

**CITY OF MESA
LEASE AGREEMENT**

THIS LEASE AGREEMENT ("Lease"), executed this _____ day of _____, 2017 by and between the CITY OF MESA, a municipal corporation, ("Lessor"), and A NEW LEAF, INC., an Arizona non-profit corporation ("Tenant"). Lessor and Tenant may be referred to jointly as "Parties," and each separately may be referred to as a "Party."

RECITALS

A. Lessor owns certain real property and improvements located at 3511 East University, Mesa, Arizona, also known as the Leased Premise as that term is defined in Subsection 1.01 which Tenant has leased from Lessor since January 1, 1976.

B. At the Leased Premises (defined in Subsection 1.01) and at the adjoining property owned by Tenant (3505 East University, Mesa, Arizona) Tenant operates a licensed and accredited residential home for children and young people, offering specialized treatment for the resolution of trauma and general mental or behavioral health needs. Beyond the basics of food, safety and shelter, the program provides additional resources to specifically address the child's unique physical, social, emotional and / or behavioral needs. This may include counseling to address past trauma and abuse, behavioral interventions for aggressive and / or violent behavior, specialized medical care, and a myriad of other services required to stabilize behavior and optimize personal growth and development.

C. Tenant desires to lease and Lessor is willing to lease the property subject to all terms and conditions of this Lease.

AGREEMENT

In consideration of the foregoing recitals, which are incorporated herein, and the terms and conditions of this Lease, the Parties agree as follows:

**SECTION 1
LEASED PREMISES**

1.01 Leased Premises. The leased premises and real property improvements are located at 3511 East University, Mesa, Maricopa County, Arizona, also known as Maricopa County Assessor parcel number 140-21-009B and defined in **Exhibit "A"**, which is hereafter referred to as the "Leased Premises".

1.02 Condition of Leased Premises. Tenant acknowledges, represents and agrees to lease and take possession of the Leased Premises "AS IS" based on its own inspection and investigation. Tenant's acceptance of the Leased Premises is not in reliance on any statement, representation, inducement or agreement of Lessor.

**SECTION 2
USE OF LEASED PREMISES**

2.01 Permitted Uses. Tenant agrees to use and operate the Leased Premises in a manner that serves a public purpose (i.e. provides a benefit to the public), as more specifically described in

this Subsection. Specifically, Tenant will operate the Leased Premises as a temporary shelter for displaced youths and provide, administer, and coordinate various community based support programs. Such use of the Leased Premises must support the U.S. Department of Housing and Urban Development (“HUD”) Community Development Block Grant (“CDBG”) program national objective of benefiting low and moderate-income persons through the eligible activity of Public Facilities. The persons benefited by the use of the Leased Premise must be low to moderate income individuals, as that term is defined by CDBG regulations. Additional information regarding CDBG regulations and requirements that must be met by Tenant may be found in Section 21 of the Lease. Tenant will not use the Leased Premises for any other uses unless such other use has prior approval in writing from Lessor. Any changes to the use of the Leased Premises shall require authorization from the Lessor. Prior to permission being granted for a change of use, a 30-day comment period shall be provided to the public, particularly, the beneficiaries who use the Leased Premises. Comments from the public will be considered by the Lessor when making a determination of allowing the change of use.

2.02 Conduct of Activities. Tenant must use the Leased Premises and conduct its activities in a manner that will in no way materially interfere with or detract from the value of the Leased Premises.

2.03 Compliance with Laws. Tenant, its employees, agents, contractors, customers and invitees must comply with all provisions of this Lease, along with all City codes, ordinances, resolutions, standards, laws and policies affecting the Leased Premises.

2.04 Default. Tenant's failure or inability for any reason to use the Leased Premises for the purposes stated in Subsection 2.01, or Tenant's failure to use the Leased Premises for a period of ninety (90) consecutive days, will constitute a default within the meaning of the Lease.

SECTION 3

TERM

3.01 Initial Term. The term of this Lease will be for a period of ten (10) years commencing on May 1, 2017 and ending on April 30, 2027 unless otherwise canceled or terminated as provided herein (“Initial Term”).

3.02 Extension. Upon the expiration of the Initial Term, this Lease will automatically extend for a period of one (1) year after the expiration of the Initial Term (the “Extended Term”), unless either Party notifies the other Party at least thirty (30) days prior to the end of the Initial Term that it does not intend to extend this Lease and provided Tenant is in full compliance with all of the provisions, covenants, conditions, and requirements of this Lease. The Extended Term of this Lease will be on the same terms, covenants, and conditions and subject to the same restrictions and exceptions contained in this Lease. If Tenant is in default on the date the Extended Term is to commence, the Extended Term will not commence and this Lease will expire at the end of the Initial Term. There may be only one Extended Term of the Lease.

SECTION 4

CONSIDERATION

4.01 Minimum Rental. Tenant, in consideration of the foregoing covenants agrees to pay to Lessor, rental for the entire Initial Term of the Lease in the amount of ten dollars (\$10.00) (“Premises Rent”). Any lease payment paid in full is non-refundable. In the event this Lease is automatically extended pursuant to Subsection 3.02, Tenant covenants and agrees to pay in lawful

money of the United States of America to Lessor, rental for such entire additional one-year term the amount of one dollar (\$1.00).

4.02 Payment Procedures. Tenant must pay to Lessor, without prior notice or demand, rental for the entire Initial Term on the first day of the Initial Term, rental for the entire Extended Term on the first day of the Extended Term. Said rental will be in the amounts set forth in Subsection 4.01 hereof.

4.03 No City Expenses. Tenant agrees to pay all expenses related to Tenant's use of the Property and indemnifies and holds Lessor harmless from any expenses related to Tenant's use of the Property including, but not limited to, any expenses, taxes and insurance.

4.04 Taxes. Tenant will pay, without notice (except as specifically provided herein), and without abatement, deduction or setoff, before any fine, penalty, interest or cost may be added thereto, or become due or be imposed by operation of law for the nonpayment thereof, all sums, impositions, costs, expenses and other payments and all taxes including personal property taxes and taxes on rents, leases or occupancy, and GPLET (defined in Subsection 4.05), assessments, special assessments, enhanced municipal services district assessments, water and sewer rents, rates and charges, charges for public utilities, excises, levies, licenses and permit fees, and other governmental or quasi-governmental taxes or charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind or nature whatsoever which, at any time during the Initial Term or Extended Term may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or with respect to, or become a lien on or encumbering, the Leased Premises or any part thereof, or any appurtenances thereto, or any use or occupation of the Leased Premises.

4.05 Government Property Lease Excise Tax. To the extent required under A.R.S. § 42-6206, Tenant is hereby notified of its potential tax liability under the Government Property Lease Excise Tax ("GPLET") provisions of A.R.S. §§ 42-6201, *et seq.* Failure of Tenant to pay GPLET (if applicable) is an event of default hereunder. Tenant represents that it is an organization that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code. Accordingly, Tenant represents that it falls within the GPLET exemption in A.R.S. § 42-6208(13).

SECTION 5

REPRESENTATIONS, WARRANTIES, AND COVENANTS OF TENANT

5.01 Lawfully in Arizona. Tenant is an Arizona non-profit corporation, duly organized, validly existing, in good standing, and authorized to operate under the laws of the State of Arizona. Tenant's organizational identification number is 362-722-198. Tenant has full power and authority to execute, deliver and perform this Lease and the other documents related to this Lease to which it is a party and to enter into and carry out the transactions contemplated by those documents. Tenant certifies to Lessor that the execution, delivery and performance of this Lease and the other documents related to the Leased Premises do not, and will not, violate any provision of law applicable to Tenant or its organizational documents, and do not, and will not, conflict with or result in a default under any agreement or instrument to which Tenant is a party or by which it is bound.

5.02 Duly Executed. This Lease has been duly executed and delivered by Tenant and it constitutes a valid, binding and enforceable agreement against Tenant.

5.03 No Additional Authorizations or Consents Needed. No authorizations, consents or approvals are required in connection with the execution and delivery of this Lease or in connection with the carrying out by Tenant of its obligations hereunder.

5.04 No Defaults. To the best of Tenant's knowledge, Tenant is not in default in: (i) the payment of any of Tenant's indebtedness for borrowed money; and (ii) any material respect under any order, writ, judgment, injunction, decree, determination, or award or any indenture, agreement, lease or instrument.

5.05 Litigation. Tenant must notify Lessor within ten (10) calendar days after the commencement of any action, suit, proceeding or arbitration against Tenant, or any material development in any action, suit, proceeding or arbitration pending against Tenant if such action, suit, proceeding or arbitration would materially and adversely affect the Leased Premises, the validity of this Lease, or the performance of Tenant's obligations under this Lease.

SECTION 6 **IMPROVEMENTS**

6.01 Definition. The term "Improvements," as used in this Lease, will mean any and all additions, alterations, changes, fixtures, or other improvements to the Leased Premises.

6.02 Improvements. Tenant will not make any temporary or permanent Improvements to the Leased Premises, with a cost of more than five thousand dollars (\$5,000.00), without the prior approval of the Lessor in writing. Lessor's approval will not be unreasonably conditioned, withheld or delayed. Tenant must submit to Lessor complete architectural, electrical and mechanical plans and specifications covering all such work, whether such work is to be done by Tenant or others. Such plans and specifications must be prepared in the level of detail as Lessor may require, and Tenant agrees not to commence work upon any portion of the Leased Premises until Lessor has approved such plans and specifications. Any changes in said plans or specifications must be similarly approved by Lessor.

6.03 Construction and Maintenance. All improvements shall be constructed and/or maintained in a good and workmanlike manner in compliance with all laws, code, rules, regulations, and orders of all governmental authorities having jurisdiction thereof. Tenant shall, at Tenant's own expense, promptly remove from the Leased Premises all trash and debris which may accumulate in connection with any work in or on the Leased Premises. Tenant will, at all times during the full term of this Lease and at Tenant's sole cost and expense, maintain the Leased Premises and all improvements thereon or appurtenances thereto, in good working order, condition and repair (including any such replacement, periodic painting, and restoration as is required for the purpose) and in a safe, sanitary, weed and dust free, neat and attractive condition, and shall comply with all public laws, ordinances and regulations applicable to said Leased Premises. Tenant will indemnify and hold harmless Lessor against liability for all claims arising from any failure to maintain, repair, or alter the Leased Premises and the Improvements thereon, or from any construction, alteration or repair of the Leased Premises or from the non-observance of any law, ordinance or regulation applicable to such construction, alteration or repair.

SECTION 7 **MECHANICS LIENS**

7.01 Mechanics Liens. Tenant agrees to keep the Leased Premises free of any mechanics' or materialman's liens or other liens of any kind or nature for work done, labor performed, or material furnished thereon at the instance or occasion of Tenant, and Tenant further agrees to indemnify and save harmless Lessor from and against any and all claims, liens, demands, costs and expenses of whatsoever nature for any such work done, labor performed, or materials furnished.

7.02 No Agency. Tenant is not an agent or employee of the Lessor; nor are Tenant's agents, officers, representatives and employees deemed to be agents and employees of the Lessor. Lessor, its agents, officers, representatives and employees, are not authorized to act for or on behalf of Lessor as its agent, employee, representative, or otherwise, for the purpose of constructing any improvements at the Leased Premises, or for any other purpose, and neither Lessor nor Lessor's interest in the Leased Premises will be subject to any obligations incurred by Tenant.

SECTION 8

UTILITIES

8.01 Utilities. Tenant is responsible for and will pay for all utilities supplied to, used, or consumed in or upon the Leased Premises, including without limitation, all charges for sewage, water, gas, electricity, and trash collection as and when the charges therefore become due and payable.

SECTION 9

MAINTENANCE AND REPAIRS

9.01 Maintenance and Repairs. Tenant will maintain the Leased Premises and all improvements thereon in good order and repair and perform all necessary repairs and maintenance at Tenant's own expense. Lessor will have no obligation to repair or maintain the Leased Premises or any improvement thereon.

9.02 Neat Condition. Tenant must keep the Leased Premises neat and orderly at all times. This includes, without limitation the prevention of the accumulation of any refuse or waste materials which might constitute a health or fire hazard or public nuisance. Tenant is responsible for the removal and recycling, as appropriate, of all trash and solid waste from the Leased Premises at a minimum of once per week.

9.03 Lessor's Right to Conduct Maintenance. In the event Tenant fails to maintain and repair the Leased Premises, and all improvements thereon, in accordance with this Section 9, Lessor will have the right, but not the obligation, to perform any such maintenance and repair at Tenant's sole expense. Said expense will be due and payable, as additional rent, to the Lessor within thirty (30) days after the date of the invoice in which Lessor bills Tenant for such expense.

SECTION 10

SECURITY

10.01 Security. Tenant is solely responsible for the security for the Leased Premises. Tenant will indemnify, defend, and hold Lessor harmless from any claim relating to or arising out of security (including, but not limited to, lack of security, and types of security installed) for the Leased Premises and any employee, invitee, or person in or on the Leased Premises or the common area immediately adjacent to the Leased Premises.

SECTION 11

DAMAGE AND DESTRUCTION OF PREMISES

11.01 Tenant's Obligations to Restore. If the Leased Premises are damaged or destroyed by fire or other casualty, Tenant at its sole cost and expense will proceed with reasonable diligence to repair, restore, or rebuild the same as nearly as possible to its value, condition, and character immediately prior to such damage or destruction; provided however that Tenant's foregoing obligations will be limited to the amount of insurance proceeds available for such repair, restoration, or rebuild and any deductible thereto (if Tenant fails to maintain the insurance required by this Lease, Tenant is responsible for the amount that insurance would have provided in such circumstances).

Unless otherwise agreed to by the Parties in writing, Tenant will use all insurance proceeds plus the amount of any deductible for such insurance to repair, restore, or rebuild the Leased Premises. Tenant's obligation to pay Premises Rent and any other amounts owing under this Lease will continue regardless of any partial, substantial, or total destruction of the Leased Premises; provided, however, if the insurance proceeds and any deductible amount (and any amounts Lessor is willing to pay to restore the Leased Premises even though the Parties agree the Lessor has no obligation to pay any such amounts) are not sufficient to restore the Leased Premises to a condition that would allow Tenant to use the Leased Premises as reasonably intended or if the Parties agree in writing to not use such proceeds to restore the Leased Premises, then Tenant may terminate this Lease through the following: (i) payment by Tenant to Lessor of all insurance proceeds for the Leased Premises except proceeds to cover loss for Tenant's personal property, plus any deductible amount (or if Tenant fails to maintain the insurance required by this Lease, Tenant will be responsible for the amount that insurance would have provided in such circumstances); and (ii) thirty (30) days written notice to Lessor. Such a termination will be deemed to be the end of the term of this Lease. Lessor will have no responsibility or liability for any damage or destruction by fire or other casualty and will have no obligation to repair, restore, or rebuild the Leased Premises in such event.

11.02 Damage to Lessor's Property. Any improvements, or real or personal property of Lessor's damaged or destroyed by Tenant as a result of Tenant's use or occupancy of the Leased Premises, ordinary wear and tear excepted, will be promptly repaired or replaced by Tenant to the reasonable satisfaction of Lessor. In lieu of such repair or replacement, where required by the Lessor, Tenant will pay to Lessor an amount sufficient to compensate for the loss.

SECTION 12 **INSURANCE**

12.01 Coverage Required. Prior to the first day of the Initial Term, Tenant must procure and at all times maintain throughout the term of the Lease the following types and amounts of insurance for its operations at, and use of, the Leased Premises:

12.01.1 General Liability Insurance. General Liability insurance with minimum coverage of \$2,000,000. Liability coverage must include Product Liability coverage. The Lessor, its agents, officials, volunteers, officers, elected officials and employees must be named as additional insureds.

12.01.2 Property Insurance. Tenant is responsible for carrying fire and extended risk insurance coverage for the structure and all permanent fixtures for the replacement value thereof on the Leased Premises. Lessor must be named as "Loss Payee" on the property insurance policy. All merchandise, furniture, floor coverings and all personal property and fixtures belonging to Tenant and all persons claiming by or through Tenant which may be on the Leased Premises will be at Tenant's sole risk.

12.01.3 Workers' Compensation Insurance. Tenant must maintain workers' compensation insurance to cover obligations imposed by federal and state statute.

12.02 Evidence and Requirements of For All Insurance Coverages. Prior to the first day of the Initial Term, Tenant must provide the Lessor with a Certificate(s) of Insurance (using the appropriate ACORD certificate) signed by the issuer with applicable endorsements. Lessor reserves the right to request additional copies of any or all of the policies, endorsements, or notices relating to the policies.

12.02.1 Tenant's insurance will be primary of all other sources available. No policy will expire, be cancelled or materially changed to affect the coverage available without advance written notice to the Lessor.

12.02.2 All insurance certificates and applicable endorsements are subject to review and approval by Lessor's Risk Manager.

12.02.3 All insurance policies (whether or not required by this Lease) must contain a waiver of subrogation in favor of the Lessor, and its agents, officials, volunteers, officers, elected officials and employees.

12.02.4 All policies must be from a company or companies rated A- or better, authorized to do business in the State of Arizona.

12.03 No Limits on Indemnification. The procuring of such policies of insurance set forth in this Lease shall not be construed to be a limitation upon Tenant's liability or as a full performance on its part of the indemnification provisions of this Lease.

12.04 Lessor's Right to Adjust Insurance. Lessor may reasonably adjust the amount and type of insurance Tenant is required to obtain and maintain under this Lease as reasonably required by Lessor's Risk Manager.

12.05 Use of Proceeds. Proceeds (or an equivalent amount of such proceeds) of any property damage insurance shall be applied as required by this Lease.

12.06 Insurance by Lessor. In the event Tenant fails to procure any insurance required hereunder, Lessor may, upon written notice to Tenant, procure and maintain any or all of the insurance required of Tenant under this Section 12. In such event, all costs of such insurance procured and maintained by Lessor on behalf of Tenant will be the responsibility of Tenant and will be fully reimbursed to Lessor within ten (10) calendar days after Lessor advises Tenant of the cost thereof.

SECTION 13

INDEMNIFICATION

13.01 Lessor's Responsibility for Own Negligence. Lessor will be solely liable for negligent acts, or omissions of Lessor, its officers, directors, officials, employees and agents while on Lessor's official business at the Leased Premises.

13.02 Indemnification. Tenant must defend, indemnify, and hold harmless Lessor, its officers, directors, officials, agents, employees, and others acting under Lessor's direction and control, from and against any and all claims, demands, losses or liability of any kind or nature which Lessor, its officers, directors, officials, agents, employees or others acting under its direction and control may sustain or incur, or which may be imposed upon them, or any of them for injury to, or death of, persons or for damage to property arising out of or in any manner connected with the Tenant's use and operation of the Leased Premises.

SECTION 14

ENVIRONMENTAL INDEMNIFICATION

14.01 Use of Hazardous Material. Tenant will not cause or permit any hazardous material, as defined in Subsection 14.05 to be generated, brought onto, used, stored, or disposed of in, on or about the Leased Premises. Tenant must:

- (a) Use, store and dispose of all such hazardous material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the

lease term that relate to public health and safety and protection of the environment (environmental laws); and

- (b) Comply with all environmental laws at all times during the full term of this Lease.

14.02 Notice of Release or Investigation. If, during the full term of this Lease, either Lessor or Tenant becomes aware of: (a) any actual or threatened release of any hazardous material on, under, or about the Leased Premises, or (b) any inquiry, investigation, proceeding, or claim by any government, agency, or other person regarding the presence of hazardous material on, under, or about the Leased Premises, that Party must give the other Party written notice of the release or investigation within five (5) calendar days after learning of it and will simultaneously furnish to the other Party copies of any claims, notices of violation, reports, or other writings received by the Party providing notice that concern the release or investigation.

14.03 Environmental Indemnification. Tenant will at Tenant's sole expense, indemnify, defend, and hold harmless Lessor, its officers, directors, officials, agents, employees or others acting under its direction and control, with respect to all losses arising out of or resulting from the release of any hazardous material or the violation of any environmental law in or about the Leased Premises, except those solely caused by Lessor. This indemnification will survive the expiration or termination of this Lease and will include:

- (a) Losses attributable to diminution in the value of the Leased Premises;
- (b) Loss or restriction of use of rentable space at the Leased Premises;
- (c) Adverse effect on the marketing of any part of the Leased Premises; and
- (d) All other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders, or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant and expert fees and expenses) resulting from the release or violation.

14.04 Remediation Obligations.

- (a) If the presence of any hazardous material brought onto the Leased Premises, unless brought by Lessor, results in contamination of the Leased Premises, Tenant must promptly take all necessary actions, at Tenant's sole expense, to return the Leased Premises to the condition that existed before the introduction of such hazardous material. Tenant must first obtain Lessor's written approval of the proposed remedial action. This provision does not limit any indemnification obligations set forth in other Sections of this Lease.
- (b) In the event Tenant fails to meet its remediation obligations under paragraph (a) above, Lessor will have the right, but not the obligation, to perform any such remediation at Tenant's sole expense. Said expense will be due and payable, as additional rent, within thirty (30) calendar days after the date of the invoice in which Lessor bills Tenant for such expense.

14.05 Definition of Hazardous Material. As used in this Lease, the term "Hazardous Material" will mean any hazardous or toxic substance, material, or waste that is or becomes regulated by the United States, the State of Arizona, or any local government authority having jurisdiction over the Leased Premises. Hazardous material includes:

- (a) Any "hazardous substance" as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 United States Code §§ 9601-9675) including all amendments thereto or successor statutes;
- (b) "Hazardous waste" as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA) (42 United States Code §§ 6901-6992K) including all amendments thereto or successor statutes;
- (c) Any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect);
- (d) Petroleum products;
- (e) Radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code §§ 2011-2297G-4 including all amendments thereto or successor statutes;
- (f) Asbestos in any form or condition; and
- (g) Polychlorinated biphenyls (PCBs) and substances or compounds containing PCBs.

SECTION 15

ENTRY BY LESSOR

15.01 Entry by Lessor. Lessor reserves the right, without abatement of rent and other charges due hereunder from the Tenant, to enter upon or have its employees, agents, contractors and assignees enter upon the Leased Premises at any reasonable time, according to State of Arizona law, for any reasonable purpose, including the inspection of the Leased Premises to determine if the provisions of this Lease are being complied with, to conduct environmental assessments and audits, to perform repairs and/or maintenance in accordance with Section 9, including any actions necessary to remediate, abate or cleanup any hazardous substances or environmental conditions at the Leased Premises in accordance with Section 14.

15.02 Waiver of Claims. Tenant hereby waives any claim for damage for any injury or inconvenience to or interference with Tenant's operations, any loss of occupancy or quiet enjoyment of the Leased Premises, and any other loss occasioned by Lessor's entry unless claim is a direct result from Lessor's negligent or intentional conduct. Lessor shall have the right to use any and all means which Lessor deems necessary to gain access to the Leased Premises and Tenant's personal property in the event of an emergency. "Emergency" is defined as any existing condition of disaster or of extreme peril to the safety of persons or property within the area of the Leased Premises caused by air pollution, fire, flood, or flood water, storm, epidemic, riot or earthquake. Such entry by Lessor will not, under any circumstances, be construed or deemed to be a forcible, unlawful, negligent entry into, and will not be construed or deemed as conduct intended to cause damage or injury, or a detainer of, Tenant's personal property and the Leased Premises or an eviction of Tenant from the Leased Premises or any portion thereof.

SECTION 16

NON-DISCRIMINATION

16.01 Non-Discrimination. Tenant, for itself, its officers, agents, employees, and assigns, as a part of the consideration hereof, does hereby covenant and agree that: (a) no person on the grounds of race, color, religion, sex, national origin, disability, or familial status will be excluded from participation, denied the benefits of, or be otherwise subject to unlawful discrimination in the use of the Leased Premises; and (b) that in the construction of any improvements on, over, or under the Leased Premises and the furnishing of services thereon, no person on the grounds of age, race, color, religion, national origin, sex, or disability will be excluded from participation in, denied the benefits of, or otherwise be subject to unlawful discrimination.

16.02 Fair Housing Laws and Presidential Executive Orders. Tenant further agrees to comply with all of the following laws as applicable to the terms of this Lease and the Leased Premises: (i) Title VI of the Civil Rights Act of 1964; (ii) Section 504 of the Rehabilitation Act of 1973; (iii) Section 109 of Title I of the Housing and Community Development Act of 1974; (iv) Title II of the Americans with Disabilities Act of 1990; and (v) Architectural Barriers Act of 1968.

SECTION 17 **ASSIGNMENT; SUBLETTING; ENCUMBERING**

17.01 No Assignment. Tenant may not sublet, transfer, assign, mortgage, pledge, hypothecate, allow use of or encumber the Leased Premises or any part thereof, without Lessor's prior written approval, which may be granted or denied in Lessor's sole discretion. Any such transfer without said approval, whether voluntary or involuntary, will be void and will confer no right of occupancy upon said assignee or purchaser.

17.02 Assumption of Obligations. Any transfer or assignment of this Lease that is approved by the Lessor must include the agreement to perform all of the obligations of the Tenant under this Lease and must retain the Tenant as a guarantor of the original obligation.

SECTION 18 **UNLAWFUL USE**

18.01 No Unlawful Use. Tenant agrees no improvements will be erected, placed upon, operated or maintained on the Leased Premises, nor will business be conducted or operated thereon, in violation of the terms of this Lease, or any regulations, order or laws, statutes, by-laws or ordinances of any governmental body having jurisdiction there over.

18.02 Compliance with Applicable Zoning. Tenant agrees to meet all applicable zoning required to use the Leased Premises for the purposes stated in this Lease.

SECTION 19 **DEFAULT; ABANDONMENT**

19.01 Event of Default. The occurrence of any of the following will constitute an event of default hereunder:

- (a) The filing of a petition by or against Tenant for adjudication as a bankrupt or insolvent, or for its reorganization or for the appointment of a receiver or trustee of Tenant's property; an assignment by Tenant for the benefit of creditors or the taking of possession of the property of Tenant by any governmental officer or agency pursuant to statutory authority for the liquidation of Tenant.

- (b) Failure of Tenant to pay when due any installment of rent hereunder or any other sum herein required to be paid by Tenant, and the continuance of such nonpayment for five (5) calendar days after written notice from Lessor.
- (c) Abandonment of the Leased Premises, as provided in Section 19.02 hereof.
- (d) Operation or maintenance of the Leased Premises in violation of law, failure to maintain the required insurance, or any other misuse of the Premises.
- (e) Tenant's failure to perform any other covenant, condition or agreement of this Lease within thirty (30) days after written notice by Lessor.

19.02 Abandonment. If Tenant, prior to the expiration or other termination of this Lease, relinquishes possession of the Leased Premises without Lessor's prior written consent, or fails to operate for a period of sixty (60) days, such occurrence will be deemed to be an abandonment of the Leased Premises and an event of default under this Lease.

19.03 Waiver. No waiver of any default, breach or failure of Tenant under this Lease will be construed as a waiver of any subsequent or different default, breach or failure.

19.04 Remedies Not Exclusive. The specific remedies set forth in this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Lessor may be entitled to resort, either in law or in equity, in case of any breach of threatened breach of any provisions of this Lease.

SECTION 20

TERMINATION

20.01 Termination for Default. In the event a default occurs, Lessor, at its election, may terminate this Lease and the tenancy created thereby. In such case, Tenant must surrender the Leased Premises to Lessor pursuant to Section 23.

20.02 Transfer for Public or Private Use. In the event that during the Initial Term or Extended Term of this Lease, the Leased Premises, or any part thereof, is sold or exchanged for public, quasi-public or private purposes, Tenant will have no claim to, nor will Tenant be entitled to any portion of any sale proceeds, for damages or otherwise. Any such rights and proceeds otherwise due to Tenant are hereby assigned to Lessor. In the event that all or part of the Leased Premises is sold or exchanged, Lessor will have the right to terminate this Lease by providing a written notice to Tenant at least sixty (60) calendar days prior to the termination date.

20.03 Termination for Convenience. Lessor may terminate this Lease, for any reason or for no reason whatsoever, upon not less than ninety (90) days prior written notice to the Tenant; and such a termination will be deemed to be the end of the term of this Lease. If so terminated, Tenant will not receive any compensation or other consideration from Lessor.

SECTION 21

COMMUNITY DEVELOPMENT BLOCK GRANT

21.01 CDBG Funding. The Lessor utilized CDBG funding related to the Leased Premises; as such, Lessor is required to ensure the use of the Leased Premises is in accordance with all federal requirements related to the CDBG program, specifically the CDBG regulations described in 24 CFR Part 570. Tenant agrees it will use the Leased Premises in accordance with all federal requirements as governed by the CDBG regulations described in 24 CFR Part 570.

21.02 Reporting Requirements. To ensure compliance with this Section 21 and reporting requirements of the CDBG program, Tenant will report to Lessor annually on or before July 15th of each year demographic information on clients assisted and activities undertaken in the prior July 1st through June 30th fiscal year on a form to be provided by the Lessor.

SECTION 22

REMEDIES

22.01 Remedies. In addition to any and all remedies available to Lessor as a matter of law and those set forth in other provisions of this Lease, Lessor will have the immediate right upon Tenant's default in any term or condition of this Lease, to resort to any and all legal remedies or combination of remedies which Lessor may desire to assert, including, but not limited to, one or more of the following: (a) lock access to the Leased Premises and exclude Tenant there from; (b) retain or take possession of any property at the Leased Premises pursuant to Lessor's statutory lien; (c) enter the Leased Premises and remove all persons and property there from; (d) declare this Lease at an end and terminated; (e) sue for the rent due and to become due under this Lease, and for any damages sustained by Lessor; (f) collect, directly from any subtenant or assignee under Tenant all sub-rents and other charges payable by such subtenant or assignees, Tenant hereby assigning to Lessor such sub-rents and other charges in the event that Lessor declares a default by Tenant under this Lease; and (g) continue this Lease in effect and relet the Leased Premises on such terms and conditions as Lessor may deem advisable with Tenant remaining liable for the annual rent plus the reasonable cost of obtaining possession of the Leased Premises and of any repairs and alterations necessary to prepare the Leased Premises for reletting, less the rentals received from such reletting, if any.

22.02 Voluntary Vacation of the Property. Tenant will peaceably quit the Leased Premises upon written notification to Tenant of Lessor's intent to re-enter the Leased Premises and improvements placed thereon by Tenant. The various rights, elections, and remedies of Lessor and Tenant contained in this Lease will be cumulative, and no one of them will be construed as exclusive of any other or of any right, priority or remedy allowed or provided by law. Lessor will use its best efforts to mitigate cost to Tenant.

22.03 Election to Terminate. No action of Lessor will be construed as an election to terminate this Lease unless written notice of such intention is given to Tenant. Tenant agrees to pay as additional rent all attorney's fees and other costs and expenses incurred by Lessor in enforcing any of Tenant's obligations under this Lease. Any amount due from Tenant to Lessor under this Lease which is not paid when due will bear interest at the highest rate allowed by Arizona law.

SECTION 23

SURRENDER OF LEASED PREMISES

23.01 Surrender of Leased Premises; Normal Wear and Tear. Upon expiration, default by Tenant or termination of this Lease by Tenant or Lessor, Tenant's right to occupy the Leased Premises and exercise the privileges and rights granted under this Lease will cease, and Tenant must surrender the Leased Premises in as good condition as at the time of occupancy by Tenant, except as otherwise provided for in this Lease, except for normal wear and tear. Should Lessor so demand, within thirty (30) days after receiving written notice from Lessor, Tenant must commence the removal of all personal and permanent improvements from the Leased Premises, and must complete said removal within (sixty) 60 days.

23.02 Voluntary Surrender. Tenant must, on the last day of the term of this Lease or any extended term, or upon any termination of this Lease, truly surrender and deliver the Leased Premises along with any permanent improvements then located on the Leased Premises into the possession

and use of Lessor, without fraud or delay and in good order, condition and repair, free and clear of all liens and encumbrances other than those existing on the commencement of the Term of this Lease, if any, without any payment or allowance whatsoever by Lessor.

23.03 Trade Fixtures and Equipment. All trade fixtures, equipment, and other personal property installed or placed by the Tenant on the Leased Premises which is not permanently affixed thereto will remain the property of Tenant, and Tenant will have the right at any time during the term of this Lease, and for an additional period of thirty (30) days after its expiration to remove the same from the Leased Premises, provided that Tenant is not in default of any of its obligations hereunder and that Tenant must repair, at its sole expense, any damage caused by such removal. Any property not removed by Tenant within the thirty (30) day period will become a part of the Leased Premises, and ownership thereof will vest in the Lessor.

SECTION 24 **PARTIAL INVALIDITY**

24.01 Partial Invalidity. If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof will remain in full force and effect and will in no way be affected, impaired or invalidated thereby.

SECTION 25 **HOLDING OVER**

25.01 Hold Over Tenant. In the event Tenant will lawfully hold possession of the Leased Premises after the term herein created, then such holding over will be considered a tenancy from month to month and governed by the same conditions and covenants as contained in this Lease except that the amount of consideration outlined in Subsection 4.01 that Tenant must pay to Lessor will be increased such that Tenant will pay Lessor by the first of each month during the hold over tenancy a monthly rent of five-hundred dollars (\$500.00). In the event Tenant holds over, Tenant will be liable for all of Lessor's direct and consequential damages, which will include, without limitation, costs, fees, expenses, damages and attorney's fees incurred by Lessor as a result of Tenant's holding over, and damages and expenses incurred by Lessor for its inability to deliver possession of the Leased Premises to a new tenant.

SECTION 26 **GENERAL PROVISIONS**

26.01 Notices. All notices given, or to be given, by either Party to the other, must be given in writing and will be addressed to the Parties at the addresses set forth below or at such other address as the Parties may by written notice hereafter designate. Notices and payments to Lessor, and notices to Tenant will be deemed properly served when sent by certified or registered mail or hand delivered to the addresses as follows:

To "Lessor": City of Mesa
 20 E. Main Street
 P.O. Box 1466
 Mesa, AZ 85211-1466
 Attn: Real Estate Services Director

To "Tenant": A New Leaf, Inc.
 868 E University
 Mesa, AZ 85203

26.02 Amendments. This Lease sets forth all of the agreements and understandings of the Parties and is not subject to modification except in writing, signed by all Parties.

26.03 Successors; Joint Liability. The covenants herein contained will, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all the Parties hereto; and all of the Parties hereto will be jointly and severally liable hereunder.

26.04 Time of the Essence. Time is of the essence with respect to the obligations to be performed under this Lease.

26.05 Independent Legal Relationship. Nothing contained in this Lease will create any partnership, joint venture or other arrangement between Lessor and Tenant. Except as expressly provided herein, no term or provision of this Lease is intended to or will be for the benefit of any person not a party hereto, and no such other person will have any right or cause of action hereunder.

26.06 Authority. The person executing this Lease on behalf of, or as a representative for the Tenant warrants that he is duly authorized to execute and deliver this Lease on behalf of the Tenant and that this Lease is binding upon the Tenant in accordance with the terms and conditions herein.

26.07 Governing Law. Any dispute with respect to this Lease and the rights and duties created by this Lease will be governed by the laws of the State of Arizona and litigated in a court of competent jurisdiction in Maricopa County, Arizona. The Parties will not raise, and hereby waive, any defenses based on venue, inconvenience of forum, or lack of personal jurisdiction in any action or suit brought in accordance with this Lease. The Parties acknowledge that they have read and understand this clause and agree voluntarily to its terms.

26.08 Termination under A.R.S. § 38-511. This Lease is governed by the laws of Arizona. It is subject to termination under A.R.S. § 38-511.

26.09 Binding Agreement. This Lease will be considered to be the only agreement between the parties hereto pertaining to the Leased Premises. It is understood that there are no oral agreements between the Parties hereto affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the Parties hereto with respect to the subject matter hereof, and none will be used to interpret or construe this Lease.

26.10 Survivability. All warranties, representations, and duties to indemnify, defend, and hold harmless will survive the termination, cancellation, or expiration of this Lease. Additionally, all obligations to restore the Leased Premises will survive the termination or expiration of this Lease as well as any other section which reasonably should survive shall survive.

26.11 E-Verify Requirement. To the extent applicable under A.R.S. § 41-4401 and § 23-214 are applicable, Tenant represents and warrants compliance with all federal immigration laws and regulations that relate to their employees and their compliance with the E-verify requirements of A.R.S. § 23-214(A). A breach of the warranty set forth in this Subsection will be deemed a breach of this Lease agreement and may result in the termination of this Lease agreement by Lessor; however, Tenant will not be deemed to have materially breached this warranty if it establishes that it has complied with the employment verification provisions prescribed by sections 274A and 274B of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. § 23-214, Subsection A. Pursuant to A.R.S. §§ 41-4401 and 23-214, Lessor retains the legal right to

randomly inspect the papers and records of any employee who works under this Lease agreement or on the Leased Premises to ensure compliance with the above-mentioned laws.

26.12 Drug Free Work Place. Tenant will require a drug free workplace for all employees working at the Leased Premises. Specifically, Tenant's employees who are working at the Leased Premises will be notified by the Tenant that they are prohibited from the manufacture, distribution, dispensation, possession or unlawful use of a controlled substance on the Leased Premises.

26.13 Provisions Required by Law. Any provision required by law to be in this Lease is a part of this Lease as if fully stated herein.

26.14 Incorporation of Exhibits and Attachments by Reference. All Exhibits and Attachments to this Lease are fully incorporated as though set forth in the body of this Lease.

26.15 Headings. All headings used in this Lease are only for reference purposes and do not affect the interpretation of this Lease.

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EXHIBIT A

Legal Description

The West 104.00 feet of the East 620.00 feet of the part of the Northeast Quarter of Section 20, Township 1 North, Range 6 East of the Gila and Salt River Base and Meridian, lying North of the Eastern Canal,

Except the North 55 feet thereof.

Also known as 3511 East University Drive, Mesa, Arizona.