

MP Lot No. STLO05515-151515
Acct No. 123456

Sample Lease

**THIS DOCUMENT IS PART OF A TRANSACTION
SUBJECT TO THE MINNESOTA SUBDIVIDED LAND SALES PRACTICES ACT,
MINNESOTA STATUTES SECTION 83.20 TO 83.45**

This Lease dated **(date of closing)**, by and between

**Minnesota Power legally incorporated as ALLETE, Inc., a Minnesota corporation
30 West Superior Street
Duluth, MN 55802**

(referred to as “Minnesota Power”) and

**John J. Doe
1234 Main St
Your Town, MN 55123**

**Jane J. Doe
1234 Main St
Your Town, MN 55123**

As (Joint Tenants) or (Tenants in Common) (referred to as “Lessee(s)”).

This Lease will expire on **February 1, 2036**. Minnesota Power has discretionary rights as to the renewal of the Lease. Upon expiration of the Lease or earlier termination, Minnesota Power may require that all structures be removed from the leased property as herein provided.

1. PROPERTY. Minnesota Power hereby leases to Lessee(s) the following described property located in the County of _____, State of Minnesota:

Legal Description of Lakeshore Lot

(referred to as the "Property"). Minnesota Power reserves the right to determine the exact location of all boundary lines.

2. USE OF PROPERTY.

(a) The Property is subordinate to a Mortgage and Deed of Trust as set forth in paragraph 14 and is part of a licensed hydroelectric project (Project) subject to jurisdiction of the U. S. Federal Energy Regulatory Commission (FERC) or other governmental entity. Lessee(s) agrees that Minnesota Power's use of the Property for purposes related to the operation of the reservoir system or generation of hydroelectric power is not restricted by this Lease and that this Lease may be terminated at anytime during the lease in accordance with paragraph 14 below if required by the mortgage holder, and may be modified or terminated by the FERC or other governmental entity with jurisdiction over the Project.

(b) Lessee(s) shall use and occupy the Property only for **residential and recreational purposes on a seasonal basis**. Continuous occupation of the Property is permitted only during the summer recreation season unless specifically agreed to in writing by Minnesota Power.

(c) Lessee(s) shall not conduct any commercial use or other non-recreational or non-residential use of the property without Minnesota Power's written consent and proper authorization from County zoning authorities and other governmental authorities with regulatory control over the property.

(d) The Property may not be used in any manner which endangers health, the environment, creates a nuisance, or is otherwise incompatible with overall use of the Property, the Project or other property of Minnesota Power.

(e) In addition to the terms and conditions contained herein, Lessee(s) shall observe and comply with such reasonable rules and regulations as may be adopted by Minnesota Power regarding use of the Property. Minnesota Power shall provide Lessee(s) with ninety (90)-days prior written notice any change in such rules and regulations.

(f) Lessee(s) shall not make any alteration to or construct any improvement on the Property without first obtaining Minnesota Power's written approval in accordance with Paragraph 15 below. In connection with any approved alteration or improvement, Lessee(s) will:

(i) pay for all labor performed and material furnished in a timely manner, to prevent a lien for the same from arising;

(ii) defend or extinguish at Lessee(s)' own cost and expense each and every lien asserted or claim filed against the Property or the improvements thereon; and

(iii) pay each and every judgment made or given against the Property or the improvements thereon or against Minnesota Power or Lessee(s) on account of any such lien.

Any such lien or judgment shall constitute a breach of Section 8 of this Lease.

Minnesota Power has the sole right in its exclusive discretion to approve any use of the Property, or to revoke prior approval given where the approval is an allowance to use the Property for purposes outside the scope of residential/recreational purposes described in Section 2(b) (such uses may include, but are not limited to, commercial or home businesses; subletting; or the allowance of such things as dog kennels, keeping of livestock, or storage of campers, boats, or vehicles on the Property), and may also enforce compliance with any applicable law, regulation, or agreement to which Minnesota Power or the Property may be subject. In the event of a revocation of a prior approval, compliance with such revocation will be at the sole cost of Lessee(s).

3. TERM OF LEASE. Subject to the termination provisions of paragraph 12 below, the term of this Lease shall commence on **date of closing** and expire on **February 1, 2036**. However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of three (3) years after **February 1, 2036** in accordance with all other provisions of this Lease.

4. RENT. Lessee(s) agrees to pay annual rent equal to two and one-half (2.5) percent of the estimated fair market value of the Property as determined by Minnesota Power or its agent from time to time in its sole discretion, using any or all of the following: generally accepted standard appraisal processes, licensed appraisals, and applicable local assessing authority estimates of market value. Unless Lessee(s) pays annual rent on a monthly, bi-monthly, or quarterly basis pursuant to a payment schedule established by Minnesota Power, payment of one-half (1/2) this amount is due on February 15th and the remainder on September 15th of each year.

5. TAXES, ASSESSMENTS, AND UTILITIES. Lessee(s) also agrees to promptly pay all taxes, charges, or other assessments of any kind levied against the Property or any structures or improvements placed on the Property. Upon the presentation of a statement for such amount, Lessee(s) agrees to pay to Minnesota Power such amount by the date it becomes due and payable. Minnesota Power specifically reserves the right to determine, in its sole discretion, the portion of real estate taxes and/or special assessments to be allocated to the Property if such taxes or assessments are assessed on an aggregate basis with other property owned by Minnesota Power.

Lessee(s) agrees to promptly pay all rates and charges which may become payable for water, gas, electricity, phone, or any other utilities used on the Property during the term of this Lease.

6. LATE PAYMENTS. Any amount received after it is due and payable shall be considered in arrears on the date payment is due and payable. A late fee of twenty-five dollars (\$25.00) per week or two (2) percent of the unpaid balance per week, whichever is greater, may be assessed for such late payments.

7. ASSIGNMENT. Lessee(s) shall not assign this Lease or any part thereof, nor sublet all or any part of the Property, nor permit use of any part of the Property by any other person without first obtaining Minnesota Power's written consent. Lessee(s) shall execute an addendum to this Lease

if Lessee's interest in the Lease is assigned to another party for purposes of obtaining financing for improvements or other purposes related to the Property. Consent by Minnesota Power to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. In the event of an assignment upon sale or other transfer approved by Minnesota Power, Minnesota Power reserves the right to charge a fee for the transaction prior to closing, the amount of which is subject to change during the term of this agreement.

8. MORTGAGES, CONTRACTS FOR DEED, LIENS, ETC.

(a) Without the consent of Minnesota Power, Lessee(s) shall not file or permit others to file mortgages, contracts for deed, mechanics liens, or other liens or encumbrances against the Property or the improvements thereon and it shall be considered an event of default if said filing occurs. Lessee(s) shall take any actions at Lessee's sole cost and expense deemed necessary by Minnesota Power to protect and keep Minnesota Power's title free and clear of all such encumbrances in any manner arising from the use or occupancy of (or any work conducted on) the Property.

(b) Lessee(s) shall give notice to Minnesota Power:

(i) prior to obtaining any financing for Minnesota Power permitted improvements or for other purposes related to the Property,

(ii) prior to entering into a contract to sell all or substantially all of the personal property located on the Property in connection with a request to transfer this Lease, and

(iii) at the time that any lien is filed against Lessee(s) or against the Property.

9. WAIVER OF CLAIMS. Lessee(s) hereby waives and surrenders any claim or causes of action which may occur or be claimed to have occurred because of personal injury, property damage, or wrongful death while on the Property or other property of Minnesota Power by reasons of flooding reservoir system operations. with water from Minnesota Power's reservoir system, reducing reservoir water levels, termination of this Lease, or by reasons of any action or inaction of Minnesota Power, its agents or employees, unless such action or inaction constitutes negligence or misconduct.

10. INDEMNIFICATION. Lessee(s) shall completely indemnify, defend, and hold Minnesota Power harmless from and against any and all liabilities, damages, costs, expenses (including all attorney's fees and expenses), causes of action, claims, penalties, fines, recoveries, demands, and judgments of any nature including, but not limited to, those arising out of or as a result of (1) the past, present, or future use or occupation of the Property or other property of Minnesota Power by Lessee(s) or Lessee's assignors, invitees, agents, assigns or occupants; (2) the entry into this Lease by Lessee(s); and (3) violation of federal, state, or local laws or regulations by Lessee(s), Lessee's predecessors, agents, or assigns in connection with use of the Property, or other property of Minnesota Power, including but not limited to the release or threatened release of pollutants on, in, or from the Property or any facility thereon as more fully described in paragraph 17 below.

11. DEFAULT BY LESSEE. If Lessee(s) fails to make any payment when due hereunder and such failure continues for a period of ten (10) days or if Lessee(s) or Lessee(s) invitees, agents, assigns, or occupants violate any other term, condition, or obligation of this Lease, Lessee(s) shall be in default of this Lease. Upon such default, Minnesota Power may serve a written notice on Lessee(s) stating the nature of the default and requiring Lessee(s) to cure the default at Lessee(s) sole cost and expense within the lesser of thirty (30) days or the minimum period required by law. If Lessee(s) fails to cure or, in the case of a non-monetary default, fails to commence cure of the default within such period, Minnesota Power, at its option, may:

- (a) enter upon the Property and take any and all actions necessary to cure the default and charge Lessee(s) for any and all costs incurred by Minnesota Power in taking such actions, or
- (b) terminate the Lease by giving to Lessee(s) notice of Minnesota Power's election to do so, in which event all right, title and interest of Lessee(s) hereunder shall expire on the date stated in such notice,
- (c) terminate the right of Lessee(s) to possession of the Property without terminating this Lease by giving notice to Lessee(s) that Lessee(s)' right of possession shall end on the date stated in such notice, whereupon the right of Lessee(s)' to possession of the Property or any part thereof shall cease on the date stated in such notice, or
- (d) enforce the provisions of this Lease and enforce and protect the rights of Minnesota Power hereunder by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy.

Notwithstanding the default and cure provisions above, Minnesota Power may enter upon the Property and take any and all action to cure any default which poses immediate danger to the Property, Minnesota Power, or any person, place or object on or near the Property.

12. TERMINATION; RENEWAL. This Lease shall terminate on the date set forth in paragraph 3 above, unless:

- (a) the Lease is terminated prior thereto by Minnesota Power due to default by Lessee(s), or
- (b) the Lease is terminated prior thereto by Minnesota Power as mandated by the FERC or other governmental entity with jurisdiction over the Project.

Minnesota Power may terminate this Lease by providing Lessee(s) with notice thereof as described in paragraph 21. Upon termination, Lessee(s) and each and every other occupant shall exit and immediately vacate without requiring Minnesota Power to resort to legal process, and notice to quit and terminate tenancy is hereby waived. Minnesota Power, its agents, successors or assigns, shall have the right to immediately reenter and occupy the Property without such reentering working a forfeiture of the rents paid or to be paid hereunder and without forfeiture of Minnesota Power legal remedies.

Lessee(s) must remove all buildings and personal property owned by Lessee(s) from the Property within sixty (60) days after date of termination, unless otherwise agreed to by Minnesota Power, and Lessee(s) may reenter the Property for the sole purpose of such removal, provided that the waiver and indemnification provisions of Section 9 and 10 of this Lease shall survive during such period of reentry. The Property must be left in as good a condition as it was at the start of this Lease and, if buildings are removed, natural conditions and contours of the Property must be restored. If Lessee(s) fails to remove such property within such sixty (60) day period, Lessee(s) agrees that Minnesota Power may, at its option, remove such property at the expense of Lessee(s) or take possession and ownership of such Property by virtue of Lessee(s) failure to remove it without being deemed in any manner guilty of trespass, eviction or forcible entry and detainer. Minnesota Power may, at its sole option, upon the expiration of the original term, renew the term of this Lease for additional terms of three (3) years each.

13. NO WAIVER BY MINNESOTA POWER. Failure of Minnesota Power to enforce any terms of this Lease shall not be deemed a waiver of its right to fully enforce those terms at any time.

14. SUBORDINATION. This Lease is subject to a Mortgage and Deed of Trust dated September 1, 1945, as supplemented, in favor of the Bank of New York (formerly Irving Trust Company) which is a first lien on the Property. This Lease may be terminated on sixty (60) days' notice if it should become necessary for Minnesota Power to deliver possession of the Property to the trustees or take such action necessary under the Mortgage and Deed of Trust.

15. CONSTRUCTION.

(a) Not more than one (1) dwelling structure shall be allowed on the Property. All buildings, structures, or improvements on the Property shall be presentable in appearance and condition, and the exterior walls of all buildings must be constructed of materials that are normally used in standard residential construction. Minnesota Power reserves the right to be the exclusive judge of the acceptability of appearance, condition, or materials, and Lessee(s) shall consult with Minnesota Power regarding acceptability prior to, during and after any construction, repair, or refurbishing of any structure.

(b) Trailers, busses, trucks, campers, tents or similar shelters shall not be installed upon the Property in lieu of a cabin or accessory building. Trailers, campers and tents may be used as temporary shelters but must be removed from the Property when not in use, unless written approval is granted by Minnesota Power.

(c) No construction shall be performed in a manner that has any adverse environmental or aesthetic impact. No vegetation removal, earthwork, construction, relocation, repair, replacement or exterior remodeling of permitted buildings or fences nor construction, repair, or replacement of septic systems or privies will be permitted without written approval of all jurisdictional governmental authorities and Minnesota Power.

Requests for approval of construction shall be detailed on forms supplied by Minnesota Power and must be approved prior to commencement of work. The terms of said request and approval shall

be incorporated by reference to this Lease and subject to the terms hereof. Subject to any rights of third parties, the Lessee(s) shall have the right at any time during the term of this Lease to remove buildings, structures, or improvements erected or purchased by said Lessee(s), provided that the natural condition and contours of the Property is restored.

16. PROPERTY CONDITION. Lessee(s) represents that he/she has carefully inspected and knows of, and agrees to take possession of the Property in its present condition. Any alterations or improvements to the Property, including, but not limited, to bulldozing, re-contouring, installation of erosion control measures, removal or addition of top soil, gravel, rock or fill material, removal of minerals, and cutting of live timber, brush or vegetation are prohibited without prior written permission of Minnesota Power. Any alterations or improvements to adjacent land or other lands of Minnesota Power are similarly prohibited

17. COMPLIANCE WITH LAWS. Lessee(s) shall comply with all existing and future federal, state, and local laws and regulations including, but not limited to, all federal, state, and local environmental laws. Lessee(s) shall not dispose of, store, or use any pollutants on the Property or any other property of Minnesota Power in a quantity in excess of that used for normal household purposes. This provision shall apply to all court, regulatory, and other actions, including actions under federal or state environmental, safety, and health laws and regulations including "superfund" laws and shall be enforceable in addition to and beyond any insurance coverage's required for protection of Minnesota Power as permitted by law. As used herein, the term "pollutants" means any hazardous substances, hazardous wastes, pollutants, or contaminants now or hereafter included with in any now existing federal, state, or local statute, ordinance, code, or regulation. Lessee(s) shall comply with all state water quality and shoreline laws and regulations during any activity on or associated with the property.

18. ZONING AND LAND USE. No natural or artificial fertilizer, pesticide or herbicide shall be applied on the Property or on any property of Minnesota Power within 50 feet of the ordinary high water line. Lessee(s) shall specifically comply with all existing or future zoning, land use, sanitary, and open burning laws and regulations applicable to the Property and the occupancy thereof. Lessee(s) shall not cause or permit refuse, garbage, unused building materials, inoperable vehicles or water craft to be stored, dumped or otherwise accumulate on the Property or other land of Minnesota Power. Vehicles permitted to be parked on the Property under this Lease may not be parked closer than 100 feet from the ordinary high water mark of any body of water without Minnesota Power's written permission. Lessee(s) agrees to make any and all repairs, alterations, and maintenance necessary to all water, sewage, and electrical systems and access roads, docks, buildings, and other personal property in order to comply with terms of this Lease. Lessee(s) agrees to cooperate with other lessees, lake associations, and/or Minnesota Power to contribute to performing actions on the Property, the Project or other associated Minnesota Power property deemed advisable by Minnesota Power to reduce any cumulative adverse environmental impacts associated with the Property regardless of whether such impact may have occurred prior to the date of this Lease.

19. DISORDERLY CONDUCT. Disorderly or otherwise objectionable conduct by Lessee(s) or Lessee's invitees, agents, assignees, or occupants, occurring on the Property or in association with use of the Property, including but not limited to conduct or omissions which adversely affect the

peaceful and quiet enjoyment of other individuals, shall be deemed a default and shall be cause for termination of this Lease or assessment of non-compliance fees.

20. ACCESS.

(a) Minnesota Power, any governmental agency, or agents, representatives, or assigns thereof shall have the right to enter into and upon the Property for any purpose in connection with or growing out of the conduct of its business. Lessee(s) also agrees to not unduly restrict public access to Project waters and, if, in Minnesota Power's determination, access to other lessees' property can be obtained only across the Property, Lessee shall permit such access. If Lessee(s) places any security gate or other obstruction on access roads to the Property, it is the responsibility of Lessee(s) to ensure that Minnesota Power and other lessees, if necessary, can obtain access through such gate.

(b) Lessee(s) agrees to accept the sole responsibility for construction and maintenance of all access roads to the Property from duly dedicated roads or highways. Lessee(s) must reasonably cooperate and share expenses with other lessees, residents, or other property owners that use the same road for access in the construction and maintenance of said access roads and security gates. Failure of Lessee(s) to reasonably cooperate and share expenses with other residents shall be grounds for termination of this Lease. Lessee(s) shall submit to Minnesota Power for approval written plans for any construction, improvement, relocation, or other alteration of access roads.

21. NOTICES. All notices or correspondence to Minnesota Power shall be sent to the attention of the Land & Real Estate Department at the address set forth at the beginning of this Lease. If for whatever reason this address is changed during the term of this Lease, Minnesota Power will provide notice to Lessee(s) of the new address for notices and correspondence. Notices to Lessee(s) shall be sent to the address set forth at the beginning of this Lease. Lessee(s) shall promptly notify Minnesota Power of any change of address from that listed at the beginning of this Lease. All notices to be provided under this Lease must be in writing and delivered either in person to the other party or by U. S. Mail. All notices shall be deemed received three (3) days after deposit in the U. S. Mail.

22. VALIDITY OF LEASE. If any part of this Lease is legally invalid, only that part shall be void and have no effect. All other parts of this Lease shall remain valid and binding.

23. ENTIRE AGREEMENT; MODIFICATIONS. This Lease contains all the promises and agreements of Minnesota Power and Lessee(s). This Lease may be modified by Minnesota Power, without Lessee's consent, to comply with requirements of the FERC or other governmental entity with jurisdiction over the Project, and Minnesota Power will communicate any modifications to Lessee(s) in writing. Any other modifications to this Lease must be in writing and signed by both parties.

24. PARTIES BOUND. This Lease shall be binding upon Minnesota Power and Lessee(s) and upon any successors and assigns as approved by Minnesota Power.

25. CAPTIONS. The captions used in this Lease are for convenience only and not for any other purpose.

26. ADJACENT MINNESOTA POWER PROPERTY. Lessee(s) acknowledges that Minnesota Power may own property adjacent to the Property, including roadways, and that no right is granted to Lessee(s) by this Lease to use or occupy such adjacent property (other than for purposes of ingress and egress to the Property). Minnesota Power may, as necessary, assert its interest in such adjacent property against Lessee(s), including for trespass or other misuse, and such conduct shall constitute a default hereunder.

27. RECEIPT FOR LEASE. Lessee(s) hereby acknowledges that Lessee has received a copy of this Lease.

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