

## **LEASE AGREEMENT**

This Lease Agreement made this 1<sup>st</sup> day of July, 2015, by and between Independent School District #300, a Minnesota Municipal Corporation, hereinafter referred to as LESSOR, and Hiawatha Valley Education District, a Minnesota Non Profit Corporation, hereinafter referred to as LESSEE.

### **WITNESSETH:**

1. LESSOR, in consideration of the rent hereinafter reserved and the covenants and agreements herein expressed on the part of LESSEE, to be kept, performed and fulfilled, has demised and leased, and by these presents does demise and lease unto the LESSEE the following real estate which is a part of and located on Lots 31, 32, 33, 34, 35, and 36 of Block G, City of Hokah, excepting that part thereof in the Warranty Deed dated December 11, 1963, recorded December 17, 1963 in the Office of the County Recorder in and for Houston County, Minnesota in Book 199 of Deeds, Page 525:

3415 square feet located on the lower level of the structure currently located on the aforescribed premises. The specific location of the leased premises is found on Exhibit A, which is attached hereto and incorporated by reference.

In addition, the LESSEE shall have use in common with the LESSOR, the following areas: kitchen, gym, parking lot, classroom/conference room on upper level, and elevator.

TO HAVE AND TO HOLD the above described premises with the rights, privileges, easements and appurtenances thereunto attaching and belonging unto the LESSEE for and during the three year term

commencing July 1, 2015, and terminating June 30, 2018, paying rent therefore and yielding possession thereof, as hereinafter provided.

2. LESSEE, in consideration of said leasing, agrees to pay as rent for said premises the following sum:

A. Five and 51/100<sup>th</sup> dollars (\$5.51) per square foot, for the 2015-16 school fiscal year, for the 3416 square foot leased premises, PLUS \$54.35 for their portion of the amortization cost of the installation of two new furnaces (FY06) in the building, PLUS \$629.14 for their portion of the amortization cost of the installation of new windows (FY06), PLUS \$128.02 for their portion of the amortization cost of the installation of four new furnaces (FY07) (see paragraph #3.). These costs added together equal the specific amount of Nineteen Thousand Six Hundred Thirty-Five and 38/100<sup>th</sup> Dollars (\$19,635.38) for this rental period, to be paid in one lump sum on or before October 31, 2015.

B. Five and 68/100<sup>th</sup> dollars (\$5.68) per square foot, for the 2016-17 school fiscal year, for the 3416 square foot leased premises, PLUS \$54.35 for their portion of the amortization cost of the installation of two new furnaces (FY06) in the building, PLUS \$629.14 for their portion of the amortization cost of the installation of new windows (FY06), PLUS \$128.02 for their portion of the amortization cost of the installation of four new furnaces (FY07) (see paragraph #3.). These costs added together equal the specific amount of Twenty Thousand Two Hundred and 09/100<sup>th</sup> Dollars (\$20,200.09) for this rental period, to be paid in one lump sum on or before than October 31, 2016.

C. Five and 85/100<sup>th</sup> dollars (\$5.85) per square foot, for the 2017-18 school fiscal year, for the 3416 square foot leased premises, PLUS \$54.35 for their portion of the amortization cost of the installation of two new furnaces (FY06) in the building, PLUS \$629.14 for their portion of the amortization cost of the

installation of new windows (FY06), PLUS \$128.02 for their portion of the amortization cost of the installation of four new furnaces (FY07) (see paragraph 3. below). These costs added together equal the specific amount of Twenty Thousand Seven Hundred Eight-One and 75/100<sup>th</sup> Dollars (\$20,781.75) for this rental period, to be paid in one lump sum on or before October 31, 2017.

In addition thereto, LESSEE shall pay to the LESSOR prorata amount of capital improvements as described in Paragraph 18 of this Lease Agreement.

3. It is further covenanted and agreed by and between the parties hereto that any remodeling, alterations, betterments and capital improvements made, placed or constructed upon the demised premises by the LESSEE shall be the property of the LESSOR upon the termination of this Lease.

4. LESSEE has examined and knows the conditions of said premises. LESSEE specifically agrees to exercise ordinary care to keep said premises, including all appurtenances, in good repair, and will keep said premises in a clean and healthful condition and, upon termination of this Lease Agreement, in any way, will yield up said premises to LESSOR in good condition and repair as the same are in at the commencement of this Lease Agreement, excepting only reasonable and ordinary wear and tear.

5. LESSOR will pay all the utility expenses covering electricity, gas, water, and sewer. The LESSEE shall pay for all telephone, including any installation thereof. The LESSEE shall reimburse LESSOR annually and pro-rated based on rental square footage (3,415 of 16,950 in building) for all the utility expenses covering electricity, gas, water and sewer in excess of the 3% inflation assumed in this agreement.

6. LESSEE covenants and agrees that LESSEE will protect and save and keep LESSOR forever harmless and indemnified against any and all losses, costs, damages or expenses arising out of a negligent act or omission of LESSEE arising on or about said premises, causing injury to any person or damage to any property

whensoever or whatsoever. LESSEE agrees to obtain and maintain and pay premiums for public liability insurance policy in an amount of at least one million dollars covering LESSEE'S negligence hereunder.

7. LESSOR and LESSEE agree that LESSEE has a duty of ordinary care with respect to the said real estate and appurtenances leased hereunder. However, any provision herein to the contrary notwithstanding, LESSEE will not be responsible to LESSOR for any loss or damage to any building and appurtenance leased hereunder, or for any loss of use thereof, or rents or profits therefrom, if such loss or damage is caused by, or results from, fire or explosion, or other causes beyond the control of the LESSEE.

8. LESSOR shall keep the building, of which the demised premises hereby let form a part, insured against loss or damage by fire and other extended coverage to the extent of the full insurable value thereof, including all improvements, alterations, additions and changes made by the LESSOR or LESSEE.

9. Any provisions herein to the contrary notwithstanding, LESSOR will not be responsible to LESSEE for any loss or damage to the personal property of LESSEE located on said demised premises, or for any loss of use thereof, or rents or profits therefrom, if such loss or damage is caused by or results from any cause whatsoever, except malicious act of the LESSOR.

10. The LESSEE shall not, without the LESSOR'S prior written consent, make any alterations, improvements or betterments, or install any fixtures in or upon the demised premises.

11. All fixtures attached to walls, ceilings and floors may not be removed by LESSEE at the expiration of the Lease and shall become the property of LESSOR. All permanent partitions and doors shall remain in place at the expiration of the Lease. At the expiration of the Lease, all nail holes caused by the LESSEE shall be filled in and the walls returned to their original condition.

12. The LESSOR shall have the right to inspect the demised premises during normal business hours on twenty-four (24) hours notice, and within three (3) months of the expiration date of said Lease, the LESSOR shall have the right to exhibit said premises to anyone for the purpose of selling the same or leasing the same.

13. If the demised premises are totally destroyed by any cause whatsoever, except a malicious or negligent act of the LESSEE, this Lease and Agreement shall terminate as of the date of such destruction or damage, and rental shall be accounted for as between LESSOR and LESSEE as of the date of such destruction or damage. If premises are damaged, but not rendered substantially untenable for the purpose of the business by any cause whatsoever, except a malicious or negligent act of the LESSEE, rental shall abate in proportion as the premises have been damaged, and LESSOR shall restore the premises to their condition as of the commencement date of this Lease and Agreement, ordinary wear and tear except, wherefrom full rent shall recommence; provided, however, that such restoration shall be made within sixty (60) days following the date of the event giving rise to such damage.

14. If LESSEE defaults for fifteen (15) days after written notice of its obligations hereunder, or if LESSEE is adjudicated as bankrupt, or if a permanent receiver is appointed for LESSEE'S property, including LESSEE'S interest in premises and such receiver is not removed within fifteen (15) days after written notice from LESSOR to LESSEE to obtain such removal, or if, whether voluntarily or involuntarily, LESSEE takes advantage of any debtor relief proceedings under any present or future law, whereby the rent or any part thereof is, or is proposed to be, reduced or payment thereof deferred, or if LESSEE makes an assignment for benefit of creditors, or if premises or LESSEE'S effects or interest therein should be levied upon or attached under process against LESSEE, not satisfied or dissolved within fifteen (15) days after written notice from LESSOR to

LESSEE to obtain satisfaction thereof, then, and in any of said events, LESSOR at its option may at once (but only during continuance of such condition or default) terminate this Lease and Agreement by written notice to LESSEE, whereupon this Lease and Agreement shall end. After an authorized assignment or subletting, the occurring of any of the foregoing defaults or events shall affect this Lease only if caused by or happening to the assignee or sublease. Upon such termination by LESSOR, LESSEE will at once surrender possession of the premises to LESSOR and remove all of LESSEE'S effects therefrom and LESSOR may forthwith re-enter the premises and repossess itself thereof, and remove all persons and effects therefrom using such force as may be necessary without being guilty of trespass, forcible entry detainer or other tort.

15. LESSEE agrees that there shall be no smoking permitted by LESSEE, its employees or clients.

16. LESSEE shall not have the right to sublet said premises without obtaining the written consent of LESSOR prior to any such subletting.

17. LESSOR covenants and agrees that LESSEE shall peaceably and quietly have, hold and enjoy the said demised premises for the term aforesaid, and that LESSOR will protect the LESSEE against any claims or any party or parties, other than persons claiming through the LESSEE, should contest arise as to the ownership of possession of the same, provided LESSEE pays the rent and performs other covenants contained herein.

18. LESSOR shall provide a custodian in an amount of one hour per workday student contact days and one hour every other day during non-student contact days (summer break). In addition the LESSOR shall provide for parking lot snow removal, garbage removal, and shall also provide for access to the Internet. LESSEE shall provide for snow removal of the steps and ramp on the portable classroom office space. As rent,

the LESSEE shall be responsible for a prorata share of capital improvements amortized over the life of the capital improvements. The determination of capital improvements and the life of any such capital improvements shall be determined by standard accounting procedures accepted by the State of Minnesota for Public School Districts. The amount equal to the amortized cost of the capital improvement prorated by the anticipated life of the capital improvements as determined by standard accounting practices shall be added to the per square rental payment as an additional Lease payment. This additional amount shall be prorated according to the number of square feet utilized by the LESSEE compared to the entire amount of useable square footage area for the entire structure of which the leased premises is a part thereof. This additional amount shall commence with the month that the capital improvement has been completed and shall continue until the termination of this Lease.

19. LESSOR grants to the LESSEE the option to lease additional space located on the lower level of the structure as identified in Exhibit A for the cost of Five and 51/100<sup>th</sup> dollars (\$5.51) per square foot for the 2015-2016 school fiscal year, Five and 68/100<sup>th</sup> dollars (\$5.68) per square foot for the 2016-2017 school fiscal year and Five and 85/100<sup>th</sup> dollars (\$5.85) for the 2017-18 school fiscal year, with the actual cost of rent being prorated according to the actual time of occupancy. In addition, LESSOR grants the LESSEE the option to renew this Lease for an additional twelve (12) months commencing July 1, 2018 provided that the LESSEE and the LESSOR agree to the rental amount and ongoing mutual agreement to continue renting space at said time. The option to renew must be exercised no later than one (1) month prior to the expiration of this Lease.

20. During the term of the three year lease (FY15, FY16, FY17), both the LESSOR and LESSEE may terminate continuation of the lease with 60 day notice of the fiscal year end June 30<sup>th</sup>.

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

LESSEE:

Hiawatha Valley Education District

BY: \_\_\_\_\_

LESSOR:

Independent School District #300

BY: \_\_\_\_\_