

LEASE
between
INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA
and
LITTLE TREASURES CENTER

THIS INDENTURE OF LEASE, effective the 1ST day of September, 2010, by and between Independent School District #709, a public corporation, party of the First Part, hereinafter called Lessor, and the Little Treasures Center (LTC) a nonprofit 501(c)3 in the State of Minnesota, party of the second part, hereinafter called the Lessee.

WITNESSETH:

In consideration of the covenants, conditions and promises hereby mutually undertaken to be kept and performed by the parties, Lessor hereby demises and leases, and Lessee hereby hires and takes the following described premises situated in the City of Duluth, County of St. Louis and State of Minnesota, to wit:

A portion of a building located at; 1027 North 8th Avenue East, designated as the "Grant School " of the Duluth Public Schools having a floor space of approximately 5,000 square as shown and depicted in Exhibit 1, together with the free and unmolested right to sidewalks, driveways, playgrounds also part of the "Grant School" of the Duluth Public Schools or belonging thereto, all being collectively referred to as the demised premises.

TO HAVE AND TO HOLD THE SAME, unto the said Lessee, for a period from September 1, 2010 until the 30th day of November, 2010, with the following terms and conditions and covenants, to-wit:

1. Rent. The Lessee agrees to pay to the Lessor in lawful money of the United States, during the lease term and extensions thereof, a net monthly rent (hereinafter called net rent) as follows:

For each month of the lease, commencing September 1, 2010, and ending November 30, 2010, the sum of Nine Hundred and 00/100 Dollars (\$900.00) shall be paid prior to initial occupancy and on the fifteenth day of each month in advance.
2. Term Extension Option - Upon expiration of the Initial three month term of this Agreement, if the Lessor determines that the use will continue to be compatible and consistent with its construction schedules, programs and building space needs, the Lessee shall have the option to extend the term of this Agreement for additional 30 day periods for the same monthly rent.
3. Use of Premises. The Lessee will use and occupy said premises for a child day care and other services and programs incidental thereto, and for no other use or purpose without the

written consent of Lessor, and Lessee shall not use the premises for any purpose in violation of any federal, state, or municipal statute or ordinance, or of any regulation, order, or directive of a governmental agency, as such statutes, ordinances, regulations, orders, or directives now exist or may hereafter provide, concerning the use and safety of the demised premises.

- | 4. Assignment and Subletting. Without the prior written consent of Lessor, Lessee shall not assign this lease, or sublet or grant any concession or license to use the premises or any part thereof. A consent by Lessor to one assignment, subletting, concession, or license shall not be deemed a consent to any subsequent assignment, subletting, concession, or license. An assignment, subletting, concession, or license without the prior written consent of Lessor, or an assignment or subletting by operation of law, shall be void and shall, at Lessor's option, terminate this lease.
- | 5. Improvements. It is hereby agreed that the Lessee shall be allowed to install equipment and related electrical and data cabling in the demised premises or make alterations to the premises, provided Lessee provides Lessor with a written description and or design of such installation, which must be approved in writing by the Lessor which approval will not be unreasonably withheld. No other alteration, addition, or improvement to the leased property shall be made by the Lessee without the written consent of the Lessor. Any alteration, addition, or improvement made by Lessee after such consent shall have been given, shall be made at the sole expense of the Lessee, and the Lessee shall and will in each instance save said Lessor and said premises forever harmless and free from all costs, damages, loss and liability of every kind and character which may be claimed, asserted or charged, including liability to adjacent owners based upon the acts of negligence of said Lessee or its agents, contractors or employees, or upon the negligence of any other person or persons in or about said premises or upon the failure of any or either of them to observe and comply with the requirement of the law or with the regulations of the authorities in the said City of Duluth and will preserve and hold the Lessor and said premises forever free and clear from liens for labor and material furnished.

All such alterations, additions and improvements made by the Lessee and any fixtures installed as part thereof, (except as otherwise provided) shall at the Lessor's option become the property of the Lessor upon the expiration or other sooner termination of this lease; provided, however, that the Lessor shall have the right to require the Lessee to remove such fixtures at the Lessee's cost upon such termination of this lease. The Lessee may remove all furniture and other school office and/or communication and data processing equipment and apparatus whether attached or not, but after removal of same agrees to repair all damage caused by such removal and to deliver said demised premises to the Lessor in as good order and condition as the same were in on the date the lease term commenced or were thereafter put in by the Lessor, reasonable wear and tear excepted provided, however, Lessee may not remove the electrical, voice, and data cabling that services such equipment.

- 6. Operation, Repair and Maintenance – The responsibility for building operation, repair and maintenance shall be according to the schedule attached hereto.

7. Right to Enter. The Lessor shall have reasonable right to entry to demised premises during business hours for the purpose of examining or exhibiting the same or to make any needful repairs or alterations, but the making of any repairs, or exhibiting of the premises shall not unnecessarily interfere with Lessee's use of the premises nor the conducting of the Lessee's business therein. The Lessor shall make repairs as provide herein on the same timetable and basis consistent with repairs it makes in other district school facilities, and the Lessor shall not be liable to the Lessee, or any other person or persons, if said repairs are completed on this basis.
8. Liability of Lessor and Lessee. The Lessee shall defend and indemnify Lessor and save, protect and hold Lessor harmless from any and all liability, loss, damage, expense (including legal expenses and reasonable attorneys fees), cause of action, suits, claims or judgments arising from injury to persons or property, resulting from or based upon Lessee's maintenance or use of the demised premises and/or the acts of its employees or others under its supervision. Lessor shall defend and indemnify Lessee and save, protect and hold Lessee harmless from any and all liability, loss, damage, expense (including legal expenses and reasonable attorneys fees), cause of action, suits, claims or judgments arising from injury to persons or property, resulting from or based upon Lessor's maintenance or use of the demised premises and/or the acts of its employees or others under its supervision.
9. Condition of Premises. Responsibility to keep the demised premises in good repair and in good sanitary condition during said term shall be apportioned as set forth in the attached schedule. Neither party will in any manner deface or injure said demised premises, or any part thereof, or do or permit anything to be done upon said premises or in the passageways, alleys, areas, area-ways, sidewalks or streets adjacent thereto, that will amount to or create a nuisance. Lessee will not use said premises or permit the same or any part thereof to be used for any purpose contrary to the laws, ordinances or regulations of the United States of America or the State of Minnesota, or the City of Duluth or County of St. Louis, or of any rules or regulations of any boards or offices of said city or county. Lessee further agrees to return said premises peaceably and promptly to the Lessor at the end of the term of this lease, or at any previous termination thereof, in as good condition as the same are now in or may hereafter be put in, when not due to failure, on part of the Lessor, to perform maintenance and operations as required by other sections of this lease, and ordinary wear excepted.
10. Utilities. All utilities shall be paid by the Lessor.
11. Unsafe Conditions, Condemnation and Eminent Domain. The Lessor hereby agrees that if any governmental authority has condemned or does condemn the demised premises or any part thereof as being unsafe or as not in conformity with any applicable law or regulation, and such a condition is the responsibility of Lessor and not caused by Lessee, the Lessor, at its own cost and expense, will immediately make such changes, alterations or repairs as may be necessary to comply with such law or regulation and if, during the

course of such changes, alterations or repairs, Lessee is deprived of the use of any or all of said premises, the rent shall be abated during the period of deprivation in proportion to the part of the premises made untenable. The Lessee further agrees that if the demised premises, or any part thereof, or any part of the improvements of which they form a part, shall be taken for any street or other public use, or shall during the continuance of this lease be destroyed by the action of the public authorities, then this lease and the term demised shall thereupon terminate.

12. Fire and other Casualty. It is agreed between the Lessor and the Lessee that if during the term of this lease the demised premises or the improvements thereon shall be injured or destroyed by fire or the elements, or through any other cause, so as to render the demised premises unfit for occupancy, or make it impossible to conduct the business of the Lessee thereon, or to such an extent that they cannot be repaired with reasonable diligence within thirty (30) days from the happening of such injury, then the Lessor or the Lessee may terminate this lease and the term herein demised from the date of such damage or destruction, and the Lessee shall immediately surrender the demised premises and all interest therein to the Lessor, and the Lessee shall pay rent only to the time of such surrender; and in case of any such destruction or injury the Lessor may re-enter and repossess the demised premises discharged of this lease, and may dispossess all parties then in possession thereof. But if the demised premises can be restored within sixty (60) days from the happening of the injury thereto, and the Lessor within fifteen (15) days from the occurrence of such injury elects in writing to so repair or restore said premises within sixty (60) days from the happening of the injury thereto, then this lease shall not end or terminate due to such injury by fire or otherwise, but the rent shall not run or accrue after the injury and during the process of repairs, and up to the time when the repairs shall be completed, except only that the Lessee shall during such time pay a pro rata portion of such rent apportioned to the portion of the demised premises which are in condition for occupancy or which may be actually occupied during such repairing period. In any event, the Lessee may, in the alternative, require the Lessor, during the period of said repairs, provide other facilities, which the Lessor owns and which are reasonably available or extend the period of the lease to complete the school year to enable the Lessee or LTDC to conduct its school program. If, however, the demised premises shall be so slightly injured by any cause aforesaid, as not to be rendered unfit for occupancy, then the Lessor shall repair the same with reasonable promptness, and in that case the rent shall not cease or be abated during such repairing period. All improvements or betterments placed by the Lessee on the demised premises shall, however, in any event, be repaired and replaced by the Lessee at his own expense and not at the expense of the Lessor.

13. Cancellation. This lease may be cancelled and terminated by either party with thirty (30) days written notice or as is in accordance with other provisions herein.

14. Insurance. Lessor agrees to provide and secure at Lessor's expense such insurance as in the Lessor's judgment may be proper and necessary to protect against any loss, damage or destruction to the building or any other insurable portion of the demised premises. The

Lessee shall maintain sufficient commercial general liability insurance, in the amount of or greater than One Million Dollars (\$1,000,000) to protect both Lessor, as named additional insured, and the Lessee from all claims whether the claims are under a workers' compensation act or otherwise, which may arise from the Lessee's operations, practices or by visits from the public under this lease. Lessee shall also maintain personal property insurance sufficient to cover any damage or injury to Lessee's equipment or other personal property on the premises, and covered by the terms of this lease. Lessee shall file certificates of this insurance with Lessor, and the insurance shall be subject to the approval of Lessor for adequacy of protection and approval of the insurer. The Lessor and the Lessee hereby mutually waive as against each other any claim, action or cause of action for any loss, cost, damage or expense which may arise during the term hereof as a result of occurrence of perils covered by the Minnesota Standard Fire Insurance Policy and extended coverage endorsements.

15. Default. If default shall be made by Lessee or Lessee's successors or assigns in the payment of the rent herein reserved, and that default shall continue for thirty (30) days after notice thereof in writing to Lessee or Lessee's successors or assigns; or if a breach other than in the payment of rent shall be made in the terms and conditions herein to be performed by Lessee or Lessee's successors and assigns, and the breach shall continue for thirty (30) days after notice thereof in writing to Lessee; then and in either event the right of Lessee to the possession of the demised premises shall terminate upon the expiration of an additional thirty (30) days at option of Lessor, and the mere retention or possession thereafter by Lessee shall constitute a forcible detainer, and if Lessor so elects, but not otherwise, this lease shall thereupon terminate.

Upon termination pursuant to this Section, the Lessor may lease or relet the premises in whole or in part, or the buildings and improvements thereon, to any tenant or tenants that may be satisfactory to Lessor for any duration and for the best rent, terms, and conditions as Lessor may obtain. The acceptance of any tenant or the making of any lease by Lessor shall be conclusive of the exercise of proper discretion by Lessor. In the event of a re-entry, Lessor shall credit the rent actually collected by the Lessor from such reletting on the rentals stipulated to be paid under this lease by the Lessee from time to time, and may collect from the Lessee any balance remaining due from time to time on the rent reserved under this lease, charging to the Lessee such reasonable expenses as the Lessor may expend in putting the premises in tenantable condition.

Lessor shall not be under any obligation to repossess the demised premises during any period wherein Lessee is in default, and the foregoing provisions regarding the repossession and management of the building and improvements and the disposition of rents thereof by Lessor are made to operate only in the event Lessor shall elect to repossess the premises.

16. Waiver of Consent. The failure of the Lessor or Lessee to insist upon a strict performance of any of the terms, conditions and covenants herein shall not be deemed a waiver of any rights or remedies that the Lessor or Lessee may have and shall not be

deemed a waiver of any subsequent breach or default in the terms, conditions and covenants herein contained.

17. Ownership and Possession. Lessor covenants that it is lawfully seized of the demised premises and has full right and power to enter into this lease for the full term and upon all the conditions herein contained, and will deliver full and complete possession of the demised premises upon the commencement date of the lease, and that Lessee, on paying the said rent and performing the covenants agreed to be performed, shall and may peaceably and quietly have, hold and enjoy the demised premises for the said term and for the use and purpose leased hereunder. Lessor covenants that the Lessee at all times shall have unobstructed and adequate means of ingress and egress between each of the entrances to the demised premises and a public street or public highway.

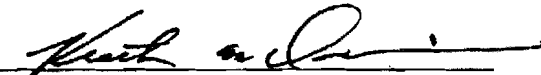
18. Notices. Whenever notice, demand or communication shall be required to be given to the Lessee, it shall be deemed sufficient for that purpose to deliver by means of overnight delivery by established company, or mail such notice by certified mail, return receipt requested, to Lessee addressed to: Little Treasures Day Care, 1027 North 8th Ave. East, Duluth, MN 55805 or sent by e-mail to ~~mailto:3@gmail.com~~ [mailto:3@gmail.com] on behalf of Peg Johnson [peg@littletreasurescenter.org] or as Lessee may from time to time designate in writing, and notice given as aforesaid shall be sufficient service thereof.

Whenever notice, demand or communication is to be given to or made on the Lessor, it shall be deemed sufficient for the purpose to mail by certified mail, return receipt requested, such notice to the Lessor addressed to: Independent School District #709, 215 North First Avenue East, Duluth, Minnesota 55802, or as Lessor may from time to time designate in writing and notice given as aforesaid shall be sufficient service thereof.

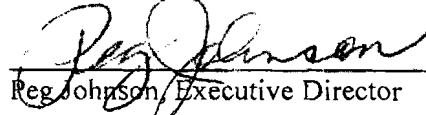
19. Other Matters. The schedule attached hereto is a part of the lease and shall supersede any inconsistent provisions set forth hereinabove.

IN WITNESS WHEREOF, the parties hereto have executed this lease and affixed their seals thereto, the day and year first above written.

INDEPENDENT SCHOOL DISTRICT NO. 709
Lessor


William C. Hanson, CFO Date
Keith Dixon, Superintendent

Little Treasures Center
Lessee

 8-27-10
Peg Johnson, Executive Director Date