



South Washington County Schools

Keith Jacobus, Ph.D., Superintendent

District Service Center

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Cottage Grove, MN 55016

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ADMINISTRATIVE REPORT

TO: Members of the School Board
Keith Jacobus, Ph.D., Superintendent

FROM: Mike Vogel, Assistant to the Superintendent for Operations (651-458-6276)

DATE: June 16, 2017

TOPIC/PURPOSE OF REPORT: Next Step Program – Lease Agreement

PURPOSE OF REPORT: To recommend approval of the attached 10-year lease with LannCo, LLC for 5935 square feet of space to house the Next Step program.

RECOMMENDED BOARD ACTION: Approve

DATE FOR BOARD ACTION: June 22, 2017

REPORT

The district has leased 3800 square feet of space for the Next Step Program from LannCo, LLC for nine years. That lease expires June 30, 2017. Enrollment growth and curricular changes require additional square footage to effectively continue the programming. Administration has negotiated a 10-year lease renewal for the current 3800 square feet of space and the renovation and lease of an additional 2135 square feet of adjacent space to meet the current and future needs of the Next Step program.

The landlord has agreed to finance the renovation of the new space and to amortize the renovation cost over the 10-year lease period. The landlord has also agreed to contribute 15% of the renovations costs up to a maximum of \$15,000. The current lease rate is \$16.50 per square foot. The lease renewal is at \$14.88 per square foot for years 1-3, \$16.37 per square foot for years 4-7 and \$18.00 per square foot in years 8-10.

Next Step and facilities staff have worked with the Landlords architect to redesign the space and following school board approval of the lease, construction of the renovated space will begin with an estimated completion of October 1, 2017.

A copy of the lease agreement is attached for board member review.

L E A S E

THIS LEASE, is entered into and effective as of _____ 2017, between LannCo, LLC (hereinafter called "**Landlord**") and South Washington County Schools (ISD 833) (hereinafter called "**Tenant**").

The parties mutually agree as follows:

1. THE PREMISES

Landlord, for and in consideration of the rents, covenants, agreements and stipulations hereinafter mentioned, reserved and contained, to be paid, kept and performed by Tenant, does hereby Lease and rent unto Tenant, and Tenant hereby agrees to Lease and take upon the terms and conditions hereinafter set forth a portion of Landlord's Building located 7155 80th Street, Cottage Grove, MN 55016, according to the recorded plat thereof, said portion to contain Five Thousand Nine Hundred Thirty Five (5,935 sq ft) square feet suite 175-180 (The Premises) subject to the following:

- Landlord shall deliver an amount of space equal to Five Thousand Nine Hundred Thirty Five (5,935) square feet, plus or minus five percent. The space will be measured from the outermost point of the exterior of a wall to the outermost point of the exterior wall directly opposite or if to an interior demising wall the measurement is to the center of the demising wall. Tenant's rent shall be based upon Five Thousand Nine Hundred Thirty Five (5,935) square feet, and by taking occupancy of the premises Tenant agrees that is the accurate square footage of its space.
- Landlord contemplates being able to deliver the space to Tenant for tenant work not later than March 15th 2017.

2. BASE TERM.

The Base Term of this Lease (the "**Term**") shall be ten (10) years commencing on the "**Commencement Date**" and ending on the "**Expiration Date**" unless sooner terminated pursuant to any provision hereof. The parties contemplate a Commencement Date of October 1, 2017 and an Expiration Date of September 30, 2027, unless the space is not ready for occupancy by October 1, 2017; at which time the new Lease term will commence on the first day of the month in which the space is available for occupancy and extend for 10 years. The existing Lease, set to expire on June 30, 2017, will continue in force until the renovation of the current and adjacent space is available for occupancy.

3. RENT.

Tenant hereby covenants and agrees to pay Landlord as monthly fixed rent ("**Base Rent**") for the Premises during the Term the sums set forth below:

<u>Year</u>	<u>PSF</u>	<u>Monthly Rent</u>
Years 1-3	\$14.88	\$7,359.40
Years 4-7	\$16.37	\$8,096.33
Years 8-10	\$18.00	\$8,902.50
Rates set forth above are "triple net" and do not reflect Common Area Maintenance, Taxes or Insurance		

Such Base Rent shall be payable in advance and without demand on the first day of every calendar month commencing on the Rent Commencement Date. Base Rent shall be prorated for any partial month at the beginning or end of the Term. Tenant shall pay Base Rent and all other sums or additional rent due hereunder (collectively, "**rent**") to Landlord at the following address unless otherwise notified in writing by Landlord:

LannCo LLC
1580 Woodlane Drive
Woodbury, MN 55125
Attn: Dave VanDanacker

In addition to Annual Minimum Rent, Tenant shall be responsible for its proportionate share of operating expenses including common area maintenance (CAM), insurance, real estate taxes and special assessments. The 2017 operating expenses are estimated to be **\$6.15** per square foot. Landlord makes no representation as to the actual future total of CAM, taxes and insurance. All utilities, with the exception of water, shall be separately metered and paid by Tenant. Repairs to the Premises shall be the responsibility and expense of Tenant. Other provisions of this lease refer to Common Area Maintenance, Taxes and Insurance in more detail.

Landlord Finance of Work:

The Landlord, upon execution of the lease, will provide a build-out allowance equal to 15% of the actual build out cost incurred up to a maximum of \$15,000. The actual agreed upon cost of buildout, less the 15% or actual Landlord contribution, will factor into the Base Rent as additional payments amortized over a ten (10) year period from commencement of the Lease term at an 8% interest rate.

Tenant estimates that its total build out cost, after subtraction of the Landlord build out allowance will not exceed \$115,000.00, and that the monthly payment applicable to said build out will be approximately \$1,395.27. Buildout costs exceeding an aggregate amount of \$130,000.00 will be at the sole responsibility of the Tenant.

4. REPAIRS AND MAINTENANCE.

A. Landlord's Repairs and Maintenance Responsibilities: Landlord covenants and agrees to maintain in good condition and repair, at its expense without reimbursement or contribution by Tenant, the items of the Center contained in this article. Landlord covenants to keep without limitation, maintain and replace, if necessary, the foundations, the electrical service entrance, the utility lines and their connections to the Demised Premises, the sprinkler mains to the Demised Premises, structural systems including the roof, roof membrane, roof covering and load-bearing walls, and masonry walls in good condition and repair. In the event the Demised Premises become or are out of repair as herein defined, and not in good condition due to either the failure of Landlord to comply with the terms or a latent defect, then Landlord shall perform or cause to be performed any and all repairs necessary to restore the Demised Premises to a state of good condition and repair. If such repairs are not completed within sixty (60) days after Landlord has received written notice from Tenant of such state of disrepair or if such repairs cannot reasonably be completed within such sixty (60) day period and Landlord shall fail to commence such repairs within sixty (60) days after notice and proceed diligently thereafter, then Tenant may prosecute such repairs itself, and apply the cost of such repairs against the next maturing monthly installment or installments of Rent due hereunder. Notwithstanding the foregoing in the case of an emergency, Tenant shall have the right to immediately prosecute any and all necessary repairs and shall deliver contemporaneous notification to Landlord of the emergency and related repairs, and offset the cost of such repairs against the next maturing monthly installment or installments of Rent due hereunder; provided further that if contemporaneous notice is not practicable, then Tenant shall provide such notice as soon thereafter as reasonably practicable.

B. Tenant's Repairs and Maintenance Responsibilities: Tenant shall, at Tenant's sole expense, maintain and repair Tenant's Work, Tenant's signage and the plate glass in and on the Demised Premises. Tenant shall maintain and repair any plumbing, electrical and HVAC systems related to the demised premises. All utilities, with the exception of water, will be separately metered and paid by Tenant.

5. SERVICES.

A. Landlord Provides Utilities: Landlord agrees to cause the necessary mains, conduits and other facilities to be provided to make water, sewer, gas, phone and electricity available to the Demised Premises and other occupied space in the entire building and to make available to Tenant water, sewer, gas, phone and electrical services prior to the Commencement Date. Tenant

shall extend such utilities from the current service locations. All utilities shall be individually metered by tenant. Landlord shall not be liable to Tenant in damages or otherwise if the said utilities or services are interrupted or terminated, provided, however, Landlord shall take its best efforts to cause such utilities or services to be reestablished as soon as possible. No such interruption or termination shall relieve Tenant of the performance of any of its obligations hereunder.

B. Tenant's Responsibility to Pay: Tenant shall be solely responsible for and promptly pay all charges for the use and consumption of, gas, electricity, phone and all other utility services used within the Demised Premises. Tenant shall not install any equipment which can exceed the capacity of any utility facilities and if any equipment installed by tenant requires additional utility facilities the same shall be installed at Tenant's expense in compliance with all code requirements and plans and specifications which must be approved in writing by Landlord.

6. COMMON AREAS.

A. Landlord's Responsibility to Maintain: The Common Areas shall consist of all parking areas, landscaped areas (grass cutting and snow removal), streets, sidewalks, exterior or interior malls, driveways, loading platforms, washrooms (if any), lounges and shelters, and other facilities available for joint use, all as they may from time to time exist and be available to all the tenants in the building, their employees, agents, customers, licensees and invitees. All Common Area Costs (hereinafter defined) shall be based upon Landlord's actual cost to keep the Common Areas in a good and appropriate condition. Landlord covenants, warrants, and agrees that it shall maintain or cause to be maintained, the Common Areas in good order and repair. Landlord shall have the right to change the configuration of the Common Areas, including the location of exits and entrances, thereto, as long as, in so doing, Landlord does not unreasonably interfere with the operation of Tenant's business.

B. Definition of Common Area Costs: As used in this Lease, the term "Common Area Costs" means direct costs reasonably incurred for operation, maintenance and repair of the Common Areas to include repairing or repaving the parking area, repainting and restriping the parking areas, cleaning, sweeping and other janitorial services, sanitation, snow and ice removal, maintenance of refuse receptacles, replanting existing landscaping, directional signs and other markers, up-keep of lighting and other utilities and supervision and management thereof. Base rents due shall be subject to adjustment in Landlord's reasonable discretion. The term "Common Area Costs" may include some portion of Capital Expenditures (as hereinafter defined), but shall not include costs of utilities for other tenants in the Building, principal or interest payments on loans secured by mortgages on the Building or any part thereof, depreciation or amortization of any capital assets, the cost of any special service provided to a tenant of the Building which is not provided generally to the tenants of the building, costs and expenses incurred in connection with leasing space in the building including, but not limited to, leasing commissions, advertising and promotional expenses, legal fees for preparation of leases, rents payable with respect to any

leasing office, court costs and legal fees incurred to enforce the obligations of tenants under leases of the Building, costs recoverable by Landlord pursuant to its insurance policies, costs resulting from defects in design, construction or workmanship of Landlord's work and the materials used in same, costs due to Landlord's default under this Lease, and/or costs due to the negligence of Landlord, its employees, agents, contractors or assigns. "Capital Expenditures" means those expenditures which, in accordance with generally accepted accounting principles, are not fully chargeable to current expense in the year the expenditure is incurred.

C. **Common Area Lighting:** Landlord agrees to provide adequate lighting of the Common Areas, which shall include the parking lot and the illumination of any pylon or monument sign advertising Tenant's business conducted in the Demised Premises. Any additional signage on the building and attached to the demised premises shall be separately metered and paid by tenant, after Landlord approval.

D. **Tenant's Share of Common Area:** Effective upon the Rent Commencement Date, Tenant shall pay to Landlord, upon demand but not more than once a month, Tenant's proportionate share of the Common Area Costs based upon Landlord's estimates, which share shall be the product which results by multiplying such Common Area Costs by a fraction having the square footage of floor area in the Demised Premises as the numerator and the square feet of the floor area in the Entire building which is **15,557** leaseable square feet (whether leased or not) as the denominator. Tenant's proportionate share percentage (**38.15%**) of Common Area Costs shall not increase during the Primary term or any Renewal Term thereof.

E. **Reconciliation of Common Area Costs:** Within ninety (90) days following the end of each calendar year Landlord shall furnish tenant with a statement, certified as correct by a Certified Public Accountant or an officer of Landlord, showing the total Common Area Costs for the calendar year just expired, the amount of Tenant's proportionate share of such Common Area Costs and payments made by Tenant during such calendar year under Provision 6.D. If Tenant's proportionate share of such Common Area Costs for such calendar year shall exceed Tenant's payments as shown on such statement, then Tenant shall within thirty (30) days pay the difference to the Landlord. If the statement indicates an overpayment by the Tenant, then Tenant shall be entitled to offset such excess against any payment obligations of Tenant under this Lease or otherwise receive a refund from the Landlord for such amount, in Tenant's discretion. Landlord shall use its best efforts to minimize Common Area Costs in a manner consistent with good building management practices.

F. **Changes to Common Areas:** The Common Areas as shown on the Site Plan are a material consideration for Tenant entering into this Lease, and no change, alteration or addition shall be made to the Site Plan or the Building, including but not limited to the configuration of the Common Areas, methods of ingress and egress, direction of traffic, lighting, curbing, building heights and stories, the landscaping (which would affect visibility to the Demised Premises), and

parking. Landlord may make changes to the Common Areas which do not affect Tenant's access, visibility or parking.

G. Demised Premises Exterior Walls: No public telephones, newspaper machines, vending machines or signage shall be affixed by or on behalf of Landlord or any other tenant on the exterior walls of the Demised Premises or placed on the sidewalks in front of or surrounding the Demised Premises.

7. TENANT'S IMPROVEMENTS.

Subject to the terms of any Underlying Mortgage, any structural alterations or improvements or any non-structural improvements or alterations costing more than Ten Thousand and No/100 Dollars (\$10,000.00) shall require Landlord's consent, which consent shall not be unreasonably withheld. Landlord's consent shall be automatically granted if Landlord does not respond to Tenant's request within thirty (30) days after notice and submission of preliminary plans and specifications from Tenant. Subject to the preceding sentence and the terms of any Underlying Mortgage, during the full Term of this Lease, Tenant shall have the right, at any time during the Term, and from time to time, at its own cost and sole expense and liability to place or install within the Leased Premises, such nonstructural leasehold improvements as it shall desire. Unless expressly released by Landlord in writing, all such improvements shall be and remain, at the time of expiration or other termination of this Lease, the property of Landlord without payment or offset unless such improvements are not attached to the Premises, excluding coolers, signage and other equipment specific to tenants business whether or not attached to the building, as long as the equipment can be removed without damage to the building. No such installation or construction by Tenant shall violate any lawful rule or regulation, plat or zoning construction or other law, ordinance or regulation applicable thereto, and all alterations and improvements shall be done and performed in good and workmanlike manner. All costs of any such improvements shall be paid by Tenant and Tenant shall allow no liens for labor or materials to attach to the Leased Premises by virtue thereof. Tenant shall submit drawings and specifications of all alterations and improvements to Landlord costing more than Ten Thousand and No/100 Dollars (\$10,000.00) for Landlord's approval at least thirty (30) days prior to commencement of work, which approval shall not be unreasonably withheld. Landlord's approval of the same shall be automatically granted if Landlord does not comment on the same within said thirty (30) day period.

Tenant shall give Landlord not less than ten (10) days notice prior to the commencement of any work in, on or about the Leased Premises and Landlord shall have the right to post notices of non-responsibility in or on the Leased Premises as provided by law. Landlord may require that Tenant remove any or all alterations, improvements or additions made by Tenant to the Leased Premises at the expiration of the Term and restore the Leased Premises to its prior condition, only if not previously approved by Landlord.

Any alterations, improvements and additions in, or about the Leased Premises that Tenant desires to make and which require the consent of Landlord or which require approval by Landlord of the drawings or specifications therefor, shall be presented to Landlord in written form, with proposed detailed plans. If Landlord shall consent to the alterations, improvements and additions or approve of the drawings and specifications, as the case may be, the consent or approval shall be deemed conditioned upon Tenant acquiring a permit to do so from appropriate governmental agencies, the furnishing of a copy thereof to Landlord prior to the commencement of the work and the compliance by Tenant of all conditions of said permit in a prompt and expeditious manner. Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at, or for use in the Leased Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Leased Premises or any interest therein.

To the extent that any alterations, improvements or additions result in the removal from the Building of any building components having salvage value and such components have not been replaced with components having equal or greater value, such salvage value shall be paid to Landlord.

8. TAXES.

In addition to the Base Annual Rent provided for in Provision 3 of this Lease, Tenant agrees to pay Landlord additional payments as follows:

A. Tenant's Share of Taxes: Tenant shall be responsible for its proportionate share of all real property taxes and general assessments (but not special assessments) (hereinafter, "Real Estate Taxes") which may be due and payable, and actually paid by Landlord, on the Entire building for each calendar year or portion thereof during the Term commencing on the Rent Commencement Date. Tenant's proportionate share of the taxes shall be equal to a fraction having the square footage of floor area in the Demised Premises (**5,935sf**) as the numerator and the square feet of the floor area in the Entire building which is (**15,557sf**) leaseable square feet (whether leased or not) as the denominator, as of the day of assessment.

B. Taxes Due: Tenant's proportionate share of all Real Estate Taxes (**38.15%**) during the Term hereof shall be collected monthly together with base rent and CAM costs. Upon receipt of all tax bills and assessment bills attributed to any calendar year during the Term hereof, Landlord shall furnish Tenant with a written statement of the actual amount of Tenant's proportionate share of the Real Estate Taxes for such year or part thereof together with a copy of such tax bills. A copy of a tax bill or assessment bill submitted by Landlord to Tenant shall at all times be sufficient evidence of the amount of Real Estate Taxes levied or assessed against the property to which such bill relates. Landlord's and Tenant's obligations under this Provision 8 shall survive the expiration of the Term of this Lease.

9. INSURANCE.

A. Liability Insurance. Landlord agrees to carry, or cause to be carried, during the term hereof Commercial General Liability Insurance (hereinafter, "Landlord's Liability Insurance") on the Common Areas, naming Tenant as an additional insured providing coverage of not less than One Million Dollars (\$1,000,000.00), nor more than Two Million Dollars (\$2,000,000.00) combined Bodily Injury and Property Damage Liability. Landlord, upon written request by Tenant, shall promptly deliver to tenant a certificate of Landlord's Liability Insurance which shall be written as a primary policy not contributing with, or in excess of, coverage carried by Tenant.

B. Property Insurance: Landlord also agrees to carry, during the Term hereof, all risk property insurance (hereinafter, "Landlord's Property Insurance") covering fire and extended coverage, vandalism and malicious mischief, sprinkler leakage and all other perils of direct physical loss or damage insuring the improvements and betterment's located in the Entire building, including the Demised Premises and all appurtenances thereto (excluding Tenant's Property) for the full replacement value thereof. Landlord, upon request, shall furnish Tenant a certificate of such Landlord's Property Insurance, together with the written agreement of any trust beneficiary or mortgagee to make the proceeds of the insurance available for the repair and restoration of the building.

C. Tenant's Shared Costs of Liability Insurance: During the Term of this Lease, Tenant agrees to reimburse to Landlord, Tenant's proportionate share of Landlord's annual total cost of the premiums for Landlord's Liability Insurance and Landlord's Property Insurance (hereinafter, collectively referred to as "Insurance"). Tenant's proportionate share for the costs of the premiums for such Insurance shall be computed by multiplying Landlord's total costs for the premium for such Insurance by a fraction, the numerator of which shall be the square feet of floor area of the Demised Premises (5,935sf) (the "Premises") and the denominator of which shall be the number of square feet of floor area in the entire building which is (15,557) leaseable square feet (whether leased or not) as the denominator Tenant's proportionate share of the costs for such premium (38.15%) shall be due and payable, in advance, as follows: (i) Commencing upon the Rent Commencement Date, and continuing on the first day of each Lease Month thereafter, Tenant shall pay monthly to Landlord Tenant's proportionate share of the costs for the premiums of such Insurance. (ii) Any additional amounts for Tenant's proportionate share of the premiums for Insurance for any year over and above Landlord's estimate shall be paid by Tenant to Landlord upon written demand.

D. Tenant's Commercial General Liability: Tenant agrees to carry Commercial General Liability Insurance on the Demised Premises during the Term hereof covering both Tenant and Landlord as their interest may appear, with companies reasonably satisfactory to Landlord and giving Landlord and Tenant a minimum of ten (10) days written notice by the insurance company prior to cancellation, termination or change in such insurance. Such insurance shall be for limits of not less than One Million Dollars (\$1,000,000.00) combined Bodily Injury and Property Damage Liability.

E. Tenant's Property Insurance: Tenant further agrees to carry all risk property insurance (hereinafter, "Tenant's Property Insurance") covering, fire and extended coverage, vandalism and malicious mischief, sprinkler leakage and all other perils of direct physical loss or damage for at least eighty percent (80%) of the replacement value of Tenant's Property located on or within the Demised Premises. Tenant shall provide Landlord certificates evidencing that Tenant's Property Insurance is in full force and effect. Landlord agrees that it shall not have any right, title or interest in and to Tenant's Property Insurance, or any proceeds therefrom.

F. Mutual Insurance Indemnity: Landlord and Tenant and all parties claiming under them mutually release and discharge each other from all claims and liabilities arising from or caused by any casualty or hazard, covered or required hereunder to be covered by the claiming party in whole or in part by insurance or in connection with property on or activities conducted on the entire building, and waive any right of subrogation which might otherwise exist in or accrue to any person on account thereof.

10. DAMAGE TO PREMISES.

In the event the Demised Premises hereafter damaged or destroyed or rendered partially untenantable for their accustomed use, by fire or other casualty, Landlord shall within sixty (60) days after such casualty commence repair of said Demised Premises and within one hundred twenty (120) days after commencement of such repair restore the Demised Premises to substantially the same condition in which it was immediately prior to the occurrence of the casualty, except as otherwise provided in this Provision 10. and, provided that in no event shall Landlord be required to repair or replace Tenant's Property. From the date of such casualty until the Demised Premises is so repaired and restored, Rent and all other charges and items payable hereunder shall abate in such proportion as the part of the Demised Premises thus destroyed or rendered untenantable bears to the total Demised Premises. However, in the event that seventy five percent (75%) or more of the Demised Premises, or the building of which it is a part, is destroyed or rendered untenantable by fire or other casualty during the last year of the Primary Term or any Renewal Term of this Lease, (based upon the cost to replace the Demised Premises damaged or destroyed as compared with the market value of the improvements on said Demised Premises immediately prior to such fire or other casualty as shown by certificate of Landlord's architect), then Landlord or Tenant shall have right to terminate this Lease effective as of the date of the casualty, written notice of termination provided, however, Tenant shall have the right to nullify any Landlord termination by exercising an option to renew this Lease (if available). If said notice of termination is given within this thirty (30) day period, this Lease shall terminate and Rent and all other charges shall abate as aforesaid from the date of such casualty, and Landlord shall promptly repay to Tenant any Rent paid in advance which has not been earned as of the date of such casualty. If said notice is not given and Landlord is required or elects to repair or rebuild the Demised Premises as herein provided, then Tenant shall repair and replace Tenant's Property to at least their condition prior to the damage or destruction.

11. COMPLIANCE WITH LAWS, ETC.

Tenant shall use the Leased Premises as a public school facility, and in the use and occupancy of the Leased Premises, and in the conduct of its activities, shall at its own cost and expense secure and maintain all necessary licenses and permits required for the conduct of its activities. Tenant shall not use the Leased Premises or permit anything to be done in or about the Leased Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall at its sole cost and expense comply with all laws, statutes, ordinances and governmental rules, regulations or requirements of any board of fire underwriters (including all modifications and improvements required thereby) now in force or which may hereafter be in force relating to or affecting the condition, use or occupancy of the Leased Premises, including without limitation the Americans With Disabilities Act. Tenant shall observe all plat and deed restrictions of record. Without limiting the generality of the foregoing, Tenant will not generate, store, bury, discharge or release on or from the Leased Premises any hazardous substances or waste in a manner which would give rise to penalty or liability under the Resources Conservation Recovery Act 42 U.S.C. 6901 et seq., or any other federal, state or local law.

Upon ten (10) days' notice, Tenant shall provide Landlord with copies of all documents and information evidencing Tenant's compliance with any laws, ordinances, orders, rules and regulations requested by Landlord. Tenant shall notify Landlord in writing immediately of any threatened or actual notice, citation, warning or report regarding Tenant's alleged failure to cause the Leased Premises to comply with all laws, ordinances, orders, rules and regulations.

12. WASTE; NO LIENS; USE; NO HAZARDOUS MATERIALS OR USES.

Except as to liens arising as a result of work performed by or at the direction of Landlord, which shall be the sole responsibility of Landlord, Tenant agrees that during the Term hereof it shall not do or suffer any waste to the Land, Building or Leased Premises, or cause, suffer or permit any liens to attach to or to exist against the Land, Building or Leased Premises by reason of any act or omission of Tenant or person claiming through Tenant or by reason of its failure to perform any act required of it hereunder. Tenant agrees to save and hold harmless Landlord from and against any such lien(s) or claims of lien(s). Provided, however, Tenant shall not be required to pay or discharge any lien against the Leased Premises so long as Tenant has given Landlord notice of its intent to contest such lien and Tenant is in good faith contesting the validity or amount thereof and has given to Landlord such security as Landlord has reasonably requested to assure payment of such lien and to prevent the sale, foreclosure or forfeiture of the Land, Building or Leased Premises by reason of non-payment. In the event that any lien does so attach, and is not released within thirty (30) days after written notice to Tenant thereof or if Tenant has not indemnified Landlord against such lien within said thirty (30) day period, Landlord, in its sole discretion, may pay and discharge the same and relieve the Leased Premises therefrom, and Tenant agrees to repay and reimburse Landlord as additional rent upon demand for the amount so paid by

Landlord. The existence of any mechanic's, laborer's, materialmen's, supplier's or vendor's lien, or any right in respect thereof, shall not constitute a violation of this paragraph if payment is not yet due and payable upon the contract or for the goods or services in respect of which any such lien has arisen. On final determination of the lien or claim of lien Tenant will immediately pay any judgment rendered, and all costs and charges, and shall cause the lien to be released or satisfied.

Landlord nor Tenant shall not permit the Leased Premises to be used for (a) illegal purposes; or (b) uses that are dangerous to the Leased Premises or to the public; or (c) a cocktail lounge, bar, disco, bowling alley, pool hall or billiard parlor, adult bookstore, adult amusement facility, or any facility selling, renting or displaying pornographic materials, a tattoo parlor, auction house or flea market. Tenant will not use or permit the use of the land, Building or Leased Premises in any manner which would result or would with the passage of time result in the creation of any easement or prescriptive right. Tenant shall not use or occupy the Leased Premises, or knowingly permit them to be used or occupied, contrary to any statute, rule, order, ordinance, requirement or regulation certificate of occupancy affecting the same, or which would make void or voidable any insurance then in force with respect thereto or which would make it impossible to obtain fire or other insurance thereon required to be furnished hereunder at Tenant's expense, or which would cause structural injury to the improvements or cause the value or usefulness of the Leased Premises, or any portion thereof, to diminish (reasonable wear and tear excepted), or which would constitute a public or private nuisance or waste, and Tenant agrees that it will promptly, upon discovery of any such use, take all necessary steps to compel the discontinuance of such use.

During any period of time in excess of forty-eight (48) hours when the Building is not open for business, Tenant shall notify Landlord of any such closure of the Building and take appropriate security and safety measures to reasonably guard the Leased Premises from damage, vandalism and the deposit of refuse or waste in or about the Leased Premises and to reasonably protect persons in or about the Leased Premises from death and personal injury. During such periods of time, Tenant shall submit to Landlord, at least quarterly, a report of such safety and security measures that have been taken by Tenant, confirming that Tenant has inspected the Leased Premises and reporting the condition of the Leased Premises and any damage to the Leased Premises or any personal injuries known to Tenant that have occurred in or about the Leased Premises.

13. INDEMNIFICATION.

Tenant hereby agrees to indemnify, defend, protect, and hold harmless Landlord and Landlord's Lender, if any, and Landlord's and Landlord's Lender's employees, agents and representatives from and against any and all loss, damages or liability including, without limitation, (i) all damages, directly or indirectly arising out of the use, generation, storage, transportation, treatment, release, threatened release or disposal of Hazardous Materials upon the Land, including diminution in value of the Leased Premises; and (ii) the cost of any required or

necessary repair, remediation, cleanup or detoxification and the preparation of any closure or other required plans or reports, whether such action is required or necessary prior to or following transfer of title to the Leased Premises, to the full extent that such action is attributable, directly or indirectly, to the presence or use, generation, storage, transportation, release, threatened release or disposal of Hazardous Materials by Tenant and any of Tenant's agents, employees, contractors or invitees during the Term of the Lease. This agreement to indemnify, defend, protect and hold harmless Landlord and Landlord's Lender (if any) shall be in addition to any other obligations or liabilities Tenant may have to Landlord or Landlord's Lender, if any, at common law under all statutes and ordinances or otherwise and survive the termination of the Lease to the extent of acts or omissions of Tenant occurring prior to the termination of the Lease.

14. LANDLORD'S PERFORMANCE OF TENANT'S DUTIES.

a. Performance at Tenant's Sole Expense. If Tenant should default in the performance of any covenant or agreement on its part to be performed by virtue of any provision of this Lease, Landlord may, after thirty (30) days' notice in the case of defaults in the payment of rent, additional rent or other monetary defaults, or after thirty (30) days' notice in the case of non-monetary defaults (or, in the case of emergencies, reasonable attempts at prior notice), perform the same for the account of Tenant, and Tenant hereby authorizes Landlord to come upon the Leased Premises for such purposes and while on the Leased Premises to do all things reasonably necessary to accomplish the correction of such default. If Landlord, at any time, is compelled to pay or elects to pay any sum of money by reason of the failure of Tenant, after thirty (30) days' notice, to comply with any provision of this Lease, or if Landlord is compelled to incur any expense, in instituting, prosecuting or defending any action or proceeding instituted by reason of any default of Tenant hereunder, the sum or sums so paid by Landlord with all interest costs and damages including any loss of rent, shall be deemed to be additional rent hereunder.

All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole expense and without abatement of rent or setoff. If Tenant shall fail to observe and perform any covenant, condition, provision or agreement contained in this Lease or shall fail to perform any other act required to be performed by Tenant, Landlord may, upon notice to Tenant, without obligation, and without waiving or releasing Tenant from any default or obligations of Tenant, make any such payment or perform any such obligation on Tenant's part to be performed. All sums so paid by Landlord and all costs incurred by Landlord, shall be payable to Landlord on demand together with interest thereon at the Default Rate, and Tenant covenants to pay any such sums, and Landlord shall have (in addition to any other right or remedy hereunder) the same rights and remedies in the event of Tenant's non-payment thereof as in the case of default by Tenant in the payment of rent.

b. Interest on Past Due Amounts. Any amount due from Tenant to Landlord which is not paid within five (5) days after receipt by Tenant of Landlord's written notice that

said amount is past due shall bear interest at the Judgment Rate from the date that such payment is due until paid, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease.

- c. Late Charge. Upon receipt by Tenant of written notice from Landlord that Tenant is more than ten (10) days' late in paying any installment of rent due under this Lease, Tenant shall pay to Landlord a late charge equal to Five Percent (5%) of the base rent due for that month. The parties agree that the amount of such late charge represents a reasonable estimate of the cost and expense that would be incurred by Landlord in processing each delinquent payment of rent by Tenant and that such late charge shall be paid to Landlord as liquidated damages for each delinquent payment, but that the payment of such late charge shall not excuse or cure any default by Tenant under this Lease.
- d. Purpose of Interest and Late Charge. The parties agree that the payment of late charge and the payment of interest provided for in this Section 14 are distinct and separate from one another in that the payment of interest is to compensate Landlord for the use of Landlord's money by Tenant, while the payment of a late charge is to compensate Landlord for the additional administrative expense incurred by Landlord in handling and processing delinquent payments, but excluding attorneys' fee and attorneys' costs incurred with respect to such delinquent payments.

15. CONDEMNATION.

In the event all of the Leased Premises, or such portion thereof as will make the Leased Premises unusable for the purposes of Tenant, be condemned by any legally constituted authority for any public use or purpose, then in either of said events, the Term hereby granted shall cease, at the option of either Landlord or Tenant on thirty (30) days' written notice from the time when possession thereof is taken by said public authorities, and rent shall be accounted for as between Landlord and Tenant as of that date. Said termination, however shall be without prejudice to the rights of either Landlord or Tenant, or both, to recover compensation and damage caused by condemnation from the condemnor, except: (i) Tenant shall have no rights for the value of its leasehold; and (ii) neither Tenant nor Landlord shall have any rights in any separate award made to the other party by the condemnor. In the event less than all of the Leased Premises is taken or condemned for a public or quasi-public use and the portion of the Leased Premises which is not taken may be reasonably suitable for the purposes of Tenant by repair or restoration, this Lease will not terminate. Landlord shall, in such event, promptly commence and diligently complete the repair and restoration of the Leased Premises so that upon completion the Building will constitute a complete architectural unit with an appearance, character and commercial value as nearly as possible equal to the value of the Building immediately prior to the taking, provided however, Landlord shall have no obligation to expend more on reconstruction than the net amount of a condemnation award or received by way of settlement in lieu thereof or make a repair or restoration if the estimated cost therefore would reduce the Landlord's award. There shall be an abatement of annual Base Rent after such taking which shall be equal to the percentage of total area of the Building after the taking and Landlord's restoration thereof as relates to the total area of the Building immediately prior to said taking thereunder, to the termination of this Lease.

16. MUTUAL INDEMNIFICATION.

Each party ("**Indemnifying Party**") agrees to indemnify and save harmless the other ("**Indemnified Party**") against and from any and all of the following if not covered by the insurance to be maintained by Tenant pursuant to Section 9 hereof: claims by and on behalf of any persons, firms or corporations, arising from the conduct or management of, from any work or thing whatsoever done by or on behalf of the Indemnifying Party in or about, of its activities upon or (in the case of Tenant) occupancy, the Leased Premises during the Term of this Lease, and will further indemnify and save the Indemnified Party harmless against and from any and all claims arising from any breach or default on the part of the Indemnifying Party in the performance of any covenant or agreement on the part of such Indemnifying Party to be performed pursuant to the terms of this Lease, or from any violation or failure to comply with any law, ordinance or regulation, or from any act or negligence of such Indemnifying Party, or any of its agents, contractors, servants, employees, licensees, or invitees or arising from any accident, injury or damage whatsoever caused to any person, firm or corporation, occurring during the Term of this Lease, in or about the Leased Premises, or upon or under the sidewalks and the land adjacent thereto, and from and against all costs, reasonable and necessary counsel fees, expenses and liabilities incurred in or about any such claim or action or proceeding brought thereon, and in case any action or proceeding is brought against the Indemnified Party by reason of any such claim, the Indemnifying Party upon notice from the Indemnified Party covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to the Indemnified Party. Landlord's liability is limited to Landlord's interest in the Leased Premises and will be canceled automatically upon any failure by Tenant to maintain in full force and effect all insurance required to be furnished by Tenant under the provisions of this Lease.

17. INSPECTION OF PREMISES.

Tenant agrees to permit Landlord and any mortgagee of the Leased Premises, and their agents, to inspect the Leased Premises at all reasonable times, and to come upon the Leased Premises if necessary to perform any act which Tenant has failed to perform, as provided elsewhere in this Lease. Tenant shall be given reasonable prior notice of any such entry (except in the case of emergency) and any such entry shall be undertaken in a manner that reasonably minimizes interference with Tenant's use and operations and Tenant shall have the right to have one or more of its employees present during such inspection.

18. DEFAULT.

Tenant shall be in default under this Lease if one or more of the following events (herein called "**Defaults**") shall happen and be continuing, namely:

- a. Failure to make the punctual payment of any rent, additional rent or other monetary payment herein agreed to be paid and such failure shall continue for a period of ten (10) days after written notice is given by Landlord to Tenant of such failure;

- b. Tenant shall have filed a petition in bankruptcy or prayed for any relief under the Federal Bankruptcy Law or made an assignment for the benefit of creditors or consent to the entry of an order for relief in involuntary bankruptcy;
- c. An attachment or execution shall have been levied upon the Tenant's property in or interest under this Lease, which shall not have been satisfied or released or the enforcement thereof stayed or superseded by an appropriate proceeding within ten (10) days thereafter;
- d. An involuntary petition in bankruptcy or for reorganization or arrangement under the Federal Bankruptcy Law shall have been filed against Tenant and either an order for relief is entered or such involuntary petition is not withdrawn, dismissed, stayed or discharged within sixty (60) days from the filing thereof;
- e. A Receiver or Trustee shall have been appointed for the property of Tenant or Tenant's business or assets and the order or decree appointing such Receiver or Trustee shall have remained in force undischarged or unstayed for thirty (30) days after the entry of such order or decree;
- f. Tenant admits in writing its inability to pay its debts as they become due;
- g. Tenant shall have failed to perform or observe any other covenant, agreement or condition to be performed or kept by the Tenant under the terms and provisions of this Lease, and such failure shall continue for ten (10) days after written notice thereof has been given to Tenant by Landlord, unless Tenant shall have commenced corrective action within such ten (10) days and thereafter diligently completes the same; the foregoing provision shall not require Tenant to occupy the Leased Premises and Tenant shall be entitled to vacate the Leased Premises so long as it otherwise complies with its obligations hereunder, unless the Covenant Documents otherwise provide; however said time period shall be inclusive of any and all statutory time periods for nonpayment of rent and breach of covenants in Lease.

19. LANDLORD'S REMEDIES UPON DEFAULT.

Upon the occurrence of any Default by Tenant, Landlord, at its option, may have one or more of the following remedies, in addition to all of the rights and remedies provided at law or in equity.

- a. Entry by Landlord. Landlord may cure the default for the account of Tenant, and Tenant hereby authorizes Landlord to come upon the Leased Premises for such purposes and while on the Leased Premises to do all things reasonably necessary to accomplish the correction of such Default. If Landlord, at any time, is compelled to pay or elects to pay any sum of money by reason of the occurrence of a Default by Tenant or if Landlord is

compelled to incur any expense, including reasonable attorneys' fees and attorney's costs, property management fees, in instituting, prosecuting or defending any action or proceeding instituted by reason of any Default of Tenant hereunder, the sum or sums so paid by Landlord with all interest costs and damages, including any loss of rent, shall be deemed to be additional rent hereunder and such action by Landlord shall not be deemed a waiver by Landlord of Tenant's default or any other remedy available to Landlord.

b. Performance By Landlord. Landlord may, upon notice to Tenant, without obligation, and without waiving or releasing Tenant from any Default or obligations of Tenant, make any such payment or perform any such obligation on Tenant's part to be performed. All sums so paid by Landlord and all costs incurred by lessor, including reasonable attorney's fees and costs, shall be payable to Landlord on demand together with interest thereon at the Default Rate, and Tenant covenants to pay any such sums, and Landlord shall have (in addition to any other right or remedy hereunder) the same rights and remedies in the event of Tenant's non-payment thereof as in the case of default by Tenant in the payment of rent.

c. Repossession; Damages. Landlord may without further notice repossess the Leased Premises and at any time thereafter may terminate this Lease by written notice to Tenant. In such event, Landlord shall be entitled to recover (in lieu of paying any further deficiency amounts under Section 19(d) below) a sum of money equal to the total of (i) the cost of recovering the Leased Premises; (ii) the unpaid rent earned at the time of termination, plus interest thereon; (iii) late charges on unpaid rent and accrued interest thereon (iv) reasonable costs of reletting and refurbishing the Leased Premises including, without limitation, leasing commissions paid, tenant improvement costs, rent concessions and repairs to the Leased Premises; and (v) any other sum of money and damages reasonably necessary to compensate Landlord for the detriment caused by Tenant's Default.

d. Termination of Right of Possession. Landlord may immediately terminate Tenant's right of possession of the Leased Premises by written notice to Tenant, with or without terminating this Lease, and without notice or demand enter upon the Leased Premises or any part thereof and take absolute possession of the same, expel or remove Tenant and any other person or entity who may be occupying the Leased Premises and change the locks. In the event that Landlord terminates Tenant's right to possession without terminating this Lease, Landlord shall engage a commercial real estate broker to relet the Leased Premises or any part thereof for such terms and such rents as Landlord may reasonably elect. In the event Landlord shall elect to so relet, the rent received by Landlord from such reletting shall be applied first to the payment of any sums owing from Tenant to Landlord hereunder other than rent due hereunder from Tenant to Landlord, second, to the payment of any reasonable cost of such reletting, including, without limitation, refurbishing costs and leasing commissions, and third, to the payment of rent due and unpaid hereunder, and Tenant shall satisfy and pay any deficiency upon demand

there for from time to time. Any such entry into the possession of the Leased Premises by Landlord under this Section 19 shall be without liability or responsibility for damages to Tenant and shall not be in lieu of or in substitution for any other rights of Landlord hereunder at law or in equity. Tenant further agrees that Landlord may file suit to recover any sums due Landlord under the terms of this Section 19 and that no recovery of any portion due Landlord hereunder shall be any defense to any subsequent action brought for any amount not theretofore reduced to judgment in favor of Landlord. Reletting of the Leased Premises shall not be construed as an election on the part of Landlord to terminate this Lease and notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach and recover liquidated damages as of the date of termination as set forth in Section 19(c) hereof.

e. No Termination Without Written Notice. No re-entry by Landlord or any action brought by Landlord to oust Tenant from the Leased Premises after the occurrence of a Default shall operate to terminate this Lease unless Landlord shall give written notice of termination to Tenant, in which event Tenant's liability shall be as above provided. In the event of a Default by Tenant, Landlord shall have the right of an injunction or a restraining order against Tenant and the right to invoke any remedy allowed by law or in equity whether or not other remedies, indemnities or reimbursements are herein provided.

f. Suit for Specific Performance or Damages. Landlord may bring suit against Tenant for the specific performance of this Lease by Tenant or for damages directly or indirectly arising out of Tenant's breach of any term or covenant of this Lease. After a default by Tenant, and in a suit for damages hereunder, Landlord may declare due and owing all Rent due hereunder for the remaining term of this lease, but remaining unpaid by Tenant as result of Tenant's default.

g. Remedies Are Cumulative. The rights and remedies given to Landlord in this Lease are distinct, separate and cumulative remedies, and except as provided herein, no one of them, whether or not exercised by Landlord, shall be deemed to be an exclusion of any of the others. No right or remedy granted to Landlord herein is intended to be exclusive of any other right or remedy hereunder or now or hereafter existing in law or equity or by statute. In the event of termination of Tenant's right to possession, by Landlord after the occurrence of a Default, Tenant waives any and all rights to redeem the Leased Premises either provided by any statute now in effect or hereafter enacted.

20. CONDITION OF PREMISES ON TERMINATION.

Upon termination of this Lease for any reason, Tenant covenants and agrees to remove all of its personal property, including fixtures and equipment installed by Tenant upon the Leased Premises which are not permanently attached or which are permanently attached and are property of the Tenant, and Tenant shall repair any damage caused by the removal thereof, and shall leave the Leased Premises in as good repair and clean condition as at the commencement of this Lease, normal and reasonable wear and tear and usage excepted. Tenant shall, at Landlord's election, either (i) remove at Tenant's sole expense, any title encumbrances relating to the Leased Premises caused by Tenant's interest in the Lease; or (ii) provide Landlord with a bond for the total amount of said title encumbrance.

All fixtures (other than trade fixtures and equipment not for the operation of the Building), improvements, alterations and equipment for the operation of the Building now or hereafter permanently attached to the Leased Premises, including without limitation all plumbing, electrical, and HVAC equipment and all doors, ceiling tiles and lighting fixtures, shall be and remain Landlord's property and shall not be removed from the Leased Premises without Landlord's prior written consent. All movable fixtures and equipment are and shall remain Tenant's property, and Landlord agrees to sign any and all waivers reasonably required by Tenant in order to complete any fixture financing arrangements relative to said movable fixtures and equipment. Landlord shall have no interest in any movable fixtures and equipment owned by Tenant, or installed in or upon the Leased Premises solely at the cost and expense of Tenant. In the event said property is thereafter removed from the Leased Premises by Tenant, or any party holding a lien on, a security interest in, or a reversionary interest in the property, or by any agent or representative thereof or any purchaser thereof, pursuant to the exercise or enforcement of any rights incident to the interests created, Tenant or party holding such interest shall repair any damage necessitated by the removal of such property as may be necessary to restore the Leased Premises to good condition and repair, excepting only reasonable wear and tear, without any cost or expense to Landlord.

21. SUCCESSORS AND ASSIGNS.

The obligations and responsibilities of the parties to this Lease shall be binding upon, and the rights and benefits shall inure to the successors and assigns of the parties hereto; but the liabilities of any successor to the interest of the Landlord hereunder shall be limited to the performance of those obligations which arise and accrue during the period of ownership of the Leased Premises by any such successor. In the event that Landlord sells, assigns or transfers the Leased Premises, and the buyer/transferee assumes in writing all obligations of Landlord under this Lease, then from and after the effective date of such sale, assignment or transfer, Landlord shall have no further liability under this Lease.

22. NOTICES.

Unless otherwise specifically provided herein, all notices and demands hereunder shall be in writing, and shall be given by registered or certified mail, return receipt requested and shall be deemed given if it is deposited in the United States mail, with sufficient postage prepaid thereon to carry it to the addressed destination or shall be delivered by facsimile transmission (with hard copy sent no later than 24 hours following transmission by United States mail, postage prepaid), to Seller or Buyer at the following addresses:

If to Landlord:	LannCo LLC 1580 Woodlane Drive Woodbury, MN 55125 651-730-0377
With a copy to:	Alan J. Lanners 12805 Highway 55 Suite 102 Plymouth, Mn. 55441
If to Lessee:	Mike Vogel So. Washington County ISD 833 7362 E. Point Douglas Road S Cottage Grove, MN 55016

Landlord and Tenant may designate an additional or another address upon giving notice to the other parties pursuant to this Section. Notice given in any other manner other than as stated herein, shall be deemed effective only upon receipt by the party to whom such notice is given.

23. NO ORAL AGREEMENTS.

It is expressly agreed between Landlord and Tenant that there is no verbal understanding or agreement which in any way changes the terms, covenants and conditions herein set forth, and that no modification of this Lease and no waiver of any of its terms and conditions shall be effective unless made in writing and duly executed by the authorized officers of the necessary parties or party.

Landlord and Tenant hereby agree that all prior or contemporaneous oral understandings, agreements or negotiations relative to the leasing of the Leased Premises are merged into this Lease.

24. NO WAIVER.

The failure of Landlord or Tenant to insist, in one or more instances, upon the strict performance by Tenant or Landlord of any of the provisions of this Lease shall not be construed as a waiver of any right or remedy available for any future breach of such provisions. Receipt by Landlord of rent with knowledge of the breach of any provisions hereof shall not be deemed a waiver of any right or remedy available for such breach.

25. WARRANTIES OF TENANT; ESTOPPEL CERTIFICATE.

Tenant warrants to and for the benefit of any mortgagee of the Leased Premises that as of the date of execution of this Lease it neither has nor claims any defense to this Lease nor any offset against the rentals payable or other obligations required of Tenant hereunder, and Tenant warrants that it has not paid any rental in advance for a period of more than one (1) month and covenants that it will not, without such mortgagee's written consent, at any time during the term hereof prepay any rental for a period longer than one month.

Tenant shall at any time and from time to time upon not less than five (5) business days prior written notice by Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), that the Lease has not been collaterally assigned, the dates to which the Base Rent and any other charges have been paid in advance, if any, confirming the Term and extension terms of the Lease, stating that the Tenant has accepted the Leased Premises in their then current condition and is in possession of the Leased Premises, stating whether or not to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Tenant may have knowledge, stating that the Tenant has no right of set-off against past or future rents due under the Lease, that no rent has been prepaid for more than one (1) month in advance, and containing any other information and certifications which reasonably may be requested by Landlord or the holder of any

Underlying Mortgages. Any such statement delivered pursuant to this Section 25 may be relied upon by a prospective purchaser of the fee of the Leased Premises or any mortgagee, ground lessor or other like encumbrancer thereof, or any assignee of any such encumbrancer upon the Leased Premises.

26. CARDING.

Landlord may place signs at the Leased Premises "Building for Rent" or "Building For Sale" ninety (90) days before the termination of this Lease. Landlord may enter the premises during business hours and upon reasonable notice to exhibit same to prospective purchasers, tenants and mortgagees and to inspect or make repairs.

27. LANDLORD AND TENANT.

This Lease shall create the relationship of landlord and tenant between Landlord and Tenant.

28. TIME OF ESSENCE.

Time is of the essence with respect to this Lease.

29. DEFINITION.

"Landlord" as used in this Lease shall include the original Landlord hereunder, its successors and assigns. "Tenant" shall include the original Tenant hereunder, its successors, and if this Lease shall be validly assigned or sublet, shall include also Tenant's assignee or sublessee, as to premises covered by such assignment or sublease. "Landlord" and "Tenant" include male and female, singular and plural, corporation, partnership or individual, as may be appropriate for the particular parties.

30. ZONING.

Tenant covenants that the Leased Premises are zoned properly so as to enable Tenant to operate the Leased Premises as a education learning center and for any activities usually related thereto. Tenant shall furnish Landlord and Landlord's Lender, if any, a certificate from the appropriate governmental authority addressed to Landlord and Landlord's Lender, if any, stating that the premises are so zoned and such use does not violate any applicable ordinance, permit, zoning or building code. Prior to any change in use of the Leased Premises, Tenant shall furnish Landlord and Landlord's Lender, if any, a similar certificate stating that the proposed use of the Leased Premises is permitted under all applicable zoning or building codes or permits. Landlord cannot guarantee future zoning or changes in permitted uses, and Tenant assumes the risk thereof.

31. LANDLORD'S CONSENT.

In all matters referred to in this Lease, where Landlord's consent or approval is required, Landlord may act in its discretion.

32. LEGAL EXPENSE.

Landlord shall be entitled to recover, against Tenant and/or its guarantors, any and all legal costs, disbursements and fees, including attorney fees, related to Landlord's enforcement of its rights under the terms of this Lease, whether related to a default by Tenant or related to Tenant's failure and/or refusal to perform any or all of tenant's obligations under this Lease. This right of Landlord shall be a separate right, severable from any other rights set forth in this Lease, and Landlord shall be entitled to recover its reasonable attorneys' fees and costs incurred in enforcing any judgment against Tenant, which right to recover such post-judgment attorneys' fees and costs shall be included in any such judgment. The right to recover post-judgment attorney fees shall (i) not be deemed waived if not included in any judgment; (ii) survive the final judgment in any Action; and (iii) not be deemed merged into such judgment. The rights and obligations of the parties under this Section 32 shall survive the termination of this Lease.

33. TITLE OF LANDLORD.

Landlord expressly covenants and agrees that as of the Commencement Date of the Term of this Lease, it will be the owner of the fee simple title to the Land and Building and other improvements and to the Underlying Mortgages and documents related thereto, if any, and subject to any liens, encumbrances or restrictions arising from or existing during Tenant's prior ownership of the Leased Premises. Landlord further covenants that Tenant, on paying the monthly rental and observing and performing all other terms and conditions contained in this Lease, shall have quiet and peaceful possession of the Leased Premises for the full Term, or extensions thereof subject to the provisions of this Lease.

34. LIMITATIONS ON LANDLORD'S LIABILITY.

It is expressly understood and agreed that if Tenant obtains a money judgment against Landlord resulting from any default or other claim arising under this Lease, that judgment shall be satisfied only out of Landlord's right, title and interest in the Leased Premises, and no other real, personal or mixed property of Landlord (or any of the officers, directors, stockholders or partners, as applicable, which comprise Landlord, if any) wherever situated, shall be subject to levy to satisfy such judgment.

35. GOVERNING LAW.

This Lease shall be performed, construed and enforced in accordance with the laws of the State of Minnesota.

36. HEADINGS.

The headings used in this Lease are for convenience only and shall not have any bearing or meaning with respect to the content or context of this instrument.

37. HOLDING OVER.

Tenant shall have no right to retain possession of the Leased Premises beyond the expiration or earlier termination of the Lease.

If Tenant holds over after the expiration of the Term, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and not a renewal hereof or an extension for any further Term, and such month-to-month tenancy shall be subject to each and every term, covenant and agreement contained herein; provided, however, that Tenant shall pay as Base Rent during any holding over period, an amount equal to two hundred percent (200%) of the Base Rent payable immediately preceding the expiration of the Term. Nothing in this Section 37 shall be construed as a consent by Landlord to any holding over by Tenant and Landlord expressly reserves the right to require Tenant to surrender possession of the Leased Premises upon the expiration of the Term or upon the earlier termination hereof and to assert any remedy in law or equity to evict Tenant and/or collect damages in connection with such holding over.

38. MEMORANDUM OF LEASE.

Either party may, at its sole cost, prepare and record a Memorandum of Lease at the location where the deed of title to the Leased Premises is of record. The other party shall join in executing such Memorandum on request.

39. AUTHORITY TO SIGN LEASE.

If Tenant is a corporation or other entity, then the persons executing this Lease on behalf of Tenant represent and warrant to Landlord that they are duly authorized to execute and deliver this Lease on Tenant's behalf in accordance with a duly adopted resolution of the Board of Directors of Tenant. Landlord warrants to Tenant that the person or persons executing this Lease on behalf of Landlord are duly authorized to execute and deliver this Lease on Landlord's behalf.

40. INVALIDITY.

If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party hereunder, shall be held invalid or unenforceable to any extent, the remaining terms, conditions and covenants of this Lease shall not be affected thereby and each of said terms, covenants and conditions shall be valid and enforceable to the fullest extent permitted by law.

41. SECURITY.

Tenant hereby assumes responsibility for and shall take all reasonable security measures for the Leased Premises.

42. INTERPRETATION.

The Lease has been fully negotiated and no provision shall be construed for or against either Tenant or Landlord, and this Lease shall be interpreted in accordance with its general tenor in an effort to reach an equitable result.

43. ASSIGNMENT.

Tenant shall not assign, collaterally or otherwise, nor pledge, encumber or mortgage its interest in this Lease or in the Leased Premises without Landlord's Lender's or Landlord's prior written consent (which may be withheld in the discretion of Landlord's Lender or Landlord).

44. SIGNAGE.

Landlord will consent to any temporary or permanent signage approved by the City of Cottage Grove, and not violative of any applicable covenants or restrictions pertaining to the land on which the premises is located provided it also conforms to the individually lit letters requirement as defined in the "80th Street Village Green" signage plan. Tenant shall have the option, at Tenant's expense, to place signage on the front and / or back of the building. Upon removal of signage, repairs must be made to walls and canopy to return them to near original condition. Tenant will also have available to them one panel on each front and back of the two monument signs servicing the premises; which must be installed within 6 months of the Lease Commencement.

IN WITNESS WHEREOF, the parties have caused this Lease to be duly executed as of the day and year first written above.

LANDLORD: LannCo LLC

Date: _____, 2017

By: John J. Lanners
Its: Chief Manager

**TENANT: South Washington County Schools
District 833**

Date: _____, 2017

By: Mike Vogel

Exhibit A