

LEASE AGREEMENT

This Lease Agreement (“**Lease**”) is made and entered into effective as of January 1st, 2018 by and between the INDEPENDENT SCHOOL DISTRICT #709, a public corporation under the laws of Minnesota (“**Landlord**”) and THE HILLS YOUTH AND FAMILY SERVICES, a Minnesota non-profit corporation (“**Tenant**”).

RECITALS

A. Landlord is the owner of the land, building (“**Building**”) and improvements located at 4849 Ivanhoe Street in Duluth, Minnesota and commonly known as “**Rockridge School**”.

B. Tenant provides trauma focused residential day treatment and community based mental health services for youth and trauma focused residential treatment for adjudicated youth and related services (the “**Programs**”).

C. Landlord is the local school district and provides education to eligible students residing within its boundaries.

D. Landlord will provide educational services for youth participating in Tenant’s programs at Rockridge School.

E. Tenant desires to lease space within the Building to provide related services to the youth participating in the Programs.

AGREEMENT

Now therefore, it is agreed by and between the parties hereto as follows:

DATA SHEET

(The provisions set forth in this Data Sheet are supplemented in the General Terms portion of this Lease.)

1. **Leased Premises**. The Premises is located within the Building and includes the following spaces:

1. 115
2. 115A
3. 116A
4. Room 116

5. Room 116A
6. Room 116B
7. Room 116C
8. Room 116D
9. Room 116DA
10. Room 116DB
11. Room 116E
12. Room 116F
13. Room 119
14. Room 121
15. Room 123
16. Room 123A
17. Room 123B
18. Room 123C
19. Room 123D
20. Room 123E
21. Room 123F
22. Room 123G
23. Room 123H
24. Room 125

(the “**Leased Premises**”). Excluding the playground, the Leased Premises includes approximately 3,024 square feet of space. The Leased Premises (except for the playground) is depicted on **Exhibit A** attached hereto. In addition to the Leased Premises, Tenant may also use the common areas depicted on Exhibit A including, without limitation, the men’s and women’s bathrooms, the common corridors, the vestibules, the recycling room (Room 101), the faculty room (Room 114A), the meeting room (Room 113), the technical closet (Room 125A), the work room (Room 117A), and the parking areas, driveways, walkways and grounds (collectively, the “**Common Areas**”) in conjunction with Tenant’s use of the Leased Premises.

2. **Improvements By Landlord.** Landlord is not required to make any improvements to the Leased Premises, except, if at all, as identified on **Schedule 2** attached to this Lease:

3. **Term.** The Term of this Lease shall be fifteen (15) years commencing on January 2, 2018.

4. **Rental Rate.** Annual rent is \$19,656.00 and is due in monthly installments on the first day of each month in the amount of \$1,638 each; the foregoing rental rate is inclusive of all utilities – heating, electrical service, water and garbage – and was calculated upon a rate of \$6.50 per square foot and an agreed upon square footage of 3,024 square feet. Annual rent is not

subject to adjustment (positive or negative) if the parties later determine that the number of square feet included in the Premises is more or less than 3,024. The parties acknowledge that Landlord has an outstanding obligation to Tenant of \$60,000, which shall be converted to a rent credit account of \$60,000 against which rent shall be credited on an ongoing basis, until the rent credit is exhausted. Should the Lease be terminated prior to the rent credit being exhausted, Landlord acknowledges that it will owe Tenant the balance of the unused rent credit. Beginning on January 1st, 2019 and each year on January 1st, annual rent shall be increased (but never decreased) by multiplying the annual rent as of the date of this Lease by a fraction, the numerator of which is the most recently published Consumer Price Index as of the time in question and the denominator of which is the most recently published Consumer Price Index as of the date of this Lease. As used in this Section, "Consumer Price Index" means the Consumer Price Index Minneapolis-St. Paul, for all urban consumers, all items (CPI-U) or, if that index is discontinued, a comparable index prepared by a governmental agency or a responsible periodical of recognized authority as reasonably selected by Landlord.

5. **Permitted Use.** The Leased Premises shall be used only to provide services to youth and families relating to the Programs (the "**Permitted Use**"). The Permitted Use does not include the use of the Leased Premises as a residence.

6. **Landlord Address.** ISD #709
215 North First Avenue
Duluth, MN 55802

7. **Tenant Address.** The Hills Youth and Family Services
4321 Allendale Avenue
Duluth, MN 55803-1562

8. **Hours of Operation.** Monday through Friday from 8:00 a.m. to 4:30 p.m.; provided, however, that the Building will not be open on holidays on which the Landlord's administrative offices are closed or on days or during hours when the Landlord has announced the closure of its schools or a delay in the opening of its schools. Use of the Leased Premises during other hours must be arranged by Tenant with Landlord in advance and will be subject to Landlord's established or typical building use fees.

9. **General Terms.** This Lease includes the General Terms which follow.

LANDLORD:

INDEPENDENT SCHOOL DISTRICT #709, a public corporation under the laws of Minnesota

By: _____
Name: _____
Title: _____

TENANT:

THE HILLS YOUTH AND FAMILY SERVICES, a Minnesota non-profit corporation

By: _____
Name: Jeff Bradt
Title: CEO



GENERAL TERMS

1.0 LEASED PREMISES & TERMS:

1.1 **LEASED PREMISES DEFINED:** In consideration of the obligation of Tenant to pay rent as herein provided, and in consideration of the other terms, provisions and covenants hereof, Landlord hereby demises and leases to Tenant, and Tenant hereby takes from Landlord, the Leased Premises as that term is defined in the Data Sheet, together with the right to use in common with Landlord and other tenants in the Building, and its and their employees, agents, representatives and invitees, the Common Areas, to the extent necessary to accomplish Tenant's use of the Leased Premises. The use of all Common Areas is subject to reasonable control by Landlord.

1.2 **ACCEPTANCE OF LEASED PREMISES:** Tenant acknowledges that it has inspected the Leased Premises and accepts them in their present condition as suitable for the purpose for which they are leased, and further acknowledges that no representations as to the repair of the Leased Premises nor promises to alter, remodel or improve the Leased Premises have been made by Landlord, except as may be provided in the Data Sheet, if at all.

2.0 **RENT:** Rent shall be in the amount set forth in the Data Sheet. Monthly installments of rent to be paid in advance on the first day of each and every month to the order of Landlord and at the office set forth in the Data Sheet or at such other place as may from time to time be designated by the Landlord in writing. A prorated monthly installment shall be paid at the then current rate for any fraction of a month if the term shall begin on any day except for the first day or shall be terminated on any day except the last day of any month.

3.0 **USE:** The Leased Premises shall be used only for the purpose set forth in the Data Sheet. In addition, no part of the Leased Premises shall be used for any purpose which constitutes a nuisance or which is illegal, offensive, termed extra hazardous by insurance companies or which may make void or voidable any insurance on the Building or which may increase the premiums therefor, or which will interfere with the general safety, comfort and convenience of the Landlord and other Tenants of the Building. Except for the lunch and snack programs associated with the Permitted Use, there shall be no sale of food or beverages by any means without the prior written consent of Landlord. Tenant shall not permit intoxicating liquors to be kept or sold in the Leased Premises without the prior written consent of Landlord and then only in compliance with any rules and regulations which may from time to time be adopted by Landlord and any additional conditions Landlord may deem appropriate. Tenant shall not cause or permit any unusual, noxious or otherwise disturbing noise, vibrations, odors or nuisance in or about the Leased Premises. No smoking is allowed within the Building or in any of the Common Areas. Tenant shall obtain and maintain all licenses required for its use of the Leased Premises and it shall comply with all laws regarding its use of the Leased Premises. All use of the Playground must be properly supervised.

3.1 **CONTINUOUS OPERATION OF BUSINESS:** Tenant shall occupy the Leased Premises and continuously conduct and operate the Permitted Use. Tenant shall install and maintain at all times in the Leased Premises such fixtures, furnishings, fittings and equipment and provide and maintain adequate stocks of supplies and make reasonable efforts to employ or otherwise staff the Leased Premises in a manner adequate to appropriately carry out the Permitted Use at all times.

4. **REPAIRS BY LANDLORD:** Landlord shall, at its expense, maintain the Building (except for the Leased Premises), the Common Areas and the heating, plumbing, elevator and electrical systems located within the Building, in good repair, reasonable wear and tear excepted. Tenant shall repair and pay for any damage caused by the act or negligence of Tenant or Tenant's employees, agents, representatives or invitees, or caused by Tenant's default hereunder. Tenant shall give Landlord prompt written notice of any defect or need for repairs that are Landlord's responsibility after which Landlord shall have reasonable opportunity to repair same or cure such defect. Landlord shall also provide routine maintenance, including snow and ice removal, general lighting and janitorial service, for the Leased Premises and Common Areas of the Building. Without limitation to the generality of the foregoing, janitorial service shall include emptying wastebaskets daily and premises vacuuming on a weekly basis.

5. **REPAIRS BY TENANT:** Except as provided in Section 4, Tenant shall at its own cost and expense maintain the Leased Premises in good repair, reasonable wear and tear excepted, and shall permit no waste; provided, however, Landlord shall repair and pay for any damage caused by the act or negligence of Landlord or Landlord's employees, agents, representatives or invitees, or caused by Landlord's default hereunder. Tenant shall be responsible for the replacement of any glass broken by Tenant. Tenant will keep the whole of the Leased Premises in a clean, sanitary and safe condition, and will at the expiration of the term of this Lease or other termination of the term of this Lease, surrender the same to Landlord, broom clean, and in the same order and condition as they were in at the commencement of the term of this Lease, reasonable wear and tear excepted. Tenant shall be responsible for the maintenance and repair of any Tenant improvements or alterations.

6. **ALTERATIONS BY LANDLORD:** Tenant shall permit Landlord to make such alterations, renovations, improvements, restorations and/or repairs as, in the judgment of Landlord, may be deemed necessary or desirable for the Leased Premises, for any other space in the Building, or for the Building itself (including access to distribution systems above the ceiling of the Leased Premises). Landlord shall use reasonable efforts to not unreasonably interfere with the conduct of Tenants' business. Landlord shall provide Tenant reasonable advance written notice of any alterations, renovations, improvements, restorations, and/or repairs to the Leased Premises.

7. **ALTERATIONS BY TENANT:** Tenant shall not make any alterations of, additions to, or improvements to the Leased Premises without the prior written consent of Landlord. Tenant will not permit any mechanics', laborers' or materialmen's liens to stand against the Leased Premises or the Building for any labor or material furnished to or for the account of Tenant, or claimed to have been so furnished in connection with any work performed

or claimed to have been performed in, on or about the Leased Premises. All requests for the making of alterations of, or additions to, the Leased Premises will, among other things, be submitted to the Landlord. All alterations and additions must be made pursuant to written contracts and copies of the contracts and the waivers required herein must also be submitted for Landlord's written consent. On January 1 of each year, a list of all alterations, additions or improvements made by Tenant in the previous year and their costs must be provided to the Landlord. Alterations, additions or improvements made will, at Landlord's option, be considered to belong to the Landlord upon termination of this Lease.

At the termination of this Lease, Tenant shall, if Landlord so elects, remove all alterations and additions erected by Tenant and restore the Leased Premises to its original condition; otherwise such improvements shall be delivered to the Landlord with the Leased Premises. All movable office furnishings and trade fixtures installed by Tenant may be removed by Tenant at the termination of this Lease if Tenant so elects, and shall be removed if required by Landlord. All such removals and restoration shall be accomplished in a good and workmanlike manner so as not to damage the primary structure or structural qualities of the Leased Premises or the Building. Personal property remaining in the Leased Premises at the expiration or termination of the term of this Lease shall be deemed abandoned, and Landlord may dispose of the same as Landlord deems expedient.

Notwithstanding anything to the contrary contained in this Lease, Landlord shall in all events have the right to prescribe the weight and position of any heavy equipment placed in or on the Leased Premises by Tenant. Any and all damage or injury to the Leased Premises or the Building caused by moving the property of Tenant in or out of the Leased Premises, or due to the same being in or on the Leased Premises, shall be repaired by Tenant at its sole cost and expense. No equipment, fixtures, furniture or other bulky matter will be received into or carried in the Building, except in or at such places and in such manner as are approved by Landlord, and all moving of Tenant's property in or out of the Leased Premises shall be done only under the direct control and supervision of Landlord; provided, however, that Landlord shall not be responsible for any damage to, or charges for moving such property.

8. **SIGNS:** The Tenant shall not display, inscribe, print, maintain, or affix on any place in or about the Building or the Common Areas any sign, notice, legend, direction, figure or advertisement, that has not been approved by Landlord.

9. **ACCESS BY LANDLORD:** Landlord, its agents and representatives shall be entitled to keep pass keys to the Leased Premises and shall have the right to enter and inspect the Leased Premises at any time when the Premises are not being currently used by Tenant, or upon reasonable advance notice at times when the Premises are being used by Tenant, for the purpose of ascertaining the condition thereof, or in order to make such repairs as may be required to be made by Landlord under the terms of this Lease, or as Landlord may deem necessary, or to make any other use of the Leased Premises (it again being understood that Tenant's use is not exclusive and is limited to certain periods of time during certain days of the week). The right of entry reserved shall not be deemed to impose any greater obligation on Landlord to clean, maintain, repair or change the Leased Premises than is specifically provided in this Lease. The

Landlord, its agents and representatives may at any time in case of emergency enter the Leased Premises and do such acts as Landlord may deem proper in order to protect the Leased Premises, the Building, or any occupants of the Building. In situations not deemed to be emergencies by the Landlord, the Landlord shall make a good faith effort to provide Tenant with 24 hours notice before entering the office space, and such notice shall be deemed reasonable. Landlord, its agents, and representatives shall also have the right to enter the Leased Premises to provide janitorial services and routine maintenance without providing notice. The parties acknowledge that the Leased Premises will contain client medical records, treatment plans demographic data, and other information that is protected health information (PHI) under federal law. Landlord will notify the Tenant immediately if an inspection or entry of the Leased Premises results in a release of PHI to any person not specifically authorized by the Tenant to receive it.

10. **UTILITIES:**

A. **HEAT:** Landlord shall furnish heat for normal purposes only, to provide, in Landlord's judgment, comfortable occupancy during the business hours listed in the Data Sheet, holidays excepted, at Landlord's expense. Tenant agrees not to use any apparatus or device, in or upon or about the Leased Premises, which in any way may increase the amount of such services usually furnished or supplied to the Leased Premises, and Tenant further agrees not to connect any apparatus or device with the conduits or pipes, or other means by which such services are supplied, for the purpose of using additional or unusual amounts of such services, without Landlord's written consent. If Tenant uses excessive services or requests the use of services at times other than the operating hours listed above, Landlord reserves the right to charge for such services. The charge shall be payable as additional rent payable with the next monthly installment. Should Tenant fail to make payment upon demand by Landlord, such failure shall constitute a breach of the obligation to pay rent under this Lease and shall entitle Landlord to the rights hereinafter granted for such breach. Nothing contained herein shall be construed to require Landlord to furnish air conditioning to the Leased Premises or any portion of the Building not currently served by air conditioning.

B. **ELECTRICAL SERVICE:** Landlord shall maintain electrical facilities to provide sufficient power for lighting, computers and other machines of similar low electrical consumption, at Landlord's expense. It is understood that Landlord does not warrant that any of the services referred to above will be free from interruption from causes beyond the reasonable control of Landlord. Such interruption of service shall never be deemed an eviction or disturbance of Tenant's use and possession of the Leased Premises or any part thereof or render Landlord liable to Tenant for damages by abatement of rent or otherwise or relieve Tenant from performance of Tenant's obligations under this Lease.

C. **KEYS:** Landlord shall furnish Tenant with two (2) keys for each corridor door entering the Leased Premises, and additional keys ordered by Tenant at a charge by Landlord. All such keys shall remain the property of Landlord. No additional locks or lock changes shall be allowed on any door of the Leased Premises without Landlord's written permission, and Tenant shall not make, or permit to be made, any duplicate keys, except those furnished by Landlord. Upon termination of this Lease, Tenant shall surrender to Landlord all

keys to the Leased Premises, and give to Landlord the combination of all locks for safes, safe cabinets and vault doors, if any, in the Leased Premises.

D. **GARBAGE:** Landlord shall contract for and provide standard garbage service at Landlord's expense. Any garbage service beyond standard service required by Tenant shall be paid by Tenant as an additional rental.

E. **WATER:** Landlord shall provide water to the Leased Premises at Landlord's expense.

F. **WASTE:** Tenant shall not waste electricity, water, heat, or any other utility, and shall cooperate fully with Landlord to insure the most effective operation of the Building's heating, which shall include keeping all windows closed when heat is on and shall refrain from attempting to adjust any controls other than room thermostats, if any, installed for Tenant's use.

G. **TEMPORARY INTERRUPTION OF SERVICES:** Except to the extent of Landlord's negligence or intentional misconduct that contributes to any of the following, Landlord shall not be liable to Tenant, its agents, employees, representatives, customers or invitees for any inconvenience, loss or damage or for any injury to any person or property caused by or resulting from any casualties, riots, strikes, picketing, accidents, breakdowns or any cause beyond Landlord's reasonable control, or from any temporary failure or lack of services and Tenant shall indemnify Landlord and hold Landlord harmless from any claim or damage because of such inconvenience, loss, damage or injury. No temporary variation, interruption or failure of such services incident to the making of repairs, alterations or improvements or due to casualties, riots, strikes, picketing, accidents, breakdowns or any cause beyond Landlord's reasonable control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations hereunder. For purposes of this section 10.G, "temporary" shall mean a time period not to exceed seven (7) consecutive days.

11. **LOCK UP:** At the end of each day, Landlord's maintenance team is responsible for locking up the Leased Premises.

12. **ASSIGNMENT AND SUBLETTING:** Tenant shall not have the right to assign this Lease, or to sublet the whole or any part of the Leased Premises without the prior written consent of Landlord. Notwithstanding any permitted assignment or subletting, Tenant shall at all times remain fully responsible and liable for the payment of the rent herein specified and for compliance with all of its other obligations under the terms, provisions and covenants of this Lease. Landlord shall have the right to assign any of its rights under this Lease, and upon any such assignment, and provided that the assignee assumes all of Landlord's obligations hereunder, Landlord shall be relieved of any and all such obligations. Landlord shall give Tenant written notice of any assignment of its rights under this Lease.

13. **FIRE AND OTHER CASUALTY:** If the Building or any part thereof is damaged or destroyed by fire or other casualty, the Landlord shall have the right to terminate this

Lease, provided it gives written notice thereof to the Tenant within ninety (90) days after such damage or destruction. Such notice shall state Landlord's intention to terminate this Lease not less than thirty (30) days after Tenant's receipt of such notice. If a portion of the Leased Premises is damaged by fire or other casualty and this Lease is not thereby terminated, the Landlord shall, at its expense, restore the Leased Premises, exclusive of any improvements or other changes made to the Leased Premises by the Tenant, to as near the condition which existed immediately prior to such damage or destruction as reasonably possible, and rent shall abate during such period of time as the Leased Premises are untenable in the proportion that the untenable portion of the Leased Premises bears to the entire Leased Premises. The Landlord shall not be responsible to the Tenant for damage to, or destruction of, any furniture, equipment, improvements or other changes made by the Tenant in, on or about the Leased Premises regardless of the cause of the damage or destruction.

14. **SUBROGATION:** Landlord and Tenant each hereby release the other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or any of the extended coverage casualties covered by the insurance maintained hereunder, provided, however, that this release shall be applicable and in force and effect only with respect to loss or damage occurring during such times as the releasor's policies shall contain a clause or endorsement to the effect that any release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder. Landlord and Tenant each agrees that it will request its insurance carriers to include in its policies such a clause or endorsement.

15. **INSURANCE:** Tenant shall, at its own cost and expense to carry public liability insurance protecting Landlord and Tenant in a combined single limit amount of not less than Two Million Dollars (\$2,000,000). All policies of insurance shall name both Landlord and Tenant as insured thereunder and shall protect the interests of Landlord. Certificates of said insurance, providing for not less than fifteen (15) days notice to Landlord prior to cancellation thereof, shall be furnished to Landlord prior to Tenant taking possession of the Leased Premises and as required by Landlord. Notwithstanding any apparent limitation in this Section to the contrary, Tenant shall provide and maintain public liability insurance in form and amounts customarily carried by prudent operators of similar businesses, and as required, if at all, by any licensing authority regulating Tenant's use of the Leased Premises.

16. **INDEMNIFICATION:** During the term of the Agreement, Tenant will indemnify and save harmless Landlord against any and all claims, debts, demands or obligations which may be made against Landlord or against Landlord's title in the Land arising out of or in connection with any alleged act or omission of the Tenant or any person claiming under, by or through the Tenant; and, if it becomes necessary for Landlord to defend any action seeking to impose such liability, the Tenant will pay Landlord all costs of court and attorneys' fees incurred by the Tenant in effecting such defenses, in addition to any other sums which Landlord may be called upon to pay by reason of the entry of a judgement against Landlord in the litigation in which such claim is asserted.

During the term of the Agreement, Landlord will indemnify and save harmless Tenant against any and all claims, debts, demands or obligations which may be made against Tenant or against Tenant's title in the Land arising out of or in connection with any alleged act or omission of the Landlord or any person claiming under, by or through the Landlord; and, if it becomes necessary for Tenant to defend any action seeking to impose such liability, the Landlord will pay Tenant all costs of court and attorneys' fees incurred by the Landlord in effecting such defenses, in addition to any other sums which Tenant may be called upon to pay by reason of the entry of a judgement against Tenant in the litigation in which such claim is asserted.

17. **RESPONSIBILITY FOR CHILDREN:** With respect to damage to the Building or grounds requiring any maintenance, repair, or replacement, (i) all children receiving educational services shall be considered the invitees of the Landlord while they are within the Building or on the grounds (including the Common Areas) and not within the Leased Premises and (ii) all children receiving educational services shall be considered the invitees of the Tenant while they are within the Leased Premises (not including the Common Areas).

18. **HAZARDOUS SUBSTANCES:** As used herein, the term "Hazardous Substance" shall mean and include any element, compound, mixture, solution or substance regulated by a federal, state or local law, rule or regulation because of its toxicity, corrosiveness, reactivity, ignitability or carcinogenic or other ill health effect and shall include petroleum and natural gas and the derivatives and synthetics thereof. Tenant shall not cause or permit any Hazardous Substance to be brought upon, kept, or used in or about the Leased Premises by Tenant, its agents, employees, contractors, or invitees, except for such Hazardous Substance as is necessary and customary to conduct the Permitted Uses of the Leased Premises. Any Hazardous Substance permitted on the Leased Premises, as provided in the previous sentence, and all containers therefor, shall be used, kept, stored, and disposed of in a manner that complies with all federal, state and local laws, rules and regulations applicable to the Hazardous Substance and Tenant shall not discharge, leak or emit any Hazardous Substance except in compliance with all federal, state and local laws, rules and regulations applicable to the Hazardous Substance. Tenant hereby agrees that it shall be fully liable for all costs and expenses related to the use, storage and disposal of Hazardous Substance kept or allowed on the Leased Premises by the Tenant and Tenant shall give prompt notice to the Landlord of any violation or potential violation of the provisions of this Section. Tenant shall defend, indemnify and hold Landlord and its agents harmless from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses (including, without limitation, attorneys' fees and consultants' fees, court costs and litigation expenses) of whatever kind or nature arising out of the violation of any provision of this Section. This provision shall survive the termination of this Lease.

19. **HOLDING OVER:** Should Tenant, or any of its successors in interest, hold over the Leased Premises or any part thereof, after the expiration of the term of this Lease, such holding over shall constitute and be construed as a tenancy from month to month only. The inclusion of the preceding sentence shall not be construed as Landlord's permission for Tenant to hold over. The monthly rent during such month-to-month tenancy shall be at one and one half (1

½) times the amount of the monthly rental for the last month of the term of this Lease prior to expiration.

20. **QUIET ENJOYMENT:** Landlord represents and warrants that it has full right and authority to enter into this Lease and that Tenant, upon paying the rental herein set forth and performing its other covenants and agreements herein set forth, shall peaceably and quietly have, hold and enjoy the Leased Premises for the term hereof without hindrance or molestation from Landlord, subject to the terms and provisions of this Lease.

21. **EVENTS OF DEFAULT:** The following events shall be deemed to be Events of Default by Tenant under this Lease after Tenant receives thirty (30) days written notice with right to cure:

a. Tenant shall fail to pay any installment of the rent hereby reserved or any other charge payable hereunder or the respective due date.

b. Tenant shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors.

c. Tenant shall file or have filed against it a petition under any section or chapter of the United States Bankruptcy Code, as amended, or under any similar law or statute of the United States or any state thereof, or Tenant shall be adjudged bankrupt or insolvent in proceedings filed against Tenant thereunder.

d. A receiver or trustee shall be appointed for all or substantially all of the assets of Tenant.

e. Tenant shall desert or vacate any substantial portion of the Leased Premises.

f. Tenant shall fail to substantially comply with any term, provision or covenant of this Lease.

22. **DEFAULT:** Tenant hereby agrees that in case of an Event of Default, then, in any such event, in addition to all other rights and remedies available to Landlord by law or by other provisions hereof, at Landlord's option, Landlord may annul and cancel this Lease as to all future rights of Tenant. Tenant further agrees that in case of any such termination Tenant will indemnify the Landlord against all loss of rents and other damage which Landlord may incur by reason of such termination, including, but not limited to, costs of restoring and repairing the Leased Premises and putting the same in rentable condition, costs of renting the Leased Premises to another Tenant, loss or diminution of rents and other damage which Landlord may incur by reason of such termination and all reasonable attorney fees and expenses incurred in enforcing any of the terms of this Lease. Neither acceptance of rent by Landlord, with or without knowledge of breach, nor failure of Landlord to take action on account of any breach hereof, or

to enforce its rights hereunder shall be deemed a waiver of any breach, and absent written notice or consent, said breach shall be a continuing one.

In the event Tenant fails to pay any installment of rent hereunder within ten (10) days of its due date then Tenant, if permitted by law, shall pay to Landlord on demand a late charge in an amount equal to five percent (5%) of such installment. The provision for such late charge shall be in addition to all Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner.

23. **REAL ESTATE TAXES:** If, because of this Lease, any real estate taxes (or taxes in lieu of real estate taxes) or other ad valorem taxes are imposed upon Landlord or Tenant or all or any portion of the Leased Premises, the Building or the Common Areas, Tenant will pay such taxes attributable to Tenant's use of the Leased Premises.

24. **SUBORDINATION OF LEASE:** The rights of Tenant under this Lease shall be and are subject and subordinate at all times to the lien of any mortgage or mortgages now or hereafter in force against such leases and/or the Building, and to all advances made or hereafter to be made upon the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, that Tenant's rights under this Lease and possession of the Leased Premises shall not be disturbed so long as Tenant is not in default hereunder. This Section is self-operative and no further instrument of subordination shall be required. In confirmation of such subordination Tenant shall promptly execute such further instruments as may be requested by the Landlord. Tenant at the option of any mortgagees, or the Landlord under any such ground lease or underlying lease, agrees to attorn to such mortgagee or Landlord in the event of a foreclosure sale or deed in lieu thereof or termination by the Landlord of any such lease. Failure of the Tenant to execute any of the above instruments within fifteen (15) business days of written request so to do by Landlord, shall constitute a breach of this Lease and the Landlord may, at its option, cancel this Lease and terminate the Tenant's interest therein.

25. **NOTICES:** Each provision of this instrument or of any applicable governmental laws, ordinances, regulations and other requirements with reference to the sending, mailing or delivery of any notice or the making of any payment by Landlord to Tenant or by Tenant to Landlord shall be deemed to be complied with, when and if, the following steps are taken:

a. All rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at the address herein below set forth or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith.

b. Any notice or document required or permitted to be delivered hereunder shall be deemed to be delivered, whether actually received or not, when deposited in the United States mail, postage prepaid, addressed to the parties hereto at the respective addresses set out in the Data Sheet, or at such other address as they have theretofore specified by written notice delivered in accordance herewith:

c. Any notice or document required or permitted to be delivered hereunder by Landlord to Tenant also shall be deemed to be delivered if and when delivered personally to Tenant at the Leased Premises.

26. **RULES AND REGULATIONS:** Tenant shall observe such rules and regulations which from time to time may be put in effect by Landlord for the general safety, comfort and convenience of Landlord and the occupants of the Building.

27. **ESTOPPEL CERTIFICATE:** Tenant agrees, within ten (10) business days after request of Landlord, to deliver to Landlord, or Landlord's designee, including without limitation, the present or any future holder of any mortgage(s) and/or deed(s) of trust and/or ground lease(s) and/or underlying lease(s) on the Leased Premises, or any prospective purchaser of the Leased Premises, an estoppel certificate stating that this Lease is in full force and effect, the date to which rent and other charges have been paid, the unexpired term of this Lease, whether or not Landlord is in default hereunder, and the nature of any such default, and such other matters pertaining to this Lease as may be reasonably requested by Landlord.

28. **MISCELLANEOUS:**

a. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

b. The terms, provisions and covenants and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon, the parties hereto and upon their respective heirs, legal representatives, successors, permitted subtenants, and permitted assigns, except as otherwise herein expressly provided.

c. Failure of Landlord or Tenant to insist, in any one or more instances, upon strict performance of any term, covenant or condition of this Lease, or to exercise any option herein contained shall not be construed as a waiver, or a relinquishment for the future, of such term, covenant, condition or option, but the same shall continue and remain in full force and effect. The receipt by Landlord of rents with knowledge of a breach in any of the terms, covenants or conditions of the Lease to be kept or performed by Tenant shall not be deemed waiver of such breach, and Landlord shall not be deemed to have waived any provision of this Lease unless expressed in writing and signed by Landlord. Payment by Tenant of rents with knowledge of a breach of this Lease by Landlord shall not be deemed waiver of such breach, and Tenant shall not be deemed to have waived any provision of this Lease unless expressed in writing and signed by Tenant.

d. The captions of this Lease are for convenience and reference only, and in no way define, limit or describe its scope or content.

e. All preliminary and contemporaneous negotiations are merged and incorporated into this Lease. This Lease contains the entire understandings between Landlord

and Tenant and shall not be modified or amended in any manner except by an instrument in writing executed by Landlord and Tenant.

f. Time is of the essence.

29. **INVALIDITY OF PARTICULAR PROVISIONS:** If any Section or provision of this Lease is or becomes illegal, invalid, or unenforceable because of present or future laws or any rule or regulation of any governmental body or entity, effective during its term, the intention of the parties hereto is that the remaining parts of this Lease shall not be affected thereby unless such illegality, invalidity, or unenforceability is, in the sole determination of Landlord, essential to the rights of both parties in which event Landlord has the right to terminate this Lease on written notice to Tenant.

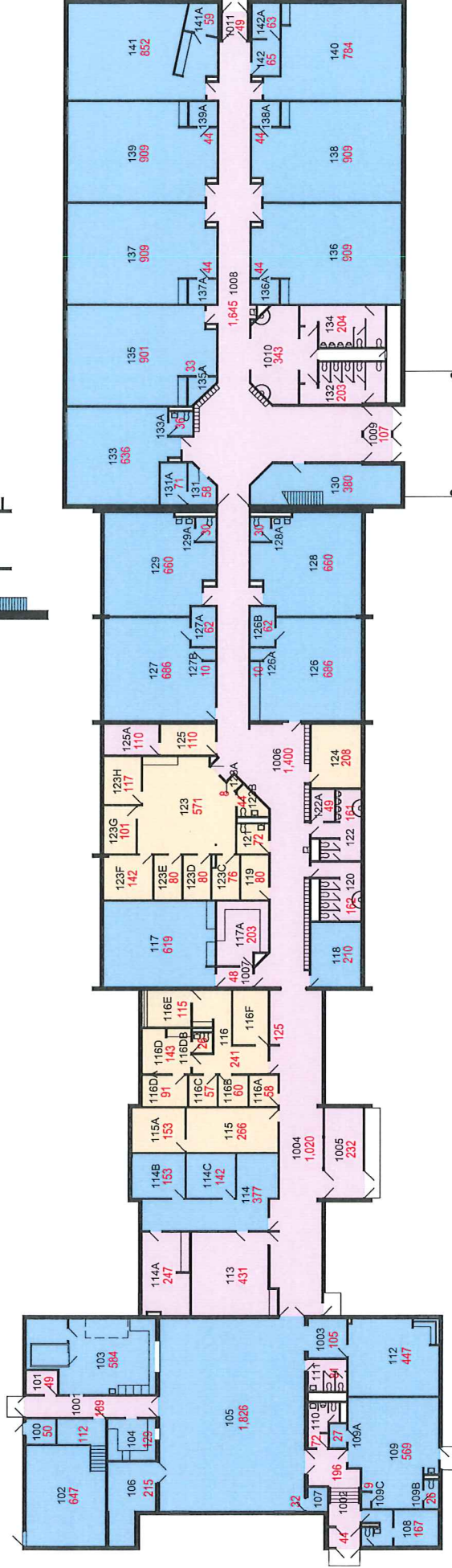
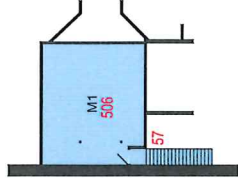
28. **RIGHT TO RENEGOTIATE LEASE:** If (1) the day treatment or residential programs operated by Tenant in Duluth, Minnesota are discontinued, or if (2) Tenant's student enrollment in the Building decreases to be less than thirty-five (35) students, or if (3) Landlord ceases to provide educational services to Tenant's students, then Tenant may provide notice to Landlord that Tenant wishes to renegotiate this Lease and Landlord and Tenant shall meet and endeavor to come to agreement on amendments to this Lease. This Section 28 does not, however, require either Landlord or Tenant to agree to any amendment to this Lease. If Landlord and Tenant do not, within 120 days of Tenant's notice to Landlord, agree to make amendments to this Lease satisfactory to Tenant, then for the following 120 days, Tenant may terminate this Lease by providing written notice to Landlord.

Schedule 2

If none are listed, then “none”.

EXHIBIT A

- ISD 709 (17,655 Total Sq.Ft.)
- THE HILLS (3,024 Total Sq.Ft.)
- COMMON AREA (7,245 Total Sq.Ft.)



Rockridge Academy