

July 19, 2021

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E015/PA-20-675

Dear Mr. Seuffert:

Attached are the Response Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Petition for Approval of Minnesota Power Land Sales.

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve the Petition, with modifications, and with reporting requirements**. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ CRAIG ADDONIZIO  
Financial Analyst

CA/ar  
Attachment



## Before the Minnesota Public Utilities Commission

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### Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E015/PA-20-675

#### I. INTRODUCTION

On August 31, 2020, Minnesota Power (or the Company) filed a petition (Petition) seeking approval from the Minnesota Public Utilities Commission (Commission) to sell property surrounding several reservoirs in its hydroelectric (HE) system, with an estimated value of approximately \$101 million. The Company proposed to credit ratepayers with the net proceeds from the sales to mitigate future rate increases.

On January 15, 2021, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments indicating general support for the Company's proposal, but requesting additional information from Minnesota Power.

On January 25, 2021, Minnesota Power filed Reply Comments addressing the issues raised in the Department's Comments.

On March 25, 2021, the Department filed Response Comments recommending approval of the Petition, with reporting requirements.

On May 13, 2021, this Docket came before the Commission at a regularly scheduled agenda meeting (May 13 Agenda Meeting). At that meeting, the Commission requested that Minnesota Power gather additional information from its leaseholders and provide that information to the Commission. In addition, the day before the agenda meeting, Commissioner John Tuma filed a decision option amendment that would modify the Company's proposal, which was also discussed at the agenda meeting.

On June 18, 2021, Minnesota Power filed a letter (June 18 Letter) reporting the results of a survey it conducted of its leaseholders, and responding to the decision option amendment discussed at the May 13, 2021 agenda meeting.

On June 28, 2021, the Commission issued a Notice of Comment Period with the following topics open for comment:

- Should the Commission allow Minnesota Power to set the baseline value of each lot for sale on the county's Estimated Market Value ("EMV") methodology plus 4%, with leaseholders having six (6) months to take advantage of this rate from the date the lot is offered for sale?
- Should the Commission allow Minnesota Power to set the baseline value for each lot for sale on the county's EMV methodology plus 4% with sale being fully negotiated within the next two (2) years of the date of Commission' order?
- If sale is not completed within two (2) years of the Commission' order, should Minnesota Power sell the property at auction upon termination of the lease unless Minnesota Power requests a variance specifically due to extraordinary circumstance?
- Should the Commission allow Minnesota Power to offer for sale those lots without leaseholds at a price no less than 25 percent over EMV and may only be sold at less than this amount for offers above of 4 percent of the current EMV if the offer is over three months old. If these lots are not sold the company will file a proposal for auction or continued offering of the remaining lots two years after the date of the order?
- Are there other issues or concerns related to this matter?

The Department addresses each of these topics below.

## II. DEPARTMENT ANALYSIS

### A. *SHOULD THE COMMISSION ALLOW MINNESOTA POWER TO SET THE BASELINE VALUE OF EACH LOT FOR SALE ON THE COUNTY'S ESTIMATED MARKET VALUE ("EMV") METHODOLOGY PLUS 4%, WITH LEASEHOLDERS HAVING SIX (6) MONTHS TO TAKE ADVANTAGE OF THIS RATE FROM THE DATE THE LOT IS OFFERED FOR SALE?*

The Department understands Minnesota Power's updated proposal to be that after an occupied lot is platted and ready to be offered for sale, the Company will offer the lot for sale to the lot's current leaseholder. The Company expects to offer all its lots for sale in phases between 2021 and 2023. For the first six months after the initial offer of sale is made, the current leaseholder will have the opportunity to purchase the lot at a price equal to the lot's 2021 EMV plus four percent, regardless of when the offer is actually made (i.e. even if the lot is not offered for sale until 2023, the leaseholder will have the option to buy the lot at a price of 2021 EMV plus four percent). If the leaseholder does not purchase the lot within six months of the initial offer, the leaseholder will retain the right to purchase the lot at any time during the remainder of his or her lease at a price equal to the most current EMV at the time the leaseholder opts to purchase the lot.

As was noted during May 13 Agenda Meeting, EMVs are expected to increase over the next few years. Therefore, if lots were offered at the most current EMV, a leaseholder whose lot is not ready for sale until late 2023 may face, through no fault of his own, a relatively higher price than a leaseholder whose lot is ready for sale in 2021. Minnesota Power's updated proposal eliminates any such potential unfairness. For this reason, the Department agrees that the Company's proposal to offer all lots for sale at an initial price of 2021 EMV plus four percent, reverting to the most current EMV six months after the initial offer is made.

*B. SHOULD THE COMMISSION ALLOW MINNESOTA POWER TO SET THE BASELINE VALUE FOR EACH LOT FOR SALE ON THE COUNTY'S EMV METHODOLOGY PLUS 4% WITH SALE BEING FULLY NEGOTIATED WITHIN THE NEXT TWO (2) YEARS OF THE DATE OF COMMISSION' ORDER?*

Commissioner Tuma's May 12, 2021 decision alternative amendment would give leaseholders two years from the time of the Commission's order in this docket to decide whether to buy their lots from Minnesota Power. The Department understands that if a leaseholder does not agree to purchase his lot within the two-year timeframe, under Commissioner Tuma's decision alternative amendment, the Company would honor the lease for the remainder of its term. After the lease expires or is otherwise terminated, the Company would be required to sell the lot at auction.

The majority of leases do not expire until 2028, and many do not expire until 2036 or later. Because the net proceeds from the sales will be the source of funds used for rate mitigation, if leaseholders wait until 2028 or later to purchase their lots, the ratepayer benefits intended by these land sales will be similarly delayed. The Department understands the intention behind the proposed two-year window to be to pull sales closer in time to the present so that the benefits for ratepayers are not unnecessarily delayed. The Department agrees with this intention, and therefore has no objection to Commissioner Tuma's proposal to put a time limit on lot sales.

However, in its June 18 Letter, the Company stated that it expects to be able to offer all of its lots for sale by the end of 2023. The Department notes that an order will likely be issued in the docket in the fall of 2021, and thus Commissioner Tuma's decision alternative amendment would require the Company to complete all the land sales by the fall of 2023, before Minnesota Power believes it can offer all the lots for sale. The Department recommends that, rather than two years from the date of the order, the Commission require sales to be completed within three years of the order, which should give the Company enough time to complete the sales. Alternatively, the Commission could require sales to be completed by a specific date, such as December 31, 2024, for sales to be completed.

As discussed in greater detail in the next section of these comments, the Department does not agree with the other aspect of the May 12, 2021 decision alternative amendment, which would require Minnesota Power to sell lots by auction of a leaseholder does not agree to purchase the lot within whatever time period the Commission specifies.

*C. IF SALE IS NOT COMPLETED WITHIN TWO (2) YEARS OF THE COMMISSION' ORDER, SHOULD MINNESOTA POWER SELL THE PROPERTY AT AUCTION UPON TERMINATION OF THE LEASE UNLESS MINNESOTA POWER REQUESTS A VARIANCE SPECIFICALLY DUE TO EXTRAORDINARY CIRCUMSTANCE?*

For occupied lots, Minnesota Power proposed that in the event a leaseholder chooses not to purchase his lot, he be allowed to sell his personal property on the lot (e.g. home or cabin), and, as a condition of the sale, require the buyer to also purchase the lot from Minnesota Power at a price equal to the most current EMV. In contrast, the May 12, 2021 decision option amendment would require Minnesota Power to sell unpurchased lots at auction.

In its June 18 Letter, the Company stated that if a lot with personal property on it were sold at auction, the current leaseholder would have to (1) outbid other potential buyers to purchase and retain the lot, (2) sell his personal property to the lot's buyer, or (3) pay to have his personal property removed from the lot. Minnesota Power stated that offering lots with personal property for auction would be highly controversial and detrimental to leaseholders' interests.

The Department agrees with Minnesota Power that if lots with personal property are auctioned and sold to new buyers, the leaseholders may experience significant financial harm. In such a case, the leaseholder's only two options would be to either sell his personal property to the new buyer or pay to have the property removed from the lot. As a result, the new buyer would have a significant advantage in negotiating the terms of the sale of the personal property, and the leaseholder may be forced to accept a harmfully low price for his personal property in order to avoid incurring the costs of removing the property and restoring the lot to its original condition, as required by the lease contracts.<sup>1</sup>

Minnesota Power proposed to allow current leaseholders to list and sell their personal property, and to condition the sale of that personal property on the buyer also agreeing to purchase the lot from the Company at the prevailing EMV. The Department agrees that allowing current leaseholders to sell their personal property in this manner provides them with a reasonable opportunity to sell their property at a fair price while also ensuring reasonable prices for lots (i.e. the most current EMV). As described above, lots sold to current leaseholders will be priced based on EMV, which the Department considers to be reasonable. Because the Department considers EMV to be a reasonable price for lots sold to leaseholders, the Department also considers EMV to be a reasonable price for lots sold to non-leaseholders.

In order to avoid the negative outcomes for current leaseholders that may result from their lots being auctioned off, current leaseholders should be given ample opportunity to sell their personal property in the manner proposed by Minnesota Power. However, in order to prevent the sales of personal property from being unreasonably delayed or intentionally drawn out in some manner, some time limit

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<sup>1</sup> The Department understands after a lease expires, Minnesota Power has the right to require leaseholders to remove all personal property from their lots and restore the lots to their original condition. See Department Attachment 1.

should be imposed on leaseholders that opt not to purchase their lots. The Department recommends that leaseholders who choose not to purchase their lots in the initial 2-3 year window be required to complete the sale of the personal property by the end of their current leases (although the Department could support other reasonable deadlines, such as one year following the end of their leases). Only if a leaseholder does not purchase his lot, and also does not complete the sale of his personal property within the permitted time frame, should Minnesota Power sell the lot at auction.

*D. SHOULD THE COMMISSION ALLOW MINNESOTA POWER TO OFFER FOR SALE THOSE LOTS WITHOUT LEASEHOLDS AT A PRICE NO LESS THAN 25 PERCENT OVER EMV AND MAY ONLY BE SOLD AT LESS THAN THIS AMOUNT FOR OFFERS ABOVE OF 4 PERCENT OF THE CURRENT EMV IF THE OFFER IS OVER THREE MONTHS OLD. IF THESE LOTS ARE NOT SOLD THE COMPANY WILL FILE A PROPOSAL FOR AUCTION OR CONTINUED OFFERING OF THE REMAINING LOTS TWO YEARS AFTER THE DATE OF THE ORDER?*

For lease lots without a current leasehold interest, the Company proposed to enlist an external real estate agent to list and sell the properties. Presumably, the real estate agent would determine the list prices for the lots. The May 12, 2021 decision option amendment would require the Company to list the unleased lots at a price no less than 125 percent of EMV initially, and only accept a price less than this amount, but above 104 percent of current EMV, if the offer is over three months old. The decision option amendment would also require the Company to file a proposal for auction or continued offering of lots that remain unsold after two years.

The Department considers both approaches to selling unleased lots to be generally reasonable and takes no firm position on either option.

*E. ARE THERE OTHER ISSUES OR CONCERNS RELATED TO THIS MATTER?*

The Department has no other concerns related to this matter.

### **III. CONCLUSION**

The Department recommends that the Commission:

After review, the Department recommends that Commission:

- 1) approve Minnesota Power's Petition, with the following modifications:
  - a) for each lot occupied by a leaseholder:
    - i) allow Minnesota Power to offer the lot for sale at a price of 2021 Estimated Market Value plus four percent for a period of 6 months beginning when the lot is offered for sale, and the most current EMV thereafter;
    - ii) require that the sale of occupied lots be negotiated within three years of the date of the order in this docket;

- iii) for an occupied lot that is not sold to its current leaseholder within the permitted time frame, allow the leaseholder to arrange the sale of his or her personal property at any time during the remainder of the current lease, with the sale of the personal property conditioned on the buyer also purchasing the lot from Minnesota Power at a price equal to the then-current Estimated Market Value;
  - iv) if a leaseholder does not purchase his or her lot, and also does not arrange the sale of his or her personal property by the end of his or her current lease, the lot must be sold at auction;
  - v) permit Minnesota Power to seek variances to these requirements for specific, extraordinary circumstances.
- 2) require Minnesota Power to provide annual compliance filings that include:
- a) data regarding lot sale transactions, including:
    - i) the number of offers to current leaseholders made to date as of the time of the compliance filing
    - ii) the number of offers to current leaseholders accepted
    - iii) the number of offers to current leaseholders rejected
    - iv) the number of lots listed on the open real estate market
    - v) the number of lots sold via the open real estate market
  - b) the tracker balance, including:
    - i) all additions to the tracker
    - ii) all deductions from the tracker
  - c) an estimate of anticipated customer benefits
  - d) updates on the status of Minnesota Power's non-capacity license amendment application at the Federal Energy Regulatory Commission;
- 3) require Minnesota Power to provide timely updates to the Commission via compliance filings in this Docket regarding important developments related to its non-capacity license amendment application at the Federal Energy Regulatory Commission;
- 4) require Minnesota Power to track, at the most granular level possible, information on the costs and revenues associated with the lot sales, including:
- a) for individual lot sales:
    - i) sale price
    - ii) list price (if different from sale price)
    - iii) EMV of land at the time of the sale
    - iv) EMV of buildings/structures at time of sale
    - v) all fees and expenses (e.g. title fees), itemized by type
    - vi) whether the lot was sold to the current leaseholder
  - b) for costs deducted from the tracker that are not attributable to individual lots sales, sufficient detail to determine whether they are internal costs included in base rates, or external costs.



Minnesota Department of Commerce  
85 7th Place East | Suite 280 | St. Paul, MN 55101  
Information Request

Docket Number: E015/PA-20-675  
Requested From: Minnesota Power  
Type of Inquiry: Financial

Nonpublic  Public  
Date of Request: 10/14/2020  
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio  
Email Address(es): [craig.addonizio@state.mn.us](mailto:craig.addonizio@state.mn.us)  
Phone Number(s): 651-539-1818

**ADDITIONAL INSTRUCTIONS:**

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

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Request Number: 15  
Topic: Current Leases  
Reference(s): Petition, pg. 7

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**Request:**

- a. Are the leases currently in place standardized (i.e. with identical terms and conditions)?

**Response:**

They are standardized by lease type.

- b. If the answer to part a. is yes, please provide a copy of one lease.

**Response:**

- c. If the answer to part a. is no, please explain generally how the terms and conditions of the individual leases may differ from each other, and the reasons for those differences.

**Response:**

There are different lease types and each of those have standardized language, though the language may be slightly different depending on the expiration date of the lease.

- d. If the answer to part a. is no, please provide copies of a representative sample of 10 leases.

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Response Date: 10/22/2020  
Response by: Jim Atkinson  
Email Address: [jbatkinson@mnpower.com](mailto:jbatkinson@mnpower.com)  
Phone Number: 218-343-9119





Minnesota Department of Commerce  
85 7th Place East | Suite 280 | St. Paul, MN 55101

Information Request

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**Type of Inquiry:** Financial

Nonpublic  Public  
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Response Due: 10/26/2020

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Craig Addonizio  
**Email Address(es):** craig.addonizio@state.mn.us  
**Phone Number(s):** 651-539-1818

**ADDITIONAL INSTRUCTIONS:**

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

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**Response:**

Please see attached, DOC IR 015.01 Attach. Note – all lease variations are attached.

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Response Date: 10/22/2020  
Response by: Jim Atkinson  
Email Address: jbatkinson@mnpower.com  
Phone Number: 218-343-9119

MP Lot No. «MPLtNo»

Acct No. «AcctNo»

**SAMPLE**

**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 **January 01, 2016**, 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  
123 4<sup>th</sup> Street  
Duluth, MN 55802**

**Jane J. Doe  
123 4<sup>th</sup> Street  
Duluth, MN 55802**

(referred to as “Lessee(s)”).

This Lease will expire on **February 1, 2046**. 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 «County1», State of Minnesota:

**«Mpdsc1» Section «Sectn», Township «Twnshp» North, Range «Range» West, above the flood line of, «Locat» containing «Acre» acres, more or less as approximately represented on the attached «MANbr», which is made a part hereof :**

(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 year around 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 «Issdt» and expire on «Expdt». However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of three (3) years after «Expdt» 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 15<sup>th</sup> and the remainder on September 15<sup>th</sup> 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.

DOC IR 015.01 Attach



MP Lot No. STLO055 [REDACTED]

Acct No. [REDACTED]

**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 February 28, 2012, by and between

**Minnesota Power legally incorporated as ALLETE, Inc., a Minnesota corporation  
30 West Superior Street  
Duluth, Mn 55802-2191**

(referred to as "Minnesota Power") and

[REDACTED]

(referred to as "Lessee(s)").

This Lease will expire on **February 01, 2041**. 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 St Louis, State of Minnesota:

**Minnesota Power Parcel No. 02 In That Portion Of SE 1/4 OF NE 1/4, Section 01, Township 055 North, Range 15 West, above the flood line of, Whiteface Reservoir containing 2.000 acres, more or less as approximately represented on the attached MA-18651, which is made a part hereof :**

(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 February 28, 2012 and expire on February 01, 2041. However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of three (3) years after February 01, 2041 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 15<sup>th</sup> and the remainder on September 15<sup>th</sup> 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

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**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.

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(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.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have signed this Lease effective as of the day and year first above written.

MINNESOTA POWER

LESSEE(S)

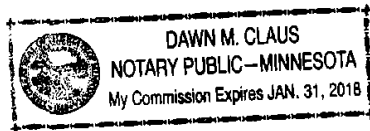
By: *John J. Paulson*  
Its Land & Real Estate Manager

[Redacted Signature]

STATE OF Minnesota )  
COUNTY OF St. Louis )SS

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of April, 2013 by  
[Redacted Name]

NOTARIAL STAMP OR SEAL

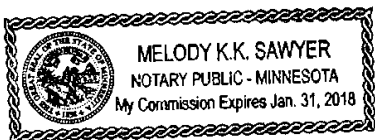


*Dawn M. Claus*  
Notary Public

STATE OF MINNESOTA )  
COUNTY OF ST LOUIS )

The foregoing instrument was acknowledged before me this 24<sup>th</sup> day of June, 2013 by John J. Paulson, Land and Real Estate Manager of Minnesota Power legally incorporated as ALLETE, Inc., a corporation under the laws of Minnesota, on behalf of the corporation.

NOTARIAL STAMP OR SEAL



*Melody K.K. Sawyer*  
Notary Public

MP Lot No. STLO052 [REDACTED]  
Acct No. [REDACTED]

**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 **November 17, 2006**, 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

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

as Joint Tenants (referred to as "Lessee(s)").

This Lease will expire on **February 01, 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 St Louis, State of Minnesota:

**Minnesota Power Parcel No. 01 In That Portion Of NE 1/4 OF SE 1/4, Section 15, Township 052 North, Range 15 West, above the flood line of, Island Lake Reservoir containing 2.750 acres, more or less as approximately represented on the attached MA-17359, which is made a part hereof :**

(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 year around 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 November 17, 2006 and expire on February 01, 2036. However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of three (3) years after February 01, 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 15<sup>th</sup> and the remainder on September 15<sup>th</sup> 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.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have signed this Lease effective as of the day and year first above written.


MINNESOTA POWER

By: *John J. Paulson*  
Its Supervisor

LESSEE(S)  
[Redacted Signature]  
[Redacted Name]  
[Redacted Address]

STATE OF MINNESOTA )  
                                                  ) SS  
COUNTY OF St Louis )

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of December, 2006 by [Redacted].

NOTARIAL STAMP OR SEAL  
 PATRICIA L. CONLEY  
NOTARY PUBLIC - MINNESOTA  
MY COM. EXPIRES JANUARY 31, 2010

*Patricia L. Conley*  
Notary Public

STATE OF MINNESOTA )  
                                                  ) SS  
COUNTY OF ST LOUIS )


The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of December, 2006 by [Redacted].

NOTARIAL STAMP OR SEAL  
 PATRICIA L. CONLEY  
NOTARY PUBLIC - MINNESOTA  
MY COM. EXPIRES JANUARY 31, 2010

*Patricia L. Conley*  
Notary Public

STATE OF MINNESOTA )  
                                                  ) SS  
COUNTY OF ST LOUIS )

The foregoing instrument was acknowledged before me this 27<sup>th</sup> day of Dec., 2006 by John J. Paulson, Supervisor, Land & Property Management of Minnesota Power legally incorporated as ALLETE, Inc., a corporation under the laws of Minnesota, on behalf of the corporation.

NOTARIAL STAMP OR SEAL  
 SUE ROED  
NOTARY PUBLIC - MINNESOTA  
My Commission Expires Jan. 31, 2010

*Sue Roed*  
Notary Public

MP Lot No. STLO052 [REDACTED]  
Acct No. [REDACTED]

**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 **February 28, 2005**, 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

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

(referred to as "Lessee(s)").

This Lease will expire on **February 01, 2028**. 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 St Louis, State of Minnesota:

**Minnesota Power Parcel No. 03 In That Portion Of SW 1/4 OF NW 1/4, Section 23, Township 052 North, Range 15 West, above the flood line of, Island Lake Reservoir containing 3.600 acres, more or less as approximately represented on the attached MA-30776, which is made a part hereof :**

(referred to as the "Property"). Minnesota Power reserves the right to determine the exact location of all boundary lines. However, Minnesota Power represents that the division of the leased property is accurate to within two (2) to five (5) feet. If the variance is substantially more, remedies required, if any are deemed necessary because of this variation, is the sole responsibility of and at the discretion of Minnesota Power.



**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 modified or terminated at anytime during the lease in accordance with paragraph 14 below if required by the mortgage holder, 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 year around 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. Written consent by Minnesota Power may be revoked if any use violates the terms of this Lease. (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. Minnesota Power has the sole and exclusive right to revoke prior approval or not approve any use of the Property, and to enforce compliance, resulting from or due to any change in the law, regulation, agreement, or internal policy to which Minnesota Power or the Property may be subject.

**3. TERM OF LEASE.** Subject to the termination provisions of paragraph 12 below, the term of this Lease shall commence on February 28, 2005 and expire on February 01, 2028. However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of three (3) years after February 01, 2028 in accordance with all other provisions of this Lease.

**4. RENT.** Lessee(s) agrees to pay as annual rent 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, plus all real estate taxes assessed against the Property (including special assessments). 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 15<sup>th</sup> and the remainder on September 15<sup>th</sup> of each year. Minnesota Power specifically reserves the right to determine, in its sole discretion, the allocable portion of real estate taxes and/or special assessments to be assessed against the Property if the county or other governmental authority assesses taxes on an aggregate basis, and further reserves the right to charge Lessee(s) less than full rent if it deems it appropriate to do so.

**5. TAXES ON STRUCTURES/IMPROVEMENTS.** In addition to paragraph 4 above. Lessee(s) also agrees to promptly pay all taxes, charges, or other assessments levied against the Property due to 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.

**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. Notwithstanding any other provision in this Lease, if any amount is not paid in within thirty (30) days after it is due and payable, Minnesota Power may terminate this Lease, with all money not paid to Minnesota Power still remaining due.

**7. ASSIGNMENT.** Lessee(s) shall not assign this Lease or any part thereof 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. Lessee(s) shall not sublet the Property or create or convey any other interest in the Property. Minnesota Power may transfer or assign this Lease.

**8. MORTGAGES, CONTRACTS FOR DEED, LIENS, ETC.** (a) Lessee(s) shall not file or permit others to file mortgages, contracts for deed, or mechanics liens or other liens or encumbrances against the Property 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 with water from Minnesota Power's reservoir system, termination of this Lease, or by reasons of any action or inaction of Minnesota Power, its agents or employees, whatsoever, whether the same be due to negligence or otherwise.

**10. INDEMNIFICATION.** Lessee(s) shall completely indemnify, defend, and hold Minnesota Power harmless from and against any and all liabilities, including strict liability, 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) or Lessee(s) invitees, agents, assigns, or occupants violate any of the terms, conditions, or obligations of this Lease, Lessee(s) shall be in default of this Lease, and Minnesota Power may serve a written notice to Lessee(s) requiring Lessee(s) cure the default at Lessee(s) sole cost and expense within ten (10) days. If Lessee(s) fails to cure or fails to commence cure of the default at Lessee(s) sole cost and expense within such ten (10) day period, Minnesota Power, at its option, may: (a) assess a noncompliance fee of up to \$100.00 per day against Lessee(s) until the default is cured, including the cost and expense of curing said default, (b) 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 (c) terminate the Lease as provided in paragraph 12 below. 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, and Minnesota Power may immediately terminate the Lease.

**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 receipt of notice of termination, or upon expiration of (3) three days after notice of termination is sent by Minnesota Power to Lessee's last known address, 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. Notwithstanding the Lessee(s) immediate vacation and exit of the Property hereunder, Lessee(s) shall so vacate and exit the Property subject to all obligations Lessee(s) entered into, assumed, or are subject to pursuant to Lessee's occupation and use of the Property prior to termination. Lessee(s) shall forfeit all right of claims under this Lease, and 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. 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. Minnesota Power may, at its sole option, permit a terminated lease to be reinstated by payment of a reinstatement fee equal to the current year's rent and any other charges deemed applicable by Minnesota Power that Lessee(s) has accrued Minnesota Power may also, 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 for seasonal use is granted by Minnesota Power. (c) No construction pursuant to this paragraph shall be performed in a manner that limits, minimizes, or eliminates the potential for, or the actual occurrence of, 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 no default in any of the conditions hereof, whether for the payment of rent or otherwise, shall exist at the time of such removal, and further provided that the natural condition and contours of the Property be restored.

**16. PROPERTY ALTERATIONS.** 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 of 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.** (a) 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. (b) 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. (c) Other 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 the Lease. (d) 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 those occupying the Property with permission of Lessee(s), or Lessee's invitees, agents, assignees, or occupants of the Property, occurring on the Property or in association with use of the Property, including but not limited to conduct or omissions which adversely affect the peace and quiet enjoyment of other individuals, shall be deemed a default and shall be cause for termination of this Lease.

**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 gates. (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; however, Lessee(s) may cooperate and share expenses with other lessees in the construction and maintenance of access roads and security gates. Failure of Lessee(s) to reasonably cooperate and share expenses with other lessees 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 & Water Section of the Environmental Resources 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 in writing to Lessee(s) the appropriate 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 there (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.

IN WITNESS WHEREOF, the parties hereto have signed this Lease effective as of the day and year first above written.

MINNESOTA POWER

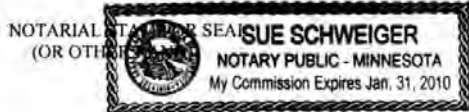
LESSEE(S)

By: James B. Atkinson  
Real Estate Specialist

[Redacted signature and name]

STATE OF MINNESOTA )  
COUNTY OF St. Louis ) SS

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of August, 2005  
By [Redacted]



Sue Schweiger  
Notary Public

STATE OF MINNESOTA )  
COUNTY OF Anoka ) SS

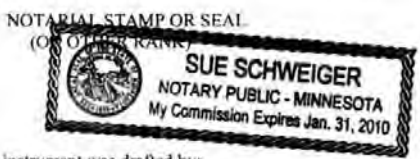
The foregoing instrument was acknowledged before me this 20 day of August, 2005  
by [Redacted]



Susan E Culbertson  
Notary Public

STATE OF MINNESOTA )  
COUNTY OF ST LOUIS )

The foregoing instrument was acknowledged before me this 9<sup>th</sup> day of Sept., 2005  
by James B. Atkinson, Real Estate Specialist, Land & Water Management of Minnesota Power legally incorporated as ALLETE, Inc., a corporation under the laws of Minnesota, on behalf of the corporation.



Sue Schweiger  
Notary Public

This instrument was drafted by:  
Minnesota Power  
30 W Superior St  
Duluth, MN 55802

MP Lot No. STLO052 [REDACTED]  
Acct No. [REDACTED]

**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 **June 28, 1999**, by and between

**Minnesota Power, Inc., a Minnesota corporation  
30 West Superior Street  
Duluth, MN 55802**

(referred to as "Minnesota Power") and

[REDACTED]  
[REDACTED]  
[REDACTED]

(referred to as "Lessee(s)").

This Lease will expire on **February 01, 2023**. 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 St Louis, State of Minnesota:

**Minnesota Power Parcel No. 04 In That Portion Of SW 1/4 OF NW 1/4, Section 05, Township 052 North, Range 14 West, above the floodline of, Island Lake Reservoir containing 1.900 acres, more or less as approximately represented on the attached MA-13690, which is made a part hereof :**

(referred to as the "Property"). Minnesota Power reserves the right to determine the exact location of all boundary lines. However, Minnesota Power represents that the division of the leased property is accurate to within two (2) to five (5) feet. If the variance is substantially more, remedies required, if any are deemed necessary because of this variation, are the sole responsibility of and at the discretion of Minnesota Power.

**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 modified or terminated at anytime during the lease in accordance with paragraph 14 below if required by the mortgage holder, 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. Written consent by Minnesota Power may be revoked if any use violates the terms of this Lease. (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. Minnesota Power has the sole and exclusive right to revoke prior approval or not approve any use of the Property, and to enforce compliance, resulting from or due to any change in the law, regulation, agreement, or internal policy to which Minnesota Power or the Property may be subject.

**3. TERM OF LEASE.** Subject to the termination provisions of paragraph 12 below, the term of this Lease shall commence on June 28, 1999 and expire on February 01, 2023. However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of three (3) years after February 01, 2023 in accordance with all other provisions of this Lease.

**4. RENT.** Lessee(s) agrees to pay as annual rent 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, plus all real estate taxes assessed against the Property (including special assessments). 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 15<sup>th</sup> and the remainder on September 15<sup>th</sup> of each year. Minnesota Power specifically reserves the right to determine, in its sole discretion, the allocable portion of real estate taxes and/or special assessments to be assessed against the Property if the county or other governmental authority assesses taxes on an aggregate basis, and further reserves the right to charge Lessee(s) less than full rent if it deems it appropriate to do so.

**5. TAXES ON STRUCTURES/IMPROVEMENTS.** In addition to paragraph 4 above. Lessee(s) also agrees to promptly pay all taxes, charges, or other assessments levied against the Property due to 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.

**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. Notwithstanding any other provision in this Lease, if any amount is not paid in **full** within thirty (30) days after it is due and payable, Minnesota Power may terminate this Lease, with all money not paid to Minnesota Power still remaining due.

**7. ASSIGNMENT.** Lessee(s) shall not assign this Lease or any part thereof without first obtaining Minnesota Power's written consent. Lessee(s) shall execute an addendum to this Lease if Lessee's interest



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in the Lease is assigned to another party for purposes of obtaining financing for improvements or other purposes related to the Property. Lessee(s) shall not sublet the Property or create or convey any other interest in the Property. Minnesota Power may transfer or assign this Lease.

**8. MORTGAGES, CONTRACTS FOR DEED, LIENS, ETC.** (a) Lessee(s) shall not file or permit others to file mortgages, contracts for deed, or mechanics liens or other liens or encumbrances against the Property 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 with water from Minnesota Power's reservoir system, termination of this Lease, or by reasons of any action or inaction of Minnesota Power, its agents or employees, whatsoever, whether the same be due to negligence or otherwise.

**10. INDEMNIFICATION.** Lessee(s) shall completely indemnify, defend, and hold Minnesota Power harmless from and against any and all liabilities, including strict liability, 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) or Lessee(s) invitees, agents, assigns, or occupants violate any of the terms, conditions, or obligations of this Lease, Lessee(s) shall be in default of this Lease, and Minnesota Power may serve a written notice to Lessee(s) requiring Lessee(s) cure the default at Lessee(s) sole cost and expense within ten (10) days. If Lessee(s) fails to cure or fails to commence cure of the default at Lessee(s) sole cost and expense within such ten (10) day period, Minnesota Power, at its option, may: (a) assess a noncompliance fee of up to \$100.00 per day against Lessee(s) until the default is cured, including the cost and expense of curing said default, (b) 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 (c) terminate the Lease as provided in paragraph 12 below. 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, and Minnesota Power may immediately terminate the Lease.

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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 receipt of notice of termination, or upon expiration of (3) three days after notice of termination is sent by Minnesota Power to Lessee's last known address, 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. Notwithstanding the Lessee(s) immediate vacation and exit of the Property hereunder, Lessee(s) shall so vacate and exit the Property subject to all obligations Lessee(s) entered into, assumed, or are subject to pursuant to Lessee's occupation and use of the Property prior to termination. Lessee(s) shall forfeit all right of claims under this Lease, and 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. 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. Minnesota Power may, at its sole option, permit a terminated lease to be reinstated by payment of a reinstatement fee equal to the current year's rent and any other charges deemed applicable by Minnesota Power that Lessee(s) has accrued Minnesota Power may also, 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.

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**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.

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buildings, structures, or improvements erected or purchased by said Lessee(s), provided that no default in any of the conditions hereof, whether for the payment of rent or otherwise, shall exist at the time of such removal, and further provided that the natural condition and contours of the Property be restored.

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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 gates. (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; however, Lessee(s) may cooperate and share expenses with other lessees in the construction and maintenance of access roads and security gates. Failure of Lessee(s) to reasonably cooperate and share expenses with other lessees 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.

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**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.

IN WITNESS WHEREOF, the parties hereto have signed this Lease effective as of the day and year first above written.

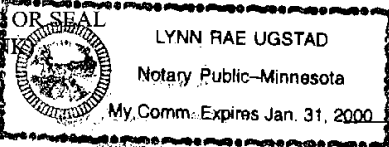
MINNESOTA POWER & LIGHT COMPANY

By: T. W. Houghtaling  
Its Supervisor- Land & Water Management

[Redacted signature area]

STATE OF MINNESOTA )  
 ) SS  
COUNTY OF St Louis )

The foregoing instrument was acknowledged before me this 19 day of June 1999, by [Redacted]

NOTARIAL STAMP OR SEAL  
(OR OTHER RANK)  
 LYNN RAE UGSTAD  
Notary Public-Minnesota  
My Comm. Expires Jan. 31, 2000

Lynn Rae Ugstad  
Notary Public

STATE OF MINNESOTA )  
 ) SS  
COUNTY OF ST. LOUIS \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this 28<sup>th</sup> day of July, 1999, by T. W. Houghtaling, the Supervisor, Land & Water Management of Minnesota Power & Light Company, a corporation under the laws of Minnesota, on behalf of the corporation.

NOTARIAL STAMP OR SEAL  
(OR OTHER RANK)  
 MARY M. OSVOLD  
NOTARY PUBLIC-MINNESOTA  
ST. LOUIS COUNTY  
My Commission Expires Jan. 31, 2005

Mary Osbold  
Notary Public

This instrument was drafted by:  
Minnesota Power  
30 W Superior St  
Duluth, MN 55802

**MP Lot No. «MPLtNo»**

**Acct No. «AcctNo»**

This Lease will expire on **2/1/2021**, Minnesota Power has discretionary rights as to the renewal of the Lease. If the lease is terminated, Minnesota Power may require that all structures be removed from the leased property as herein provided. Minnesota Power represents that the division of the leased property is accurate within two (2) to five (5) feet. If the variance was to be substantially more, remedies required because of this variation would be the sole responsibility of Minnesota Power.

This Lease dated **2/1/2020**, 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  
123 4<sup>th</sup> Street  
Duluth, MN 55802**

(referred to as "Lessee(s)").

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

**«Mpdsc1» Section «Sectn», Township «Twnshp» North, Range «Range» West, above the flood line of, «Locat» containing «Acre» acres, more or less as approximately represented on the attached «MANbr», which is made a part hereof :**

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

**2. ACCESS LEASE.** (a) The Property is, or may become, part of a licensed hydroelectric project (Project) subject to jurisdiction of the U. S. Federal Energy Regulatory Commission (FERC) or other governmental entity. Lessees agree 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 modified or terminated if required by the FERC or other governmental entity with jurisdiction over the Project. (b) Lessees shall use and occupy the Property only for **access purposes**. No dwelling structures shall be permitted on the Property at any time. Permission to construct or place access lease related structures on the property will be at the sole discretion of Minnesota Power. (c) The Property may not be used in any manner which endangers health, the environment, creates a nuisance, or is otherwise incompatible with overall recreational use of the Project.

**3. TERM OF LEASE.** Subject to the provisions of paragraph 12 below, the term of this Lease shall commence on 2/1/2020 and expire on 2/1/2021. However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of one (1) year after 2/1/2021 in accordance with all other provisions of this Lease.

**4. RENT.** Lessees agree to pay as annual rent, \_\_\_\_\_ plus all real estate taxes assessed against the property due to lot value. Payment of one-half (1/2) this amount is due on February 1st and the remainder on September 1st of each year. Minnesota Power specifically reserves the right to determine, in its sole discretion, the allocable portion of real estate taxes to be assessed against the Property if the county or other governmental authority assesses taxes on an aggregate basis, and further reserves the right to charge Lessee less than full rent if it deems it appropriate to do so.

**5. TAXES ON STRUCTURES/IMPROVEMENTS.** Lessees also agree to promptly pay all taxes, charges, or other assessments levied against the Property due to any structures or improvements permitted by Minnesota Power to be placed on the Property. Upon the presentation of a statement for that amount, Lessees agree to pay to Minnesota Power such taxes by the date they become due and payable to the county or other governmental authority. If the total assessment of such taxes is less than \$50.00, then the full amount shall become due on the first payment due date.

**6. LATE PAYMENTS.** Any rental, tax, or other payment 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. Notwithstanding any other provision in this Lease, if any rental, tax, or other payment is not paid in full within thirty (30) days after it is due and payable, Minnesota Power may terminate this Lease, with all money owing Minnesota Power still remaining due.

**7. ASSIGNMENT.** Lessees shall not assign this Lease or sublet the Property or any part thereof without first obtaining Minnesota Power's written consent. Lessees agree to execute an addendum to this Lease if Lessees' interest in the Lease is assigned to another party for purposes of obtaining financing for improvements or other purposes related to the Property. Minnesota Power may transfer or assign this lease.

**8. MORTGAGES, CONTRACTS FOR DEED, LIENS, ETC.** (a) Lessees shall not file or permit others to file mortgages, contracts for deed, or mechanics liens or other liens or encumbrances against the Property and shall take any actions at Lessees' 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) Lessees shall give notice to Minnesota Power prior to: (i) obtaining any financing for Minnesota Power permitted improvements or for other purposes related to the Property, of (ii) entering into a contract to sell any of the personal property located on the Property prior to a request to transfer this Lease.

**9. WAIVER OF CLAIMS.** Lessees hereby waive and surrender 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 by reasons of flooding with water from Minnesota Power's reservoir system or by reasons of any action or inaction of Minnesota Power, its agents or employees, whatsoever, whether the same be due to negligence or otherwise.

**10. INDEMNIFICATION.** Lessees shall completely indemnify, defend, and hold Minnesota Power harmless from and against any and all liabilities, including strict liability, 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 by Lessees or Lessees' predecessors, agents, or assigns; (2) the entry into this Lease by Lessees; and (3) violation of federal, state, or local laws or regulations by Lessees, Lessees' predecessors, agents, or assigns in connection with use of the Property, 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 LESSEES.** If Lessees violate any of the terms, conditions, or obligations of this Lease, Lessees shall be in default of this Lease, and Minnesota Power may serve a written notice to Lessees requiring Lessees cure the default within ten (10) days. If Lessees fail to cure the default within such ten (10) day period, Minnesota Power, at its option, may: (a) assess a noncompliance fee of up to \$100.00 per day against Lessees until the default is cured, (b) enter upon the Property and take any and all actions necessary to cure the default and charge Lessees for any and all costs incurred by Minnesota Power in taking such actions, or (c) terminate the Lease as provided in paragraph 12 below.

**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 Lessees 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 Lessees with notice thereof as described in paragraph 21. Upon receipt of notice of termination, Lessees 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.



Lessees shall forfeit all right of claims under this Lease, and 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's legal remedies. Lessees must remove all buildings and personal property owned by Lessees from the Property within sixty (60) days after date of termination, unless otherwise agreed to by Minnesota Power. 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 Lessees fail to remove such property within such sixty (60) day period, Lessees agree that Minnesota Power may, at its option, remove such property at the expense of Lessees or take possession and ownership of such Property by virtue of Lessees' failure to remove it. Minnesota Power may, at its sole option, permit a terminated lease to be reinstated by payment of a reinstatement fee equal to the current year's rent. Minnesota Power may also, at its sole option, upon the expiration of the original term, renew the term of this Lease for additional terms of one (1) year 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.

**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 under the Mortgage and Deed of Trust.

**15. CONSTRUCTION.** (a) No 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 cabin construction. Minnesota Power reserves the right to be the exclusive judge of the acceptability of appearance, condition, or materials. (b) Trailers, busses, trucks, campers, tents or similar shelters shall not be installed upon the Property in lieu of an accessory building. If written approval for seasonal use is granted by Minnesota Power, only campers and tents may be used as temporary shelters but must be removed from the Property when not in use, unless written approval for seasonal use is granted by Minnesota Power. (c) No construction, relocation, repair, replacement or exterior remodeling of permitted buildings, fences or other improvements on the Property will be permitted without written approval of all jurisdictional governmental authorities and Minnesota Power. Requests for approval of construction and placement of tents, campers or trailers shall be detailed on forms supplied by Minnesota Power and must be approved prior to commencement of work or placement. Subject to any rights of third parties, the Lessees shall have the right at any time during the term of this Lease to remove buildings, structures, or improvements erected or purchased by said Lessees, provided that no default in any of the conditions hereof, whether for the payment of rent or otherwise, shall exist at the time of such removal, and further provided that the natural condition and contours of the Property be restored.

**16. CONDITION OF PROPERTY.** Lessees represent that the Property has been 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, recontouring, installation of erosion control measures, removal or addition of top soil, gravel, rock or fill material, removal of minerals, and cutting of live timber (except for underbrush) 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.** Lessees 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. Lessees shall not dispose of, store, or use any pollutants on the Property 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 “super-fund” 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 within any now existing federal, state, or local statute, ordinance, code, or regulation.

**18. ZONING AND LAND USE.** (a) Lessees 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. Lessees shall not permit refuse, garbage, scrap building materials, or vehicles to be stored or otherwise accumulate on the Property or other land of Minnesota Power. (b) Other 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. The Lessees represent and warrant that all water, sewage, and electrical systems and access roads currently located on or about the Property as of the date of this Lease are adequate, safe, and fit for their intended use. Lessees agree to make any and all repairs, alterations, and maintenance necessary to comply with this representation and warranty. (c) Lessees agree to cooperate with other Lessees, lake associations, and/or Minnesota Power to perform actions on the 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 Lessees or those occupying the Property with permission of Lessees, including but not limited to conduct or omissions which adversely affect the peace and quiet enjoyment of other individuals, shall be cause for termination of this Lease.

**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. Lessees also agree that it will not unduly restrict public access to Project waters and, if, in Minnesota Power determination, access to other lessees’ property can be obtained only across the Property, Lessees shall permit such access.

If Lessees place any security gate or other obstruction on access roads to the Property, it is the responsibility of Lessees to ensure that Minnesota Power and other lessees, if necessary, can obtain access through such gates. (b) Lessees agree to accept the sole responsibility for construction and maintenance of all access roads to the Property from duly dedicated roads or highways; however, Lessees may cooperate and share expenses with other lessees in the construction and maintenance of access roads and security gates. Failure of Lessees to reasonably cooperate and share expenses with other lessees shall be grounds for termination of this Lease. Lessees 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 & Water Section of the Environmental Resources Department at the address set forth at the beginning of this Lease. Notices to Lessees shall be sent to the address set forth at the beginning of this Lease. Lessees 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.

**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 Lessees. This Lease may be modified by Minnesota Power to comply with requirements of the FERC or other governmental entity with jurisdiction over the Project. 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 Lessees and upon any successors and assigns.

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

IN WITNESS WHEREOF, the parties hereto have signed this Lease effective as of the day and year first above written.

MINNESOTA POWER

LESSEE(S)

By: \_\_\_\_\_  
Its Supervisor, Real Estate Services

\_\_\_\_\_  
John J. Doe

\_\_\_\_\_  
Jane J. Doe

STATE OF MINNESOTA     )  
                                          ) SS  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2020, by John J. Doe.

NOTARIAL STAMP OR SEAL

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA     )  
                                          ) SS  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2020 by Jane J. Doe.

NOTARIAL STAMP OR SEAL

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA     )  
                                          ) SS  
COUNTY OF ST LOUIS     )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2020, by \_\_\_\_\_, Supervisor, Real Estate Services of Minnesota Power legally incorporated as ALLETE, Inc., a corporation under the laws of Minnesota, on behalf of the corporation.

NOTARIAL STAMP OR SEAL

\_\_\_\_\_  
Notary Public

MP Lot No. - STLO0531 [REDACTED]  
Account No. - [REDACTED]

This Lease dated 02/01/2020, 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

[REDACTED]

(referred to as "Lessee").

This Lease will expire on 02/01/2036 and 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 the following described property located in the County of St. Louis County, State of Minnesota:

**Minnesota Power Parcel Number 10, in that portion of NE1/4-NE1/4, NW1/4-NE1/4, NE1/4-NW1/4, SE1/4-NW1/4, SW1/4-NE1/4, Section 32, Township 053 North, Range 14 West, above the flood line of, Island Lake Reservoir as approximately depicted in Exhibit-A, which is made a part hereof.**

(referred to as the "Property"). If the boundaries of the Property were not surveyed by a registered land surveyor, Minnesota Power reserves the right to determine the exact location of all boundary lines.

**2. USE OF PROPERTY.**

(a) The Property is, or may become, part of a licensed hydroelectric project (Project) subject to jurisdiction of the U. S. Federal Energy Regulatory Commission (FERC) or other governmental entity. Lessee 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 modified or terminated if required by the FERC or other governmental entity with jurisdiction over the Project.

(b) Lessee shall use and occupy the Property only for **institutional recreational purposes, as well**

as for weddings, family reunions, outdoor based competitions, and partnering with similar organizations to conduct on-site programs. Permission to construct or place structures on the property will be at the sole discretion of Minnesota Power.

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

**3. TERM OF LEASE.** Subject to the provisions of paragraph 12, 13 and 15 below, the term of this Lease shall commence on 02/01/2020 and expire on **02/01/2036**. However, the term of this Lease may be renewed on the same terms and conditions of this lease, at Minnesota Power's option, for additional terms of one (1) year each after **02/01/2036**, 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. Minnesota Power specifically reserves the right to charge Lessee less than full rent if it deems it appropriate to do so. In lieu of the forgoing, Minnesota Power and Lessee may agree that Lessee shall perform service projects in the areas as described on Exhibit B. To be effective, such agreement must be reached prior to March 1 of the year of the Term in which such service projects are to be performed, including such details as location and schedule, and shall be documented as an addendum to Exhibit B. In the event that the Lessee fails to perform the agreed upon service projects, Minnesota Power reserves the right to charge and collect all or a portion of the rent described in this Section.

**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 shall completely indemnify, defend, and hold Minnesota Power harmless from and against any and all liabilities, including strict liability, 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 by Lessee or Lessee's predecessors, agents, assigns, invitees, guests, or contractors; (2) the entry into this Lease by Lessee; and (3) violation of federal, state, or local laws or regulations by Lessee, Lessee's predecessors, agents, or assigns in connection with use of the Property, 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 18 below.

#### 11. INSURANCE

Without limiting any obligations or liabilities of Lessee under this Agreement, Lessee shall provide and maintain for the term of this Lease, at its own expense, without direct reimbursement, insurance coverage in forms and amounts that Lessee reasonably believes will adequately protect it, but in no case less than shown in **EXHIBIT C**. Minnesota Power retains the right to reasonably

adjust the insurance requirements shown in **EXHIBIT C** upon sixty (60) days' Notice to Lessee.

(a) Lessee's insurance policies, excluding Workers Compensation, shall include Minnesota Power as an additional insured as its interests may appear under this Lease. All of Lessee's policies of insurance shall be primary insurance and non-contributing with any other insurance maintained by Minnesota Power and shall provide for a Waiver of Subrogation in favor of Minnesota Power. Upon receipt from its insurer, Lessee will use its best efforts to provide Minnesota Power with thirty (30) days' prior Notice of cancellation. Lessee shall provide Certificates of Insurance issued to Minnesota Power evidencing coverage currently in effect upon execution of this Lease, and within thirty (30) days after each of Lessee's policy renewals thereafter for the duration of this Lease.

(b) Lessee shall be fully responsible for any deductible or self-insured retention amounts contained in its insurance program or for any deficiencies in the amounts of insurance maintained.

**12. 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.



**13. 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.
- (c) Minnesota Power provides Sixty (60) days written notice of termination.
- (d) Lessee(s) provides six (6) months written notice of termination.

Minnesota Power, in its sole discretion, may terminate this Lease by providing Lessee(s) with sixty (60) days notice thereof as described in paragraph 22. Lessee(s) may terminate this Lease by providing Minnesota Power with six (6) months notice thereof as described in paragraph 22. 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 one (1) year each upon the same terms and conditions.

**14. 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.

**15. 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 under the Mortgage and Deed of Trust.

**16. CONSTRUCTION.** (a) Any and all dwelling structures on the Property must be approved in advance by Minnesota Power. 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 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.

**17. CONDITION OF PROPERTY.** Lessee represents that the Property has been carefully inspected and knows of, and agrees to take possession of the Property in its present condition. Lessee confirms that Minnesota Power has expressly disclosed that the Property was formerly operated as a campground and contains infrastructure, such as roads, electric cable and meter boxes, and septic tanks that were installed by the former campground operator. 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 (except for underbrush) 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.

**18. COMPLIANCE WITH LAWS.** Lessee 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 shall not dispose of, store, or use any pollutants on the Property 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 "super-fund" 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 within 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.

**19. ZONING AND LAND USE.** (a) Lessee 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 shall not permit refuse, garbage, scrap building materials, or vehicles to be stored or otherwise accumulate on the Property or other land of Minnesota Power. (b) Other 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. The Lessee represents and warrants that all water, sewage, and electrical systems and access roads currently located on or about the Property as of the date of this Lease are adequate, safe, and fit for their intended use. Lessee agrees to make any and all repairs, alterations, and maintenance necessary to comply with this representation and warranty. (c) Lessee agrees to cooperate with other lessees, lake associations, and/or Minnesota Power to perform actions on the 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.

**20. DISORDERLY CONDUCT.** Disorderly or otherwise objectionable conduct by Lessee or those occupying the Property with permission of Lessee, including but not limited to conduct or omissions which adversely affect the peace and quiet enjoyment of other individuals, shall be cause for termination of this Lease.

**21. 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 also agrees that it will 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 places any security gate or other obstruction on access roads to the Property, it is the responsibility of Lessee to ensure that Minnesota Power and other lessees, if necessary, can obtain access through such gates. (b) Lessee agrees to accept the sole responsibility for construction and maintenance of all access roads to the Property from duly dedicated roads or highways; however, Lessee may cooperate and share expenses with other lessees in the construction and maintenance of access roads and security gates. Failure of Lessee to reasonably cooperate and share expenses with other lessees shall be grounds for termination of this Lease. Lessee shall submit to Minnesota Power for approval written plans for any construction, improvement, relocation, or other alteration of access roads.

**22. NOTICES.** All notices or correspondence to Minnesota Power shall be sent to the attention of Real Estate Services at the address set forth at the beginning of this Lease. Notices to Lessee shall be sent to the address set forth at the beginning of this Lease. Lessee 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.

**23. 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.

**24. ENTIRE AGREEMENT; MODIFICATIONS.** This Lease contains all the promises and agreements of Minnesota Power and Lessee. This Lease may be modified by Minnesota Power to comply with requirements of the FERC or other governmental entity with jurisdiction over the Project. Any other modifications to this Lease must be in writing and signed by both parties.

**25. PARTIES BOUND.** This Lease shall be binding upon Minnesota Power and Lessee and upon any successors and assigns.

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

[Remainder of Page Intentionally Left Blank]


IN WITNESS WHEREOF, the parties hereto have signed this Lease effective as of the day and year first above written.

MINNESOTA POWER

By: *Matthew Hagelin*  
Its Supervisor, Real Estate Services

LESSEE(S) 

STATE OF Minnesota )  
                                          )SS  
COUNTY OF St. Louis )

The foregoing instrument was acknowledged before me this 25<sup>th</sup> day of January,  
2020, by .

NOTARIAL STAMP OR SEAL

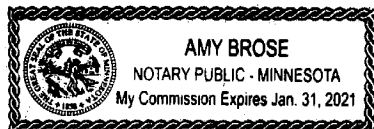


*John T. Meyer*  
Notary Public

STATE OF MINNESOTA )  
                                          )SS  
COUNTY OF ST. LOUIS )

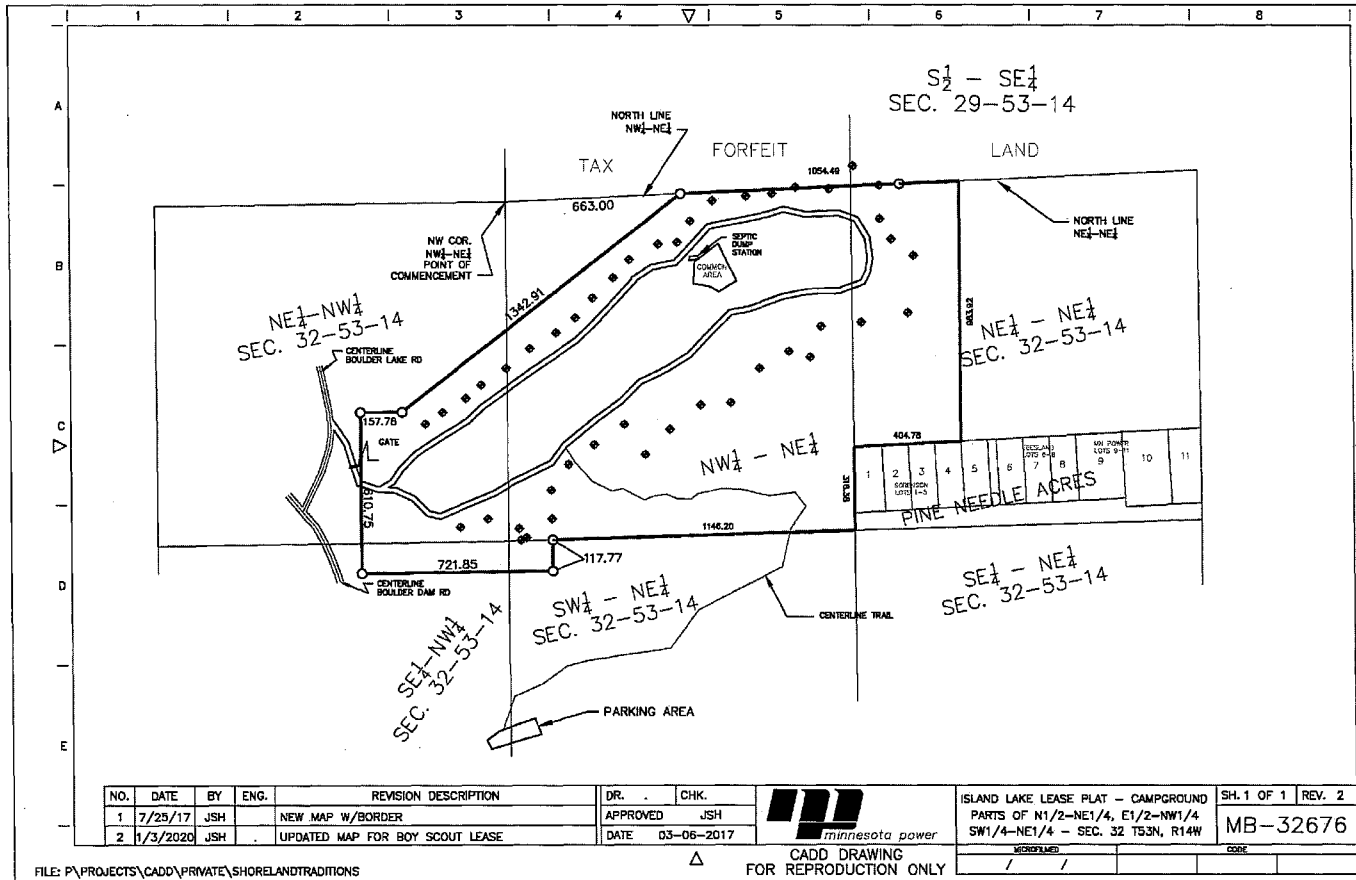
The foregoing instrument was acknowledged before me this 31<sup>st</sup> day of January,  
2020, by Matthew Hagelin, Supervisor, Real Estate Services of Minnesota Power legally  
incorporated as ALLETE, Inc., a corporation under the laws of Minnesota, on behalf of the  
corporation.

NOTARIAL STAMP OR SEAL



*Amy Brose*  
Notary Public

Exhibit A



**Exhibit B**  
**Service Projects**

In order to reduce or abate rent, Lessee and Minnesota Power may agree that Lessee shall perform service projects, including in the following areas:

- Rajala Woods tree planting, budcapping and ongoing forestry maintenance
  - Planting and maintenance of one million long-lived tree species like white, red, and jack pine on Minnesota Power land or other lands deemed acceptable by Minnesota Power. Minnesota Power shall provide the seedlings and materials for maintenance, including training on proper planting and maintenance techniques. Lessee shall conduct the planting and maintenance activities on a mutually-agreed upon schedule between Lessee and Minnesota Power. The annual plan for planting, budcapping, and other forestry maintenance activities shall be finalized by March 1 of each year.
- Special event support
  - Lessee agrees to support Minnesota Power special events, including but not limited to athletic events at MP lands or reservoirs, environmental or conservation activities, or educational opportunities. Lessee agrees to provide support at these events in the forms of event preparation and set-up, logistical support during the event, and post-event clean-up. Lessee and MP shall strive to mutually agree upon the special events Lessee shall support at least 60 days before the event occurs.
- Trail establishment and maintenance
  - Lessee agrees to help maintain MP-owned recreational trails in and arounds St. Louis River Project (SLRP) reservoir system. Maintenance may include debris and vegetation removal, special projects to improve trail access or use, or assistance in creation of new trails. The annual plan for trail maintenance activities shall be finalized by March 1 of each year.
- Adopt an Island
  - Lessee shall collect debris and garbage from SLRP reservoir shoreline and reservoir island areas at an agreed upon scope between Lessee and MP, to be determined by March 1 of each year.
- Boulder Lake program support
  - Lessee agrees to support Boulder Lake Environmental Center environmental educational opportunities and events. Lessee agrees to provide support at these events in the forms of event preparation and set-up, logistical support during the event, and post-event clean-up. Lessee and MP shall strive to mutually agree upon the program events Lessee shall support at least 60 days before the event occurs.
- We Can Do it
  - Lessee agrees to help collect aluminum cans in and around the SLRP Project, and to deposit any collected cans in the We Can Do it repository in support of the Boulder Lake Environmental Center. Scope of each year's aluminum can recycling efforts by Lessee shall be agreed upon by March 1 of each year.

- Recreation site/campsite/boat launch maintenance
  - Lessee agrees to help maintain MP-owned recreational sites, campsites, and boat launches at St. Louis River Project (SLRP) reservoirs. Maintenance may include but is not limited to garbage collection and outhouse maintenance. The scope of each year's recreational site/campsite/boat launch support activities Lessee shall be agreed upon by MP and Lessee by March 1 of each year.

Lessee and Minnesota Power will agree to any such service projects in advance on an annual basis, no later than March 1 of the year of the term in which such service projects are to be performed. Such agreement shall be added to this Exhibit B as an addendum.



**Exhibit C**  
**Insurance**

As stipulated in Section 11, Licensee shall at all times during the term of this Lease maintain the following types and limits of insurance:

***Workers' Compensation Insurance*** in compliance with the statutory requirements of the state of operation, and Employer's Liability Insurance in the amount of \$1,000,000 each accident / each employee-disease / disease-policy limit.

***Commercial General Liability Insurance*** including Contractual Liability Coverage, including liability assumed under this Agreement, Products/Completed Operations Coverage, Broad Form Property Liability Coverage, and Personal Injury Coverage in the amount of \$2,000,000 combined single limit for Bodily Injury and Property Damage and a \$4,000,000 general policy aggregate limit.

***Commercial Automobile Liability Insurance*** covering all owned, hired, leased, and non-owned vehicles, for Bodily Injury Liability and Property damage, a combined single limit of not less than \$1,000,000.

Required limits may be satisfied using a combination of primary and umbrella/excess liability insurance.

MP Lot No. - STLO0531 [REDACTED]  
Account No. - [REDACTED]

**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** will expire on **February 01, 2005**. Minnesota Power has discretionary rights as to the renewal of the lease. If the lease is terminated, Minnesota Power may require that all structures be removed from the leased property as herein provided. Minnesota Power represents that the division of the leased property is accurate within two (2) to five (5) feet. If the variance were to be substantially more, remedies required because of this variation would be the sole responsibility of Minnesota Power.

This Lease is made on **March 16, 2004** 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

[REDACTED]  
[REDACTED]  
[REDACTED]

(referred to as "Lessee").

**1. PROPERTY.** Minnesota Power hereby leases to Lessee the following described property located in the County of St Louis County, State of Minnesota:

**Minnesota Power Parcel No. 03 in that portion of SW 1/4 OF NE 1/4, Section 31, Township 053 North,  
Range 14 West, above the flood line of Island Lake Reservoir, containing 1.574 acres, more or less as shown  
in red on the attached MA-13137, which is made a part hereof:**

(referred to as the "Property"). If the boundaries of the Property were not surveyed by a registered land surveyor, Minnesota Power reserves the right to determine the exact location of all boundary lines.

**2. INSTITUTIONAL LEASE.** (a) The Property is, or may become, part of a licensed hydroelectric project (Project) subject to jurisdiction of the U. S. Federal Energy Regulatory Commission (FERC) or other governmental entity. Lessee 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 modified or terminated if required by the FERC or other governmental entity with jurisdiction over the Project. (b) Lessee shall use and occupy the Property only for **institutional recreational purposes**. No dwelling structures shall be permitted on the Property at any time. Permission to construct or place access lease related structures on the property will be at the sole discretion of Minnesota Power. (c) The Property may not be used in any manner which endangers health, the environment, creates a nuisance, or is otherwise incompatible with overall recreational use of the Project.

3. **TERM OF LEASE.** Subject to the provisions of paragraph 12 below, the term of this Lease shall commence on April 12, 2004 and expire on **February 01, 2005**. However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of one (1) year each after **February 01, 2005**, in accordance with all other provisions of this Lease.

4. **RENT.** Lessee agrees to pay as annual rent \$50.00. Payment of one-half (1/2) this amount is due on February 1st and the remainder on September 1st of each year. Minnesota Power specifically reserves the right to determine, in its sole discretion, the allocable portion of real estate taxes to be assessed against the Property if the county or other governmental authority assesses taxes on an aggregate basis, and further reserves the right to charge Lessee less than full rent if it deems it appropriate to do so.

5. **TAXES ON STRUCTURES/IMPROVEMENTS.** Lessee also agrees to promptly pay all taxes, charges, or other assessments levied against the Property due to any structures or improvements permitted by Minnesota Power to be placed on the Property. Upon the presentation of a statement for that amount, Lessee agrees to pay to Minnesota Power such taxes by the date they become due and payable to the county or other governmental authority. If the total assessment of such taxes is less than \$50.00, then the full amount shall become due on the first payment due date.

6. **LATE PAYMENTS.** Any rental, tax, or other payment 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. Notwithstanding any other provision in this Lease, if any rental, tax, or other payment is not paid in full within thirty (30) days after it is due and payable, Minnesota Power may terminate this Lease, with all money owing Minnesota Power still remaining due.

7. **ASSIGNMENT.** Lessee shall not assign this Lease or sublet the Property or any part thereof without first obtaining Minnesota Power's written consent. Lessee agrees to 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. Minnesota Power may transfer or assign this lease.

8. **MORTGAGES, CONTRACTS FOR DEED, LIENS, ETC.** (a) Lessee shall not file or permit others to file mortgages, contracts for deed, or mechanics liens or other liens or encumbrances against the Property and 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 shall give notice to Minnesota Power prior to: (i) obtaining any financing for Minnesota Power permitted improvements or for other purposes related to the Property, or (ii) entering into a contract to sell any of the personal property located on the Property prior to a request to transfer this Lease.

9. **WAIVER OF CLAIMS.** Lessee 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 by reasons of flooding with water from Minnesota Power's reservoir system or by reasons of any action or inaction of Minnesota Power, its agents or employees, whatsoever, whether the same be due to negligence or otherwise.

10. **INDEMNIFICATION.** Lessee shall completely indemnify, defend, and hold Minnesota Power harmless from and against any and all liabilities, including strict liability, 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 by Lessee or Lessee's predecessors, agents, or assigns; (2) the entry into this Lease by Lessee; and (3) violation of federal, state, or local laws or regulations by Lessee, Lessee's predecessors, agents, or assigns in connection with use of the Property, 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 violates any of the terms, conditions, or obligations of this Lease, Lessee shall be in default of this Lease, and Minnesota Power may serve a written notice to Lessee requiring Lessee cure the default within ten (10) days. If Lessee fails to cure the default within such ten (10) day period, Minnesota Power, at its option, may: (a) assess a noncompliance fee of up to \$100.00 per day against Lessee until the default is cured, (b) enter upon the Property and take any and all actions necessary to cure the default and charge Lessee for any and all costs incurred by

Minnesota Power in taking such actions, or (c) terminate the Lease as provided in paragraph 12 below.

**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 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 with notice thereof as described in paragraph 21. Upon receipt of notice of termination, Lessee 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. Lessee shall forfeit all right of claims under this Lease, and 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's legal remedies. Lessee must remove all buildings and personal property owned by Lessee from the Property within sixty (60) days after date of termination, unless otherwise agreed to by Minnesota Power. 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 fails to remove such property within such sixty (60) day period, Lessee agrees that Minnesota Power may, at its option, remove such property at the expense of Lessee or take possession and ownership of such Property by virtue of Lessee's failure to remove it. Minnesota Power may, at its sole option, permit a terminated lease to be reinstated by payment of a reinstatement fee equal to the current year's rent. Minnesota Power may also, at its sole option, upon the expiration of the original term, renew the term of this Lease for additional terms of one (3) year 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.

**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 under the Mortgage and Deed of Trust.

**15. CONSTRUCTION.** (a) Not more than ( 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 cabin construction. Minnesota Power reserves the right to be the exclusive judge of the acceptability of appearance, condition, or materials. (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 for seasonal use is granted by Minnesota Power. (c) No construction, relocation, repair, replacement or exterior remodeling of permitted buildings, fences or other improvements on the Property 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 or placement. Subject to any rights of third parties, the Lessee 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, provided that no default in any of the conditions hereof, whether for the payment of rent or otherwise, shall exist at the time of such removal, and further provided that the natural condition and contours of the Property be restored.

**16. CONDITION OF PROPERTY.** Lessee represents that the Property has been 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 (except for underbrush) 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 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 shall not dispose of, store, or use any pollutants on the Property 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 "super-fund" 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 within any now existing federal, state, or local statute, ordinance, code, or regulation.

**18. ZONING AND LAND USE.** (a) Lessee 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 shall not permit refuse, garbage, scrap building materials, or vehicles to be stored or otherwise accumulate on the Property or other land of Minnesota Power. (b) Other 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. The Lessee represents and warrants that all water, sewage, and electrical systems and access roads currently located on or about the Property as of the date of this Lease are adequate, safe, and fit for their intended use. Lessee agrees to make any and all repairs, alterations, and maintenance necessary to comply with this representation and warranty. (c) Lessee agrees to cooperate with other lessees, lake associations, and/or Minnesota Power to perform actions on the 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 or those occupying the Property with permission of Lessee, including but not limited to conduct or omissions which adversely affect the peace and quiet enjoyment of other individuals, shall be cause for termination of this Lease.

**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 also agrees that it will 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 places any security gate or other obstruction on access roads to the Property, it is the responsibility of Lessee to ensure that Minnesota Power and other lessees, if necessary, can obtain access through such gates. (b) Lessee agrees to accept the sole responsibility for construction and maintenance of all access roads to the Property from duly dedicated roads or highways; however, Lessee may cooperate and share expenses with other lessees in the construction and maintenance of access roads and security gates. Failure of Lessee to reasonably cooperate and share expenses with other lessees shall be grounds for termination of this Lease. Lessee 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 & Water Section of the Environmental Resources Department at the address set forth at the beginning of this Lease. Notices to Lessee shall be sent to the address set forth at the beginning of this Lease. Lessee 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.

**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. This Lease may be modified by Minnesota Power to comply with requirements of the FERC or other governmental entity with jurisdiction over the Project. 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 and upon any successors and assigns.

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

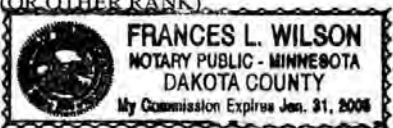
DOC IR 015.01 Attach

IN WITNESS WHEREOF, the parties hereto have signed this Lease effective as of the day and year first above written.  
 MINNESOTA POWER.

By: James B. Atkinson Real Estate Specialist  
 [Redacted] LESSEE [Redacted]  
 Its Real Estate Specialist [Redacted] [Redacted]

STATE OF MINNESOTA )  
 ) SS  
 COUNTY OF HENNEPIN )

The foregoing instrument was acknowledged before me this 8th day of April 2004,  
 by [Redacted].

NOTARIAL STAMP OR SEAL  
 (OR OTHER RANK)  


Frances L. Wilson  
 Notary Public

STATE OF MINNESOTA )  
 ) SS  
 COUNTY OF ST. LOUIS )

The foregoing instrument was acknowledged before me this 12th day of April 2004,  
 by James B. Atkinson, Real Estate Specialist, Land & Water Management of Minnesota Power legally incorporated as ALLETE, Inc., a corporation under the laws of Minnesota, on behalf of the corporation.

NOTARIAL STAMP OR SEAL  
 (OR OTHER RANK)  


Sue Schweiger  
 Notary Public

This instrument was drafted by:  
 Minnesota Power  
 30 W Superior St  
 Duluth, MN 55802

MP Lot No. - STLO052 [REDACTED]  
Account No. - [REDACTED]

**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** will expire on **February 01, 2036**. Minnesota Power has discretionary rights as to the renewal of the lease. If the lease is terminated, Minnesota Power may require that all structures be removed from the leased property as herein provided. Minnesota Power represents that the division of the leased property is accurate within two (2) to five (5) feet. If the variance were to be substantially more, remedies required because of this variation would be the sole responsibility of Minnesota Power.

This Lease is made on **June 05, 2008** 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



(referred to as "Lessee").

**1. PROPERTY.** Minnesota Power hereby leases to Lessee the following described property located in the County of St Louis County, State of Minnesota:

**Minnesota Power Parcel No. 01 in that portion of SE 1/4 OF NE 1/4, Section 12, Township 052 North, Range 15 West, above the flood line of Island Lake Reservoir, containing 10.620 acres, more or less as shown in red on the attached MA-32675, which is made a part hereof:**

(referred to as the "Property"). If the boundaries of the Property were not surveyed by a registered land surveyor, Minnesota Power reserves the right to determine the exact location of all boundary lines.

**2. INSTITUTIONAL LEASE.** (a) The Property is, or may become, part of a licensed hydroelectric project (Project) subject to jurisdiction of the U. S. Federal Energy Regulatory Commission (FERC) or other governmental entity. Lessee 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 modified or terminated if required by the FERC or other governmental entity with jurisdiction over the Project. (b) Lessee shall use and occupy the Property only for **institutional recreational purposes**. No dwelling structures shall be permitted on the Property at any time. Permission to construct or place access lease related structures on the property will be at the sole discretion of Minnesota Power. (c) The Property may not be used in any manner which endangers health, the environment, creates a nuisance, or is otherwise incompatible with overall recreational use of the Project.

3. **TERM OF LEASE.** Subject to the provisions of paragraph 12 below, the term of this Lease shall commence on June 5, 2008 and expire on **February 01, 2036**. However, the term of this Lease may be renewed, at Minnesota Power's option, for additional terms of one (1) year each after **February 01, 2036**, in accordance with all other provisions of this Lease.

4. **RENT.** Lessee agrees to pay as annual rent \$50.00. Payment of one-half (1/2) this amount is due on February 1st and the remainder on September 1st of each year. Minnesota Power specifically reserves the right to determine, in its sole discretion, the allocable portion of real estate taxes to be assessed against the Property if the county or other governmental authority assesses taxes on an aggregate basis, and further reserves the right to charge Lessee less than full rent if it deems it appropriate to do so.

5. **TAXES ON STRUCTURES/IMPROVEMENTS.** Lessee also agrees to promptly pay all taxes, charges, or other assessments levied against the Property due to any structures or improvements permitted by Minnesota Power to be placed on the Property. Upon the presentation of a statement for that amount, Lessee agrees to pay to Minnesota Power such taxes by the date they become due and payable to the county or other governmental authority. If the total assessment of such taxes is less than \$50.00, then the full amount shall become due on the first payment due date.

6. **LATE PAYMENTS.** Any rental, tax, or other payment 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. Notwithstanding any other provision in this Lease, if any rental, tax, or other payment is not paid in full within thirty (30) days after it is due and payable, Minnesota Power may terminate this Lease, with all money owing Minnesota Power still remaining due.

7. **ASSIGNMENT.** Lessee shall not assign this Lease or sublet the Property or any part thereof without first obtaining Minnesota Power's written consent. Lessee agrees to 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. Minnesota Power may transfer or assign this lease.

8. **MORTGAGES, CONTRACTS FOR DEED, LIENS, ETC.** (a) Lessee shall not file or permit others to file mortgages, contracts for deed, or mechanics liens or other liens or encumbrances against the Property and 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 shall give notice to Minnesota Power prior to: (i) obtaining any financing for Minnesota Power permitted improvements or for other purposes related to the Property, or (ii) entering into a contract to sell any of the personal property located on the Property prior to a request to transfer this Lease.

9. **WAIVER OF CLAIMS.** Lessee 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 by reasons of flooding with water from Minnesota Power's reservoir system or by reasons of any action or inaction of Minnesota Power, its agents or employees, whatsoever, whether the same be due to negligence or otherwise.

10. **INDEMNIFICATION.** Lessee shall completely indemnify, defend, and hold Minnesota Power harmless from and against any and all liabilities, including strict liability, 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 by Lessee or Lessee's predecessors, agents, or assigns; (2) the entry into this Lease by Lessee; and (3) violation of federal, state, or local laws or regulations by Lessee, Lessee's predecessors, agents, or assigns in connection with use of the Property, 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 violates any of the terms, conditions, or obligations of this Lease, Lessee shall be in default of this Lease, and Minnesota Power may serve a written notice to Lessee requiring Lessee cure the default within ten (10) days. If Lessee fails to cure the default within such ten (10) day period, Minnesota Power, at its option, may: (a) assess a noncompliance fee of up to \$100.00 per day against Lessee until the default is cured, (b) enter upon the Property and take any and all actions necessary to cure the default and charge Lessee for any and all costs incurred by



Minnesota Power in taking such actions, or (c) terminate the Lease as provided in paragraph 12 below.

**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 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 with notice thereof as described in paragraph 21. Upon receipt of notice of termination, Lessee 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. Lessee shall forfeit all right of claims under this Lease, and 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's legal remedies. Lessee must remove all buildings and personal property owned by Lessee from the Property within sixty (60) days after date of termination, unless otherwise agreed to by Minnesota Power. 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 fails to remove such property within such sixty (60) day period, Lessee agrees that Minnesota Power may, at its option, remove such property at the expense of Lessee or take possession and ownership of such Property by virtue of Lessee's failure to remove it. Minnesota Power may, at its sole option, permit a terminated lease to be reinstated by payment of a reinstatement fee equal to the current year's rent. Minnesota Power may also, at its sole option, upon the expiration of the original term, renew the term of this Lease for additional terms of one (3) year 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.

**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 under the Mortgage and Deed of Trust.

**15. CONSTRUCTION.** (a) Not more than ( 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 cabin construction. Minnesota Power reserves the right to be the exclusive judge of the acceptability of appearance, condition, or materials. (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 for seasonal use is granted by Minnesota Power. (c) No construction, relocation, repair, replacement or exterior remodeling of permitted buildings, fences or other improvements on the Property 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 or placement. Subject to any rights of third parties, the Lessee 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, provided that no default in any of the conditions hereof, whether for the payment of rent or otherwise, shall exist at the time of such removal, and further provided that the natural condition and contours of the Property be restored.

**16. CONDITION OF PROPERTY.** Lessee represents that the Property has been 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 (except for underbrush) 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 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 shall not dispose of, store, or use any pollutants on the Property 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 "super-fund" 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 within any now existing federal, state, or local statute, ordinance, code, or regulation.

**18. ZONING AND LAND USE.** (a) Lessee 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 shall not permit refuse, garbage, scrap building materials, or vehicles to be stored or otherwise accumulate on the Property or other land of Minnesota Power. (b) Other 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. The Lessee represents and warrants that all water, sewage, and electrical systems and access roads currently located on or about the Property as of the date of this Lease are adequate, safe, and fit for their intended use. Lessee agrees to make any and all repairs, alterations, and maintenance necessary to comply with this representation and warranty. (c) Lessee agrees to cooperate with other lessees, lake associations, and/or Minnesota Power to perform actions on the 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 or those occupying the Property with permission of Lessee, including but not limited to conduct or omissions which adversely affect the peace and quiet enjoyment of other individuals, shall be cause for termination of this Lease.

**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 also agrees that it will 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 places any security gate or other obstruction on access roads to the Property, it is the responsibility of Lessee to ensure that Minnesota Power and other lessees, if necessary, can obtain access through such gates. (b) Lessee agrees to accept the sole responsibility for construction and maintenance of all access roads to the Property from duly dedicated roads or highways; however, Lessee may cooperate and share expenses with other lessees in the construction and maintenance of access roads and security gates. Failure of Lessee to reasonably cooperate and share expenses with other lessees shall be grounds for termination of this Lease. Lessee 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 & Water Section of the Environmental Resources Department at the address set forth at the beginning of this Lease. Notices to Lessee shall be sent to the address set forth at the beginning of this Lease. Lessee 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.

**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. This Lease may be modified by Minnesota Power to comply with requirements of the FERC or other governmental entity with jurisdiction over the Project. 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 and upon any successors and assigns.

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

IN WITNESS WHEREOF, the parties hereto have signed this Lease effective as of the day and year first above written.  
MINNESOTA POWER.

By: *John J. Paulson* \_\_\_\_\_ LESSEE  
Its Land and Real Estate Manager [Redacted Signature]

STATE OF MINNESOTA        )  
                                          ) SS  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this 5 day of June, 2008,  
by [Redacted Signature].

NOTARIAL STAMP OR SEAL  
(OR OTHER RANK)



*Jill Helmer*  
Notary Public

STATE OF MINNESOTA        )  
                                          ) SS  
COUNTY OF ST. LOUIS        )

The foregoing instrument was acknowledged before me this 5 day of June, 2008,  
by John J. Paulson, Land and Real Estate Manager of Minnesota Power legally incorporated as ALLETE, Inc., a  
corporation under the laws of Minnesota, on behalf of the corporation.

NOTARIAL STAMP OR SEAL  
(OR OTHER RANK)



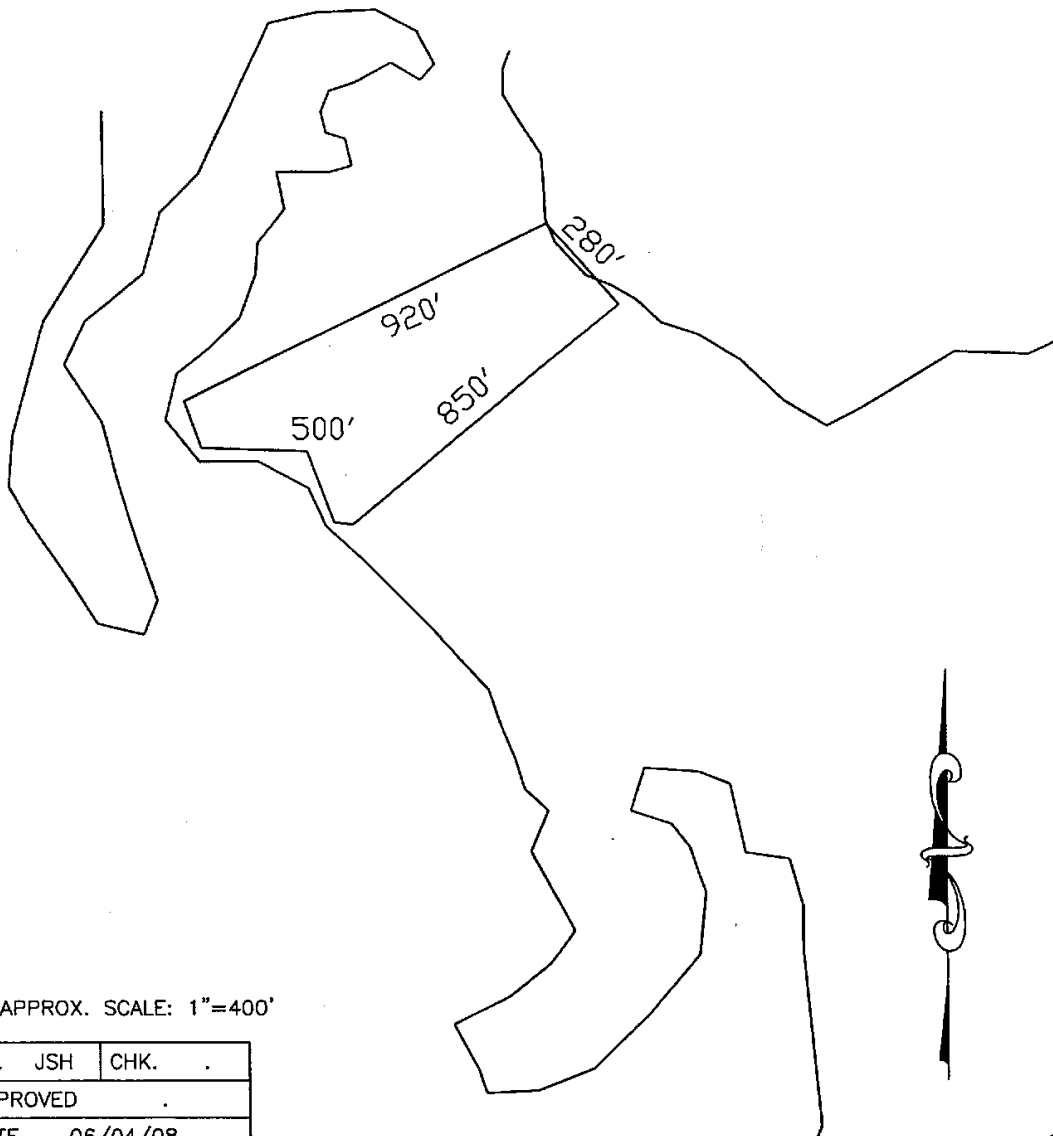
*Jill Helmer*  
Notary Public

This instrument was drafted by:  
Minnesota Power  
30 W Superior St  
Duluth, MN 55802

CADD DRAWING - FOR REPRODUCTION ONLY

NO.	0	REVISION DESCRIPTION
DATE	06/04/08	APPROVED
BY	DR. JSH	CHK.
ENG.		

APPROX. SCALE: 1"=400'



ISLAND LAKE RESERVOIR LEASE PLAT  
 SE 1/4 - NE 1/4, SEC. 12  
 T. 52 N. - R. 15 W.

SH. 1 OF 1 | REV. 0

MA-32675

MICROFILMED

CODE

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Comments**

**Docket No. E015/PA-20-675**

**Dated this 20<sup>th</sup> day of July 2021**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-675_PA-20-675
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-675_PA-20-675
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_20-675_PA-20-675
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street  Duluth, MN 55802	Electronic Service	No	OFF_SL_20-675_PA-20-675
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_20-675_PA-20-675
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-675_PA-20-675