benefit of the parties hereto and shall also bind and benefit the heirs, legal representatives, successors and assigns of the respective parties hereto, and all covenants, conditions and agreements herein contained shall be construed as running with the title to the land comprising the Premises.

8. Landlord and Tenant hereby waive to the fullest extent permitted by applicable law, the right to trial by jury in any action, proceeding or counterclaim filed by any party, whether in contract, tort or otherwise relating directly or indirectly to this Agreement or any acts or omissions of the Landlord and Tenant in connection therewith or contemplated thereby.

9. This Agreement may be executed in separate counterparts, all of which, when taken together, shall constitute one and the same instrument.

**IN WITNESS WHEREOF,** the parties hereto have caused these presents to be executed as of the day and year first above written.

TENANT:

SCHOOL SPECIALTY, INC., a Wisconsin corporation

By: _____
Name: DONALD J. NISKOWIAK
Title: V.P.

[SIGNATURES CONTINUED ON NEXT PAGE]

STATE FARM

STATE FARM LIFE INSURANCE COMPANY,
an Illinois corporation

By: _____

Its: INVESTMENT OFFICER

By: _____

Its: ASSISTANT SECRETARY

LANDLORD:

CHURCH ROAD JOINT VENTURE, a Tennessee general partnership

By: _____

Its: _____

STATE FARM

STATE FARM LIFE INSURANCE COMPANY,
an Illinois corporation

By: _____

Its: _____

By: _____

Its: _____

LANDLORD:

CHURCH ROAD JOINT VENTURE, a Tennessee general partnership

By: _____
Carl D. Panattoni

Its: Trustee of Panattoni Living Trust, Dated April 8, 1998, Sole Member of Panattoni Investments, LLC, Managing General Partner

STATE OF ~~CALIFORNIA~~ Wisconsin )
) ss.
COUNTY OF Outagamie )

On ~~September~~ October 30, 2002 before me, Lynette A. Michael, Notary Public, personally appeared Donald J. Abrowski, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Lynette A. Michael
Signature of Notary

[SEAL]

LYNETTE A. MICHAEL NOTARY PUBLIC STATE OF WISCONSIN

STATE OF CALIFORNIA )
) ss.
COUNTY OF Sacramento )

On ~~September~~ October 30, 2002 before me, Katina K. Woodbury, Notary Public, personally appeared Carl D. Panattoni, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

KATINA K. WOODBURY
COMM. # 1220305
NOTARY PUBLIC CALIFORNIA
SACRAMENTO COUNTY
COMM. EXP. MAY 21, 2003

Kat K Woodbury
Signature of Notary

[SEAL]

**STATE OF ILLINOIS** )
)ss
**COUNTY OF MCLEAN** )

**BEFORE ME,** the undersigned Notary Public, in and for the State and County aforementioned, on this day personally appeared Nancy Philipsen, Investment Officer, and G. Roger Gielow, Assistant Secretary, of State Farm Life Insurance Company, both known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same as the act and deed of State Farm Life Insurance Company, as the Investment Officer and Assistant Secretary thereof, and for the purposes and consideration therein expressed and in the capacity therein stated, and that they were authorized to do so.

**GIVEN UNDER MY HAND AND NOTARIAL SEAL** this 31st day of October, 2002.

Anita Lindgren, Notary Public

My Commission expires: 1-2-05

"OFFICIAL SEAL"
ANITA LINDGREN
NOTARY PUBLIC, STATE OF ILLINOIS
My Commision Expires 01/02/05

**EXHIBIT A**

**Legal Description of Real Estate**

15.077 Acre parcel of land lying in the Northeast Quarter of the Southeast Quarter and the Southeast Quarter of the Northeast Quarter of Section 12, Township 2 South, Range 8 West, in the City of Southaven, DeSoto County, Mississippi, being Lot 1 of the DeSoto Center Business Park as recorded in Plat Book 74, Page 28, in the Chancery Clerk's Office of said County and being more particularly described as follows:

Begin at a found iron pin at the southeast corner of Lot 1, DeSoto Center Business Park (Plat Book 74, Page 28), said pin being located North 03°38'50" East, 2317.72 feet from the southeast corner of Section 12, Township 2 South, Range 8 West; thence with the north line of Lot 2 of said DeSoto Center Business Park, North 86°19'40" West, a distance of 698.57 feet to a found iron pin at the Northwest corner of Lot 2 and on the east line of old Airways Road (100 foot right of way ); thence with said right of way line North 04°11'33" West a distance of 874.40 feet to a set iron pin at the southwest corner of the W. E. Ross property (Book 211, Page 695); thence, with the south line of W. E. Ross, South 86°19'40" East, a distance of 817.84 feet, to a set iron pin on the east line of said Section 12; thence along the east line of Section 12, South 03°38'50" West, a distance of 866.18 feet, to the point of beginning. Containing 656,738 square feet or 15.077 acres within these bounds.

H:\BARBARA\D6\Church Road Joint Venture 15.077 Acre Legal.wpd