

LEASE AGREEMENT

THIS AGREEMENT is entered into this 1st day of October, 2025, by and between the City of Vergas, hereinafter referred to as "Lessor", and JoAnne Knuttila, d/b/a A Step Up Thrift Boutique, Limited, hereinafter referred to as "Lessee".

The Lessor owns land and a building located at 117 East Main Street, Vergas, Minnesota. Lessee desires to utilize the upper floor of the building as a shop for her business.

The parties hereto, being desirous of setting forth their respective obligations, rights and duties relating to the lease of the above referenced areas (hereinafter referred to as the "Premises"), now agree and covenant as follows:

1. **LOCATION OF PREMISES.** Lessor shall lease to Lessee the entire second floor of the Vergas Municipal Building and shall have the use of the restroom on the first floor of the building located at 117 East Main Street, Vergas, Minnesota.

2. **USE OF PREMISES.** Lessee shall lease the premises for the purpose of operating a thrift boutique. The Premises shall not be used for any other purpose unless Lessor agrees in writing to the change. Lessee shall not use the Premises for any unlawful purpose nor shall it operate its business so as to create a nuisance.

3. **TERM.** This lease shall be for an initial period of Two (2) years, commencing September 31, 2027.

4. **RENTAL RATE.** Lessee shall pay to Lessor the sums indicated in the following schedule of payments:

a. **Monthly rental payments shall be \$550.00;**

All payments are due on or before the first day of the month for which rent is due. Payment after the due date shall incur a penalty of 10% the amount due. Rent shall be paid at City Hall, Vergas, Minnesota.

5. **SECURITY DEPOSIT.** Lessor will not require any security deposit for the performance of the terms and conditions contained herein.

6. **UTILITIES.** Lessee shall be responsible for the cost of all utility services supplied to the Premises for the entire term of the lease. Lessee shall be solely responsible for said costs and shall hold harmless and indemnify Lessor for any costs associated with the maintenance, installation or use thereof.

7. **TAXES.** Lessee shall timely pay all sales, use, payroll income and all other taxes incurred in the operation of Lessee's business on the Premises. Lessee shall timely pay all real estate taxes levied against the Premises and any additions thereto payable in 2024 and each year thereafter as long as this lease or any renewal thereof is in effect. Lessor shall pay any special assessments levied against the premises in 2024 and subsequent years.

8. **INSURANCE.**

A. **GENERAL LIABILITY.** During the term of this lease, and any renewals hereof, Lessee shall maintain general comprehensive liability and casualty insurance covering its operations both on the Premises and including the surrounding parking lot and contiguous area. Lessee shall provide liability insurance in an amount to be agreed upon between Lessor and Lessee, which shall be not less than \$300,000.00. Said amount shall not be less than the policy limits in effect during the last policy term prior to the date the lease is entered into. Lessee shall protect and hold Lessor harmless from any losses or liability arising out of Lessee's use of the Premises.

B. **WORKMEN'S COMPENSATION INSURANCE.** Lessee shall be responsible for providing workmens compensation insurance for all of Lessee's employees working on the Premises.

C. **PHYSICAL DAMAGE INSURANCE.** Lessee shall insure the Premises and any additions or improvements thereto and all fixtures, against physical damage with a replacement cost policy naming the Lessor as a loss payee.

D. **PROOF OF INSURANCE.** Lessee shall cause its insurer to provide a certificate of insurance to Lessor at the beginning of this lease showing Lessor's designation as either loss payee or named insured, as may be appropriate, on all applicable insurances. Hereafter, these documents shall be provided no later than 30 days subsequent to the renewal date of any applicable policy period. The policies shall provide that notice will be provided to Lessor of cancellation or non-renewal at least 30 days prior to the expiration or cancellation of the policy.

9. **INDEMNIFICATION.** Lessee shall protect and hold Lessor harmless from any losses or liability arising out of Lessee's use of the Premises.

10. **DAMAGE OR DESTRUCTION OF PREMISES.**

A. **PARTIAL DESTRUCTION.** Lessee shall have thirty (30) days to make repairs sufficient to restore the Premises to its previous condition.

B. **COMPLETE DESTRUCTION.** In the event the Premises are destroyed or rendered untenable by fire, storm, earthquake, or other casualty not caused by the

negligence or intentional acts of Lessee or any of Lessee's agents, employees, representatives, guests, invitees, or customers, or if the same are taken by eminent domain, this Lease shall terminate from such time except for the purpose of enforcing rights hereunder that may have accrued to that date. The rental amount shall be prorated to the date of such destruction or untenability or taking of the Premises, Lessee paying up to such date and Lessor refunding the rent collected beyond such date.

Should only a part of the Premises be destroyed or rendered untenable by fire, storm, earthquake, or other casualty not caused by the negligence or intentional acts of Lessee or any of Lessee's agents, employees, representatives, guests, invitees, or customers, the rent shall abate in the proportion which the damaged portion bears to the whole Premises provided that the business that Lessee has been conducting can reasonably still be conducted in the non-damaged part of the Premises. Lessor shall have no duty to repair any part of the premises which are destroyed or otherwise rendered untenable. The costs of any repairs voluntarily made by Lessor shall be paid for by Lessor unless the damage was caused by the negligence of Lessee or Lessee's agents, employees, representatives, guests, invitees, or customers, in which case said cost shall be paid by Lessee.

11. **CARE, MAINTENANCE AND REPAIR OF PREMISES.**

A. Lessee shall take the Premises in the condition in which it is in at the time Lessee occupies the Premises. Lessee shall return the Premises, and any of Lessor's equipment located in or about Premises, in as good a condition as it was in at the commencement of this lease, reasonable wear and tear excepted.

B. Lessor shall be responsible for all maintenance and upkeep of all electrical, heating and cooling systems, and plumbing repairs.

C. Lessee and Lessee's customers may use Lessor's first floor bathroom. Lessor shall be responsible for cleaning and repair of the bathroom. However, should Lessee or Lessee's customers damage or otherwise cause Lessor to incur extraordinary costs to clean and maintain the bathroom such costs shall be borne by Lessee.

D. Lessee shall be responsible for the cost of replacing any broken glass on said premise. Lessor shall be responsible for all other maintenance and upkeep of the structure of the Premises.

12. **ALTERATIONS AND IMPROVEMENTS.** No alterations, additions or improvements to the Premises shall be made without Lessor's express written consent. If, upon Lessor's consent, alterations, additions, or improvements are made, Lessee shall pay all material-men and laborers promptly. Should any liens be filed against the property by way of Lessee's failure to pay for materials or services, Lessor may pay the same, charge any expense of so doing to Lessee, and terminate this agreement. Any

alterations, improvements, or additions become the sole property of Lessor, free of any claim or interest of Lessee, at the expiration or termination of this lease.

13. **ASSIGNMENT OR SUBLETTING.** Lessee shall not assign this lease or sublet the Premises or any part thereof, without Lessor's prior written consent. Any such assignment or sublet may be grounds for a rental increase by Lessor, dependent upon the use to which the Premises is put. Any assignment or transfer by operation of law or otherwise of the Lessee's interest in the Premises, including through the bankruptcy or the insolvency of the Lessee, may, at the option of Lessor, be considered an assignment within the meaning of this lease and a material breach of the covenants herein.

14. **NOTICES TO LESSOR AND LESSEE.**

A. Any notices required to be given pursuant to the terms of this lease shall be given to the parties in writing by personally providing notice to the parties, their agents or employees at the parties' places of business.

B. Lessee shall give written notice to Lessor of any claimed violation of this lease agreement fifteen days prior to any action being taken by Lessee to enforce his rights under this lease.

C. Lessor shall provide written notice to Lessee of any claimed violation of any of the terms of this lease 15 days prior to any action being taken by Lessor to enforce Lessor's rights under this lease. However, failure to pay rent when due shall subject Lessee to immediate action by Lessor at Lessor's sole discretion.

15. **QUIET ENJOYMENT.** Lessor covenants the Lessee may, upon its full and punctual compliance with the terms and conditions of this lease, peaceably have and hold the Premises and any additions thereto during the term of this lease, free from eviction, interference or disturbance by Lessor.

16. **INSPECTION.** At all times during the term of this lease, Lessor shall have the right, by itself, its agents and employees, to enter into and upon the premises during reasonable business hours for the purpose of examining and inspecting the same and determining whether Lessee shall have complied with all of its obligations hereunder in respect to the care and maintenance of the premises, the repair and rebuilding of the improvements thereon when necessary, and all other terms and conditions hereof.

17. **SIGNS.** Lessee shall ensure that all signs for Lessee's business are attractive, of reasonable size, and do not detract from the Vergas Municipal Liquors Store signs or other signs advertising business or enterprises in which the Lessor is engaged in. Lessor shall obtain prior approval for all signs from the Mayor of the City of Vergas.

18. **RESPONSIBILITIES WHEN CLOSING THE STORE.** If Lessor operates its

business while the municipal liquor store is closed, Lessee shall check all restrooms and other areas of the building to ensure the building is empty before locking up the building.

19. **HAZARDOUS SUBSTANCES.**

A. Lessee shall not use, store or dispose of hazardous substances, as may be defined by applicable federal or state law, on, in or around the Premises except as may be allowed by and in compliance with applicable law and any permits held by Lessee.

B. Lessee shall hold Lessor harmless from any civil liability or damages resulting from Lessee's violation of any environmental law, statute or regulation.

C. Lessee shall provide Lessor with immediate notice of any claimed violation of Federal, State or local laws concerning its use, storage or disposal of hazardous substances or production wastes.

20. **LICENSES AND CODES.** Lessee shall operate its business and shall conduct its activities in or around the Premises in compliance with all applicable local, County, State and Federal codes and laws. Any failure to comply with such codes shall be considered default under this lease. Lessee shall provide evidence to Lessor that all licenses and permits have been obtained and are in current force and effect.

21. **VIOLATIONS OF THE LEASE.** Any violation of the terms of the lease by the Lessee shall be deemed at Lessor's option a material breach of the lease and grounds for Lessor to commence eviction proceedings against Lessee.

22. **VOLUNTARY TERMINATION.** Before the expiration of this lease, if the Lessee does not wish to renew the lease, the Lessee shall provide the Lessor with written notice at least 60 days before the expiration of the term of this lease. Otherwise, the Lessor will have the option to continue this lease for two years from the expiration date without providing notice to the Lessee.

23. **TERMINATION OF LEASE AND RIGHT OF REENTRY UPON DEFAULT.**

A. Should Lessee default in its obligations hereunder and continue in its default after notice has been provided pursuant to paragraph 14 (except if Lessee fails to pay rent when due), or abandons the Premises, then Lessor may terminate this lease and reenter the Premises and any additions thereto without penalty and without need for legal process.

B. Should Lessee become insolvent, declare bankruptcy or enter into

any assignment for the benefit of creditors, the Lessor shall have the right to terminate this lease after notice pursuant to paragraph 14 and to reenter the Premises.

24. **SURRENDER.** The Lessee shall, at the expiration or other termination of this lease, remove all Lessee's goods and effects from the leased Premises (including without hereby limiting the generality of the foregoing all signs and lettering affixed or painted by the Lessee, either inside or outside the leased Premises). Lessee shall deliver to the Lessor the leased Premises and all keys, locks and other fixtures connected with the Premises and all alterations and additions made to or upon the leased Premises in good condition. In the event of the Lessee's failure to remove any of Lessee's property from the Premises, Lessor is hereby authorized, without liability to Lessee for loss or damage, to remove and store any of the property at Lessee's expense or to retain the same and dispose of it according to law.

25. **FIXTURES.** All fixtures upon the premises are and shall remain the property of Lessor.

26. **SEVERABILITY.** The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

27. **BINDING EFFECT.** The covenants and conditions herein contained shall apply to and bind the heirs, legal representatives, successors, and assigns of the parties hereto, and all covenants are to be construed as conditions of this Lease.

28. **INTEGRATION CLAUSE.** This agreement shall constitute the entire contract between the parties hereto. No modification hereof shall be binding unless endorsed hereon in writing.

IN WITNESS WHEREOF, this instrument was executed this ____ day of _____, 20__.

City of Vergas, Lessor

BY: _____

ITS: _____

_____, Limited, Lessee

BY: _____

ITS: _____