

LEASE

This lease is made this 17TH day of February, 2017, between Red Wing Youth Outreach, a Minnesota non-profit corporation, hereafter referred to as the Lessor, and Red Wing Public Schools ISD 256, hereafter referred to as Lessee.

A. RECITALS

1. Lessor is the owner of the building and land at 410 Guernsey Lane, Red Wing, Goodhue County, Minnesota, also legally described as Lot One Block One Highlands of Red Wing (the Property).
2. Lessee desires to lease the area (Lease Area) outlined in the attached diagram in said building on terms and conditions stated in this lease.
3. The Parties represent that this Lease had been duly authorized and validly executed and constitutes a binding obligation of the Parties.

B. AGREEMENT

For the purposes stated above and in consideration of the mutual agreement contained herein, the Parties agree as follows:

1. Lease of Lease Area. Lessor agrees to lease the described area of the subject Property (Exhibit A) to the Lessee, with non-exclusive use of grounds and parking area.
2. Purpose: Lessee shall use and occupy the Lease Area for the purpose of operating an employee medical clinic, providing limited medical services to Lessee's employees and covered dependents. Instructional use is also permitted. Lessee is responsible for costs of remodeling the Lease Area and agrees to construct a restroom for access of the Lessor. Lessee will share work plans and documents as requested with the Lessor and ensure construction schedules are shared. The Lessor will be held harmless from any claim or loss from such construction and contractors. Lessor agrees to cooperate with the Lessee to obtain needed building permits and licenses if such cooperation is necessary; costs will be the responsibility of the Lessee. Any property taxes created by the Lessee use will be the responsibility of the lessee, during or after the term of the lease.
3. Term: The term of this lease is for a period of 36 months from January 1, 2016 to December 31, 2018. Unless notice is given by either party at least six months prior to the end of the Term, the Lease will continue on a month to month basis under the terms and conditions in this lease, except rent will be increased by the percentage change in the General Education Formula Allowance (\$5,948 in 2016). The Lease may be terminated by mutual agreement of the parties if a sale of the Property to the Lessee is desired and concluded. If Lessor does not renew the lease at the end of the term and the Lessee must vacate, the Lessee will expect a partial repayment of the remodeling costs at that point as shown by year in Exhibit B. If the Lessee chooses not to renew, this repayment will not apply, and property will be vacated and left in a rentable state. If the Lessee purchases the property, they will receive a credit on the purchase price for the cost of leasehold improvements as indicated on Exhibit B.
4. Right of First Refusal: If the Lessor receives a purchase offer/agreement for the premises, before it can accept that agreement, it must deliver that agreement to the Lessee, and the Lessee shall

have the right of first refusal with respect to the same: Lessee within 45 days of receipt shall deliver to the Lessor a purchase agreement that matches the terms of the initial agreement; if, within 45 days the Lessee does not so deliver such a purchase agreement to the Lessor, Lessee's right of first refusal shall cease and Lessee shall give Lessor a quit claim deed evidence that it has no further rights; if the transaction does not close as provided in the agreement, Lessee's right of first refusal shall be reinstated. If the purchase by the Lessee is within the time period outlined on Exhibit B, then the tenant will receive credit on the purchase price according to that schedule for leasehold value.

5. Rents: The Lessee shall pay the Lessor rent in the amount of \$7.76 per square foot annual rent (\$11,810) in two installments, \$5,905 (one-half) within thirty (30) days of the commencement of the lease (January 30), and \$5,905 (half) on or before June 15th of each year. Subsequent payments shall be made annually on those two dates, adjusted for the change in the general education formula allowance.
6. Utilities: Lessee shall pay 2/3 of the electricity, water and sewer, and property insurance/liability on the property. Lessee will obtain property-risk insurance through its coverage on the subject property. If these services are in Lessee's name, they will be billed back pro-rata to the lessor month-to-month. Utility proration will be reviewed within three or four months to determine appropriateness of proration formula.
7. Insurance-Indemnity:
 - a. Lessee shall maintain throughout the Term of this Lease, at Lessee's expense, property risk insurance covering the building, full replacement cost of leasehold improvements, Lessee's personal property and any fixtures or leasehold improvements against fire, wind, storm damage and other perils as may be included in the standard Minnesota fire insurance policy. Lessee shall maintain liability insurance at limits applicable to their other properties. Lessor will be named as an additional insured on the liability insurance.
 - b. Due to the cost share on insurance, Lessee may secure property insurance on the property if deemed less expensive and bill Lessor for its portion.
 - c. Lessee agrees to indemnify, defend and hold harmless from and against any claim, loss, or expense arising out of injury, death or property loss or damage occurring in the premises, except to the extent caused by the negligent act or intentional misconduct of the Lessor, its employees, or invitees.
8. Taxes and Assessments: Lessee shall pay property taxes that may be assigned to their portion of the property. Lessor shall pay special assessments. Property taxes assessed due to the Lessee's use of the property will be paid during the term of the lease or afterwards.
9. Repairs and Maintenance:
 - a. Lessee agrees to keep and maintain in good order, condition and repair the Lease Area during the Term of this lease. The Lessee is responsible for janitorial services to its area. The Lessee shall be responsible for the repair and replacement of any and all damage caused as a result of any act, omission or negligence of Lessee, its agents, employees or invitees.

- b. Lessee will make necessary improvements to convert Leased Area to its use at Lessee's expense. Lessee will pay for any improvements required to meet code or zoning caused by its use of the property.
- c. The Lessee has currently provided outside maintenance services including snow plowing and lawn mowing and will continue the same, as partial consideration of the lease.
- d. Assignment and Subletting: The Lessee will not assign or sublease any part of the Lease Area without express permission of the lessee.
- e. Loss of Use of Premises: If fire or other damage renders the Lease Area unusable, the Lease may be terminated or rent held in abeyance if the repairs can be accomplished within 180 days.

Notice: The Lease cannot be changed or terminated except by a written instrument agreed to by the parties. This Lease and the terms and conditions hereof apply to and are binding on the heirs, legal representatives, successors and assigns of all parties. All notices required under or pertaining to this agreement shall be in writing and delivered to the following locations:

Lessor

Red Wing Youth Outreach
 410 Guernsey Lane
 Red Wing, MN 55066

Lessee

Red Wing Public Schools ISD 256
 District Office
 2451 Eagle Ridge Drive
 Red Wing, MN 55066

Applicable Law: This agreement shall be governed by and construed in accordance with the laws of the State of Minnesota

Severability: In case any one or more provisions contained in this lease shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and any other application thereof shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have executed this Lease the day and year first above written.

Representing Youth Outreach

Representing Red Wing Public Schools

President

Chair

EXHIBIT B (adjust as numbers become more certain)

Repayment schedule for remodeling costs of Lessee. The term "End Year 1" refers to 365 days from the beginning of the lease.

End Year 3	\$75,600
End Year 4	\$49,100
End Year 5	\$29,500
End Year 6	\$16,200
End Year 7	\$8,200
End Year 8	\$3,700