

LEASE AGREEMENT

This Lease is effective as of February _____, 2013, and is made by and between the City of Ramsey, a Minnesota municipal corporation, 7550 Sunwood Drive NW, Ramsey, MN 55303 (“Landlord”) and Pro Power Sports & Marine, Inc a Minnesota corporation , 6781 Highway 10 NW, Ramsey, MN 55303 (“Tenant”).

DATA SHEET

1. **Premises.** An unimproved parcel (hereinafter described) immediately west of 6781 Highway 10 NW, Ramsey, MN 55303 and which parcel is described as follows:

The leased property is approximately 22,000 square feet of outside storage space located in the southern section of that real property legally described as TRACT A REGISTERED LAND SURVEY NO 249, Anoka County, Minnesota, Property Identification Number 343225210103. The leased premises consists of the paved, fenced in outside storage area only shown on Exhibit “A”.

Hereinafter referred to as the “Premises”.

2. **Term.** Twenty Four (24) months beginning on the Commencement Date (the “Initial Term”).
3. **Option to Renew.** One two (2) year option (the “Option Term”).
4. **Scheduled Commencement Date.** March 1, 2013 (the “Commencement Date”).
5. **Termination.** Notwithstanding the Initial Term or the Option Term, in event the Landlord determines in its sole discretion, that the Premises or any part thereof is required for the improvement of U.S. Highway 10, upon giving one years’ prior written notification to Tenant, the Landlord may terminate this Lease. Landlord is not obligated to provide this one year notice to quit in the event of any default by Tenant of the terms of this Lease.
6. **Rental Rate.**
 - a. **Initial Term.** \$650.00 per month during the Initial Term (the “Base Rent”) in addition to the Additional Rent described in paragraph 8.
 - b. **Option Term.** In the event Tenant exercises its right to the Option Term, the Rental Rate shall be negotiated between the parties for the Option Term if said option is exercised by Tenant. Monthly rent during the Option Period shall be negotiated between the parties. If a rental rate is not reached by the Landlord and Tenant by the expiration date of the Initial Term, the Tenant shall either vacate the Premises immediately or be charged a base rent of \$925.00 per month for the Option Term.

7. **Permitted Use.** Outdoor areas displaying for sale, boats snowmobiles and similar recreational equipment and accessories. See Additional restrictions on Permitted uses in paragraph 9. herein.

8. **Landlord Address:**

City of Ramsey
Attention: City Administrator
Ramsey Municipal Center
7550 Sunwood Drive NW
Ramsey, MN 55303

9. **Tenant Address:**

Pro Power Sports & Marine, Inc.
Attention: Todd Amar
6781 Highway 10
Ramsey, Minnesota

LEASE TERMS

1. **PREMISES:**

Landlord hereby leases to Tenant, and his successors and assigns, and Tenant hereby leases from Landlord, for the Term described in Item 2 of the Data Sheet and upon the conditions hereinafter provided, the Premises described in Item 1 of the Data Sheet.

2. **RENTABLE AREA:**

The Rentable Area of the Premises is estimated to be the paved surface area as part of the land set forth in Item 1 of the Data Sheet. The actual Rentable Area of the Premises consists of 22,639 square feet.

3. **LEASEHOLD IMPROVEMENTS:**

Tenant is taking the premises "AS IS" and Landlord shall not be obligated to do any work on the Premises. The Tenant shall maintain the Premises as an outdoor storage facility and recreational equipment sales lot and shall not make any changes or make any alteration, decoration, addition or improvement to the Premises without the prior written consent of Landlord.

4. **TERM:**

The term of this Lease shall be as described in Item 2 of the Data Sheet above (the "Initial Term") and shall commence upon the "Commencement Date" as described in Item 3 of the Data Sheet above.

5. **OPTION TO RENEW:**

Provided Tenant is not in default hereunder and has performed all of its covenants and obligations hereunder, Tenant may extend the Initial Term of this Lease (hereinafter, the "Option") for one two (2) year Option Term. The Option Term shall commence on the first day after the expiration of the Initial Term (the "Expiration Date") upon the terms and conditions, of the Lease.

Tenant shall exercise the two (2) year Option only by giving written notice to Landlord not later than 90 days prior to the Expiration Date". See Item 6 of the Data Sheet for the Option Term Rental Rate.

6. **TERMINATION.**

See Item 5 of the Data Sheet for Landlord's Right to Terminate.

7. **RENT:**

See Item 6 of the Data Sheet for the Rental Rate.

8. **PROPERTY TAXES:**

Real Estate Property Taxes. Payment of property taxes shall be the sole responsibility of the Landlord.

9. **USE:**

The Premises shall be used and occupied by Tenant solely for the purpose of outside storage, display and sales of boats, snowmobiles and similar recreation equipment and accessories as an accessory use of the Tenant's primary business operation located at 6781 West Highway 10.

Vehicle sales of any type on the Premises shall NOT be permitted. The permitted uses by Tenant shall at all times be in full compliance with all applicable laws, ordinances and governmental regulations affecting Premises. The Premises shall not be used in such manner that, in accordance with any requirement of law or of any public authority, Landlord shall be obligated on account of the purpose or manner of said use to make any addition or alteration to or in the Premises. The Premises shall not be used in any manner which will increase the rates required to be paid for public liability or for fire and extended coverage insurance covering the Premises. Tenant shall occupy the Premises, conduct its business and control its agents, employees, invitees and visitors in such a way as is lawful, and reputable and will not permit or create any nuisance, noise, odor, or otherwise interfere with, annoy or disturb adjacent property owners in their normal business operations.

10. **ASSIGNMENT AND SUBLETTING:**

Tenant agrees to use and occupy the Premises throughout the entire term hereof for the purpose or purposes herein specified and for no other purposes, in the manner and to substantially the extent now intended, and not to assign, sublet, license, concession or otherwise transfer this Lease or Tenant's rights in the Premises, or any part thereof, whether by voluntary act, operation of law, or otherwise, without obtaining the prior written consent of Landlord in each instance.

Tenant shall seek such consent of Landlord by a written request therefore, setting forth such information as Landlord may deem necessary. Landlord agrees not to withhold consent unreasonably. Consent by Landlord to any assignment of this Lease or to any subletting of the Premises shall not be a waiver of Landlord's rights under this paragraph as to any subsequent assignment or subletting. Landlord's rights to assign this Lease are and shall remain unqualified. No such assignment or subleasing shall relieve Tenant from any of Tenant's obligations in this Lease contained, nor shall any assignment or sublease or other transfer of this Lease be effective unless the assignees, subtenant or transferee shall at the time of such assignment, sublease or transfer, assume in writing for the benefit of Landlord, its successors or assigns, all of the terms, covenants and conditions of this Lease thereafter to be performed by Tenant and shall agree in writing to be bound thereby. Should Tenant sublease in accordance with the terms of this Lease, fifty percent (50%) of any increase in rental received by Tenant over the per square foot rental rate which is being paid by Tenant shall be forwarded to and retained by Landlord, which increase shall be in addition to the Rental Rate due Landlord under this Lease.

11. MAINTENANCE:

Tenant agrees to keep and maintain the Premises and any fixtures and equipment in a properly functioning, safe, orderly and sanitary condition, will make all necessary replacements thereto, will suffer no waste or injury thereto, and will at the expiration or other termination of the Lease, surrender the same with all improvements in the same order and condition in which they were on the Commencement Date.

In addition, Tenant shall pay all Operating Expenses incurred by Landlord in the operation, maintenance and repair of the Premises. The term "Operating Expenses" shall include but not be limited to maintenance, repair, operation of utilities and lighting, parking and landscaped areas, fencing and signs, snow removal, insurance premiums, wages and fringe benefits of personnel employed for such work, costs of equipment purchased and used for such purposes. The Tenant shall be responsible at its expense for all maintenance of the Premises.

12. ALTERATIONS; EQUIPMENT; MOVING:

12.1 Tenant will not make or permit anyone to make any alterations, decorations, additions or improvements, structural or otherwise, in or to the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

12.2 Tenant shall not install any equipment containing Hazardous Materials or any equipment which will or may necessitate any changes, replacements or additions to the Premises.

13. RIGHT OF ENTRY:

Tenant will permit Landlord, or its representatives, to enter the Premises, to examine, inspect and protect the Premises, and to make such alterations, renovations, restorations and/or repairs as in the judgment of Landlord may be deemed necessary or desirable for the Premises.

14. SERVICES AND UTILITIES:

Tenant shall pay for the use of all utility services it requires for its permitted use of the Premises, if any, during the term of the Lease.

15 WAIVER AND INDEMNITY:

15.1 Notwithstanding anything apparently to the contrary in this Lease, Landlord and Tenant hereby release one another and their respective officers and employees and property manager from any and all liability (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage covered by property insurance or coverable by a customary form of policy of the insurance, even if such loss or damage shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible.

15.2 Tenant agrees to indemnify, defend and hold Landlord and its officers and employees and property manager harmless from and against any claim, loss or expense arising out of injury, death or property loss or damage occurring on the Premises, except only to the extent caused by the negligent act or intentional misconduct of Landlord or its officers, employees or property manager.

16. INSURANCE:

Tenant agrees to purchase, in advance, and to carry in full force and effect general liability insurance, providing coverage on an "occurrence" rather than a "claims made" basis, which policy shall include coverage for Bodily Injury, Property Damage, personal Injury, Contractual Liability (applying to this Lease), and Independent Contractors, in current Insurance Services Office form or other form which provides coverage at least as broad. Tenant shall maintain a combined policy limit of at least \$1,000,000.00 applying to Bodily Injury, Property Damage and Personal Injury, which limit may be satisfied by Tenant's basic policy, or by the basic policy in combination with umbrella excess policies so long as the coverage is at least as broad as that required herein. Such liability, umbrella and/or excess policies may be subject to aggregate limits so long as the aggregate limits have not at any pertinent time been reduced to less than the policy limit stated above, and provided further that any umbrella or excess policy provides coverage from the point that such aggregate limits in the basic policy become reduced or exhausted. The Tenant shall provide an insurance certificate naming the City of Ramsey as an additional insured. Landlord shall receive a written notice of insurance termination 30 days prior to cancellation.

If the above insurance policy ceases to be available, or is available on terms so unacceptable that prudent landlords or tenants, as the case may be, generally do not carry such insurance, then in lieu of such insurance the pertinent party may carry the most comparable insurance which is available and generally carried by prudent parties.

17. DEFAULT:

17.1 Any one of the following events shall constitute an Event of Default:

- (i) Tenant shall fail to pay any monthly installment of Base Rent and such default shall continue for a period of five (5) days after the due date therefor;

- (ii) Tenant shall violate or fail to perform any of the other conditions, covenants or agreements herein made by Tenant and such default shall continue for fifteen (15) days after notice from Landlord; provided, however, that if the nature of such default is such that Tenant can cure the default, but not within fifteen (15) days, then the Event of Default shall be suspended for a period not in excess of thirty (30) additional days so long as Tenant commences cure within fifteen (15) days and thereafter diligently and continuously prosecutes the curing of the default, and so long as continuation of the default does not create material risk to the Premises or to persons using the Premises;
- (iii) Tenant shall file or have filed against it any bankruptcy or other creditor's action, or make an assignment for the benefit of its creditors.

17.2 If an Event of Default shall have occurred and be continuing, Landlord may at its sole option by written notice to Tenant terminate this Lease. Neither the passage of time after the occurrence of the Event of Default nor exercise by Landlord of any other remedy with regard to such Event of Default shall limit Landlord's rights under this Section 17.2.

17.3 If an Event of Default shall have occurred and be continuing, whether or not Landlord elects to terminate this Lease, Landlord may enter upon and repossess the Premises (said repossession being hereinafter referred to as "Repossession") by summary legal proceedings or legal eviction or other lawful means, and may remove Tenant and all other persons and property therefrom pursuant to Court Order.

17.4 From time to time after Repossession of the Premises, whether or not this Lease has been terminated, Landlord may, but shall not be obligated to, attempt to relet the Premises for the account of Tenant in the name of Landlord or otherwise, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term) and for such terms (which may include concessions or free rent) and for such uses as Landlord, in its uncontrolled discretion, may determine, and may collect and receive the rent therefor. Any rent received shall be applied against Tenant's obligations hereunder, but Landlord shall not be responsible or liable for any failure to collect any rent due upon any such reletting.

17.5 No termination of this Lease pursuant to Section 17.2 and no Repossession of the Premises pursuant to Section 17.3 or otherwise shall relieve Tenant of its liabilities and obligations under this Lease, all of which shall survive any such termination or Repossession. In the event of any such termination or Repossession, whether or not the Premises shall have been relet, Tenant shall pay to Landlord the Base Rent and other sums and charges to be paid by Tenant up to the time of such termination or Repossession, and thereafter Tenant, until the end of what would have been the Term in the absence of such termination or Repossession, shall pay to Landlord, as and for liquidated and agreed current damages for Tenant's default, the equivalent of the amount of the Rent payable under this Lease by Tenant if this Lease were still in effect, less the net proceeds, if any, of any reletting effected pursuant to the provisions of Section 17.4 after deducting all of Landlord's expenses in connection with such reletting, including, without limitation, all

repossession costs, brokerage and management commissions, operating expenses, legal expenses, attorney's fees, alteration costs, and expenses of preparation for such reletting. Tenant shall pay such current damages to Landlord monthly on the days on which the Rent would have been payable under this Lease if this Lease were still in effect, and Landlord shall be entitled to recover the same from Tenant on each such day. At any time after such termination or Repossession, whether or not Landlord shall have collected any current damages as aforesaid, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord on demand, as and for liquidated and agreed final damages for Tenant's default, an amount equal to the then present value of the excess of the Rent and other sums or charges reserved under this Lease from the day of such termination or Repossession for what would be the then unexpired term if the same had remained in effect, over the amount of rent Tenant demonstrates that Landlord could in all likelihood actually collect for the Premises for the same period, said present value to be arrived at on the basis of a discount of four percent (4%) per annum.

17.6 Landlord shall in no event be considered to be in default of Landlord's obligations hereunder until the expiration of a reasonable time after notice of default from Tenant.

18. WAIVER:

No waiver by either party of any breach of any agreement herein contained shall operate as a waiver of such agreement itself, or of any subsequent breach thereof. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installments of rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent nor shall any endorsement or statement on any check or letter accompanying a check for payment of rent be deemed an accord and satisfaction, nor shall acceptance of rent with knowledge of breach constitute a waiver of the breach, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent, to terminate this Lease, to Repossess the Premises or to pursue any other remedy provided in this Lease. No re-entry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of the Lease.

19. COVENANT OF QUIET ENJOYMENT:

Landlord covenants that it has the right to make this Lease for the term aforesaid and covenants that if Tenant shall pay the rent and perform all of the covenants, terms and conditions of this Lease to be performed by Tenant, Tenant shall, during the Term, freely, peaceably and quietly occupy and enjoy the full possession of the Premises. The term "Landlord" as used in this Lease shall mean solely the owner of the Premises, or in the case of a sale-leaseback, the lessee of the underlying land, at the relevant time. The liability of the original Landlord and any successor Landlord under this Lease is limited to its interest in the Premises and any insurance proceeds payable to Landlord with respect to the Premises, and with respect to any liability accrued prior to a transfer, any net proceeds received by the transferor Landlord in consideration of the transfer.

20. NO REPRESENTATIONS BY LANDLORD:

Neither Landlord nor any agent or employee of Landlord has made any representations or promises with respect to the Premises except as herein expressly set forth, and no right, privileges,

easements or licenses are acquired by Tenant except as herein expressly set forth. Tenant, by taking possession of the Premises, shall accept the same “as is” except as expressly provided in this Lease and such taking of possession shall be conclusive evidence that the Premises are in good and satisfactory condition at the time of such taking of possession. In addition to and without limitation of the immediately preceding sentence, Tenant agrees that it is leasing the Premises on an “AS IS”, “WHERE IS” and “WITH ALL FAULTS” basis, based upon its own judgment, and hereby disclaims any reliance upon any statement or representation whatsoever made by Landlord. LANDLORD MAKES NO WARRANTY WITH RESPECT TO THE PREMISES, EXPRESS OR IMPLIED, AND LANDLORD SPECIFICALLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE AND ANY LIABILITY FOR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OF OR THE INABILITY TO USE THE PREMISES.

21. NOTICES:

All notices or other communications hereunder shall be in writing and shall be effective if hand delivered or sent by registered or certified first-class mail, postage prepaid, or by overnight express service which maintains confirmation of delivery, (i) if to Landlord at Landlord Address set forth on Item 8 of the Data Sheet, and (ii) if to Tenant, at Tenant Address set forth in Item 9 of the Data Sheet, unless notice of a change of address is given pursuant to the provisions of this Section. The day notice is given by mail shall be deemed to be the day following the day of mailing. If acceptance is refused, as evidenced by the records of the Postal Service or overnight delivery service, notice shall be deemed given on the date acceptance is refused.

22. ESTOPPEL CERTIFICATES:

Tenant agrees at any time and from time to time, upon not less than five (5) days prior written notice by Landlord, to execute, acknowledge and deliver to Landlord or a party designated by Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect, or if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications, (ii) stating the dates to which the rent and other charges hereunder have been paid by Tenant, (iii) stating whether or not Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default, (iv) agreeing that, except for any security deposit required herein, Tenant shall not prepay any rent more than thirty (30) days in advance, and (v) such other matters relating to this Lease as may reasonably be requested. Any such statement delivered pursuant hereto may be relied upon by any owner of the Project or any prospective purchaser of the Project. Tenant acknowledges that failure to comply with this Section 20 on a timely basis could result in loss of a favorable sale and Tenant agrees to be liable for any consequential damages resulting from Tenant’s breach hereunder.

23. SURRENDER; HOLDING OVER:

Upon the expiration of this Lease or the earlier termination of Tenant’s right to possession, Tenant shall immediately vacate the Premises, remove all of its property therefrom, remove any Hazardous Materials installed, used, generated, stored or disposed of by Tenant, and leave the Premises in the condition required by this Lease. Any property not removed shall be deemed

abandoned, and Tenant shall be liable for all costs of removal and Tenant shall indemnify, defend and hold Landlord harmless from any cost or liability due to disposition of any property in the Premises in which a person other than Tenant has an interest. Should Tenant continue to occupy the Premises, or any part thereof, after the expiration or termination of the Lease term, whether with or without the consent of Landlord, such tenancy shall be from month to month and the monthly Rent set forth in the term sheet shall be payable if Tenant's holdover is without the consent of Landlord, neither this Section nor the acceptance of any rent hereunder shall prevent Landlord from exercising any remedy to regain immediate possession of the Premises.

24. **BROKERS:**

Tenant warrants that it has not engaged or dealt with any broker in connection with this Lease and Tenant agrees to indemnify and hold Landlord harmless from and against any claim for broker's fees or finder's fees asserted by anyone on account of any dealings with Tenant in connection with this Lease.

25. **MISCELLANEOUS:**

- (a) This Lease is governed by and shall be construed according to the laws of the State of Minnesota.
- (b) The captions in this Lease are for convenience only and are not a part of this Lease.
- (c) Time is of the essence.
- (d) The provisions of this Lease which relate to periods subsequent to the expiration of the Term shall survive expiration.
- (e) If any provision of this Lease is invalid or unenforceable to any extent, then such provision and the remainder of this Lease shall continue in effect and be enforceable to the fullest extent permitted by law.
- (f) This Lease contains the entire agreement of the parties hereto with respect to the Premises and Project. This Lease may be modified only by a writing executed and delivered by both parties.
- (g) Nothing contained in this Lease shall be deemed or construed to create a partnership or joint venture of or between Landlord and Tenant, or to create any other relationship between the parties other than that of landlord and tenant.
- (h) This Lease shall be binding upon and inure to the benefit of the parties hereto and, subject to the restrictions and limitations herein contained, their respective heirs, successors and assigns.
- (i) Tenant shall have the right to plow snow off the parking lot and onto the adjacent property owned by Landlord.

LANDLORD

THE CITY OF RAMSEY,
a Minnesota Municipal Corporation

By: _____
Its Mayor

ATTEST:

By: _____
Its City Administrator

TENANT

PRO POWER SPORTS & MARINE, INC.,
a Minnesota Corporation

By: _____
Its President