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DEBORAH L PEYTON, RECORDER/REGISTRAR
DELAWARE COUNTY IOWA

LEASE AGREEMENT

Recorder's Cover Sheet

30-88-4
29-88-4

Preparers Information: (Name, Address and Phone Number)
Richard F. Mitvalsky, P.O. Box 456, Cedar Rapids, IA 52406-0456 Phone (319) 364-1535

ENV. (K) **Return to Information:** (Name and Complete Address)
Lake Delhi Recreation Association, Inc., P.O. Box 67, Delhi, IA 52223-0067

Taxpayer Information: (Name and Complete Address)
Lake Delhi Recreation Association, Inc., P.O. Box 67, Delhi, IA 52223-0067

Lessor:
Lake Delhi Recreation Association, Inc.

Leasee:
Modern Hydro, a Division of
IOWater Power Corporation

Legal Description: See Page 16 of 21
Document or instrument number of previously recorded documents: N/A

LEASE AGREEMENT

This Lease Agreement ("Lease") is effective November 1, 2008, between the **Lake Delhi Recreation Association** ("Lessor") and **Modern Hydro**, a Division of IOWAter Power Corporation, an Iowa corporation ("Lessee").

Recitals. Lessor owns a dam and other structures and equipment necessary for, or incidental to, the generation of hydroelectric power (collectively known as the Hartwick Lake Dam (aka Lake Delhi Dam) located in Delaware County, Iowa, on the Maquoketa River). Lessee is engaged in the business of renovating, restoring, remodeling and operating hydroelectric dams and powerhouses for the commercial production of electricity. Under this Lease, Lessee shall renovate, restore, and remodel Lake Delhi Dam, and shall generally oversee the operation of the Lake Delhi Dam, and Lessor shall be responsible for the day-to-day operation of the Lake Delhi Dam, at its own cost. Lessor is desirous of leasing the Lake Delhi Dam to Lessee; and Lessee is desirous of leasing the Lake Delhi Dam from Lessor. In consideration of the premises and the mutual agreements of the parties hereinafter set forth, the parties hereto agree as follows below.

1. **Definitions.** In this Lease, the following terms having the following meanings unless the context clearly indicates otherwise:

   1.1. "**Dam**" means that structure constructed in and across the Maquoketa River in Delaware County, Iowa, which controls the flow of water in the Maquoketa River by the operation of physical barriers and mechanical devices including, but not limited to, gates, sluices and spillways. (Note – a sluice is an artificial channel for conducting water, with a valve or gate to regulate the flow, which we do not have on the Lake Delhi Dam)

   1.2. "**Dam Gates**" means all flood gates, wicket gates, and emergency spillways which are a part of the Dam. (Note – taintor gates are radial gates, we do not have taintor gates, sluice gates, or flashboards on the Lake Delhi Dam)

   1.3. "**Date of the First Production of Hydroelectric Power by Lessee**" means that date, not being more than five (5) years subsequent to the execution of this Lease, on which Lessee shall become involved in the commercial production of hydroelectric power for sale and, actually sold to a Purchaser under a Parallel Generation Agreement. But in no case shall the production of hydroelectric power incidental to obtaining data required to comply with any or all applicable state or federal laws or regulations, taking measurements, testing equipment or equipment or conducting engineering and feasibility studies constitute the commercial production of hydroelectric power within the meaning of this definition; provided, however, that such date may be extended by written agreement between Lessor and Lessee.

   1.4. "**DNR**" means the Iowa Department of Natural Resources.

   1.5. "**FERC**" means the Federal Energy Regulatory Commission.

   1.6. "**Gross Generated Revenue**" means the total amount of payments received by Lessee in any fiscal year of this Lease from a Purchaser of hydroelectric power or any other income source from the Project pursuant to a Parallel Generation Agreement or any other agreement, contract or source.

1.7. "**Independent Appraiser**" means an appraiser or appraisal firm experienced in and qualified to perform appraisals of hydroelectric projects and related equipment and who is not an employee of either Lessor or Lessee.

1.8. "**Independent Engineer**" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of the State of Iowa and who is not an employee of either Lessor or Lessee.

1.9. "**Lease**" means this Lease Agreement between Lessor and Lessee as from time to time may be amended in accordance with the provisions hereof.

1.10. "**Lease Term**" means the duration of the leasehold estate created in this Lease as from time to time may be renewed in accordance with the provisions hereof.

1.11. "**Leased Equipment**" means all mechanical or electrical machinery or devices at the Project as of the date of the execution of this Lease whether or not such equipment is repaired, renovated, restored, refurbished, or remodeled by Lessee, all as described in **Schedule A**, attached hereto.

1.12. "**Leased Land**" means the real estate, interests in real estate, all rights thereto and other rights described in **Schedule B** attached hereto.

1.13. "**Leased Structures**" means that portion of the Dam, Powerhouse, Dam Gates, and other related structures at the Project which is located within the boundaries of the Leased Land as described in Schedules A and B attached hereto and which is necessary for or incidental to the generation and transmission of hydroelectric power.

1.14. "**Net Proceeds**" means the gross proceeds from any insurance or condemnation award remaining after the payment of all expenses including, but not limited to, attorneys' fees incurred in the collection of the gross proceeds.

1.15. "**Non-Leased Equipment**" means any and all mechanical or electrical machinery or devices at the Project which are not leased from Lessor but which are installed by Lessee during the Lease Term.

1.16. "**Parallel Generation Agreement**" means an agreement or contract to sell the hydroelectric power generated by the Lessee at the Project to a Purchaser under certain terms and conditions.

1.17. "**Powerhouse**" means that structure located on the Leased Land which houses the hydroelectric generating equipment.

1.18. "**Project**" means the Leased Land and Leased Structures. "Project" specifically excludes all Equipment, other than those items of Equipment which are an integral part of the water-impounding structure of the Dam (such as wicket gates and head (flood) gates).

1.19. "**Purchaser**" means the entity to which project generated electricity is sold.

1.20 "**Water Level**" means that level of the water in the Maquoketa River and the 450 acre Lake Delhi, established by the State of Iowa. Such level may vary within established tolerances from the Water Level so established and still, for the purposes of this Lease, be considered to be in compliance therewith.

2. **Representations.**

2.1. **Representations by Lessor.** Lessor represents, as the basis for the undertaking on its part herein contained, that it is a duly existing corporation under the laws of the State of Iowa, is authorized and empowered by the laws of the State of Iowa and, if necessary, has been or will be authorized and empowered by the electors of Lessor and the concerned state agencies and/or departments mentioned in and pursuant to the provisions of the Iowa Code to enter into the transactions contemplated by this Lease and to carry out its obligations hereunder, and by proper action of its Board of Directors has been duly authorized to execute and deliver this Lease. If at any time in the future it is determined and adjudged by a court of competent jurisdiction that elector and/or state agency and/or department authorization pursuant to the Iowa Code was required for the valid lease of the Project to Lessee and such authorization was not properly obtained, Lessor shall indemnify Lessee in the amount of the reasonable or fair market value of the losses suffered or expenses incurred by Lessee as the result of its reliance on Lessor's representation of full authority, to execute and deliver this Lease and/or as the result of Lessee's loss of use of the improvements made at the Project by Lessee, including payment of Lessee's actual attorneys' fees and other expenses in connection with such court proceeding and any other subsequent action necessary to preserve or terminate Lessee's rights under this Lease.

2.2. **Representations by Lessee.** Lessee represents, as the basis for the undertakings on its part herein contained, that it is a corporation duly incorporated, and qualified to do business under the laws of the State of Iowa, is in good standing under its charter and the laws of the State of Iowa and has the power to enter into the transactions hereunder, and by proper corporate action has been duly authorized to execute and deliver this Lease.

3. **Demising Clause, Warranty of Title.**

3.1. **Demising Clause.** Lessor hereby leases to Lessee the Project as described by the legal description attached hereto and identified as **Schedule B** and incorporated herein by reference.

3.2. **Warranty of Title.** Lessor warrants that it has acquired good and marketable fee simple title to the Leased Land and the Leased Structures, including all flowage rights, free from all encumbrances.

4. **Effective Date, Term, Rental Provisions.**

4.1. **Effective Date of This Lease.** This Lease shall be effective as of the last to occur of (l) the date of the execution of this Lease by the appropriate officers of Lessor as authorized by a resolution adopted by the governing body of Lessor, or (2) the date of the execution of this Lease by the appropriate officers of Lessee as authorized by a resolution adopted by the Board of Directors of Lessee.

4.2. **Resolution.** Lessor shall furnish to Lessee a certified copy of the authorizing resolution required by Section 4.1 hereof within ten (10) days of its adoption by the governing body of Lessor.

4.3. **Lease Term.** The Lease Term of this Lease shall commence at the date of signing of this document. The lease shall remain in effect for forty (40) years from the Date of the First Production of Hydroelectric Power by Lessee.

4.4. **Delivery of Possession.** Lessor agrees to deliver to Lessee sole and exclusive possession of the Project upon the execution and delivery of this Lease and Lessee, thereupon and thereafter, shall have sole and exclusive possession of the Project prior to and during the Lease Term, subject to

the right of Lessor to enter thereon for Lessor's maintenance and repair, operation and inspection purposes and further subject to the other provisions of Section 7.2 hereof.

4.5. **Rental Provisions.** Lessee shall pay rent monthly on the second week of each month during the Lease Term to Lessor at the Office of the Lake Delhi Recreation Association (LDRA), in the amount of ten percent (10%) of the Gross Generated Revenue received by Lessee as the result of the operation of the Project during each month, with the first such payment being due to Lessor on the second week of each month following the Date of the First Production of Hydroelectric Power by Lessee at the Project. The utility (Alliant) will provide a copy of the total KWh they purchased per month and the price per KW purchased, and total amount paid to Modern Hydro per month to the LDRA. Modern Hydro will send a check for the agreed amount for the gross revenue percentage for each month. The LDRA will receive a copy of all trans-actions for each month between Alliant and Modern Hydro.

4.6. **Notice of Production.** Lessee shall give notice to Lessor of the Date Of The First Production of Hydroelectric Power by Lessee at the Project within thirty (30) days of such date.

4.7. **Use of Project.** The Project shall be used by Lessee for the purpose of the generation of hydroelectric power in accordance with and as limited by Lessor's permits and/or licenses, if any, from FERC and other concerned federal and State of Iowa agencies and/or departments to operate this Project.

4.8. **Periodic Rental Adjustments.** The fifteenth (15th) full fiscal year of operation of the Project following the Date of the First Production of Hydroelectric Power by Lessee the rental percentage shall be increased by five percent (5%) of the Gross Generated revenue of the Project to a total of 15 percent (15%). The twenty-fifth (25th) full fiscal year of operation of the Project following the Date of The First Production of Hydroelectric Power By Lessee, the rental percentage to be in effect during and after the twenty-fifth (25th) full fiscal year of operation of the Project following the Date Of The First Production of Hydroelectric Power By Lessee shall be increased by ten percent (10%) of the Gross Generated Revenue of the Project to a total of 25 percent (25%).

5. **Maintenance, Taxes and Insurance.**

5.1. **Pre-production Obligations.** In addition to Lessee's other obligations which follow in this Section 5, prior to commencement of hydroelectric production, Lessee shall perform the following at its own expense:

5.1.1. Replace trash racks prior to commencement;

5.1.2. Refurbish turbine intake head gates to the turbine chambers;

5.1.3. Install a lifting apparatus for head gates to turbine intakes;

5.1.4 Inspect and repair wicket gates as needed;

5.1.5. Refurbish and Automate one main (flood) gate including lifting apparatus prior to commencement of hydroelectric production, with refurbishment of remaining gates and lifting apparatus not more than fifteen years after commencement of hydroelectric production. Remaining two flood gates will not be automated, but remaining gates will

be kept in good operating condition by Lessee with new or improved lifting mechanisms within the fifteen year period.

5.2. **Maintenance of Project**. Lessor agrees that prior to the commencement of the Lease Term it will at its own expense repair, maintain and keep the Project in good repair and in its present condition, making, from time to time, all necessary repairs thereto and renewals and replacements thereof. Lessor agrees that during the Lease Term, it will at its own expense repair, maintain and keep the Dam and those items so noted in Schedule A in good repair and in good operating condition making, from time to time, all necessary repairs thereto and renewals and replacements there of. Lessee agrees that, during the Lease Term, it will at its own expense repair, maintain and keep the Project in its present condition, making, from time to time, all necessary repairs thereto and renewals and replacements thereof. Lessee also agrees that during the Lease Term, it will repair to full commercial operational state the generation equipment located in the powerhouse, and maintain this equipment in same state. Lessee also agrees that, during the Lease Term, it will use its best efforts to regulate the flow of water in the Maquoketa River so as to' maintain the Water Level established therefore; provided, however, that Lessee shall not be responsible for failure to maintain such Water Level due to conditions defined as "force majeure" in Section 9.1 hereof but shall, in any such instance, take such measures as shall, in Lessee's opinion, be reasonably necessary to promptly retain this Water Level upon the cessation (end) of any such period during which a force majeure condition shall exist. Finally, Lessee shall not erect any structures upon the Leased Land, of any kind, absent Lessor's advance written consent and agreement upon provisions for the manner of construction, maintenance, responsibility for and removal of such structures.

5.3. **Arbitration Regarding Maintenance**. If Lessor and Lessee are unable to agree as to the type and/or extent of repairs provided for in Section 5.1 or 5.2 hereof which either of the parties feel are reasonably necessary, then the determination as to the type and extent of the repairs shall be made by three Independent Engineers, one of whom shall be appointed by Lessee, one of whom shall be appointed by Lessor and one of whom shall be appointed by the two so chosen. Lessee and Lessor shall each be responsible for and pay fifty percent (50%) of the costs of arbitration under this Section 5.3.

5.4. **Liens**. Lessee shall promptly pay for any work done in or about the Project contracted by it and will not permit or suffer any mechanic's liens to attach to the Project which are a result thereof and shall promptly cause any claim for any such lien to be released or shall secure Lessor to its satisfaction in the event Lessee desires to contest any such claim.

5.5. **Taxes**. Lessee shall pay all real estate taxes after the first full fiscal year of the Production of Hydroelectric Power if any, which may be assessed against the Project. Lessee shall pay all taxes and Annual FERC license fees, if any, which may be assessed against Lessee's property, located at the Project or which may arise as a result of Lessee's operation of the Project. Lessor agrees to cooperate fully with Lessee in attempting to obtain an exemption from or reduction in the real or personal property taxes payable by Lessee, pursuant to the foregoing provisions of this Section 5.5 or otherwise, by virtue of Lessee's operation of the Project and the Powerhouse for the purpose of the generation of hydroelectric power.

5.6. **Utilities**. Lessee shall pay for all heat, gas, light, power and water used by it during the Lease Term. The Lessor shall keep the sidewalks, driveways and parking lots, if any, located at the Project reasonably free of ice and snow.

5.7. **Property Insurance.** Lessee shall procure and maintain at its expense property insurance with an all risk endorsement covering the Project in the reasonable insurable value thereof. Lessee shall deposit with Lessor an appropriate certificate of the existence of any such insurance executed by Lessee's insurance carrier.

5.8. **Liability Insurance.** Lessee shall procure and maintain at its expense public liability insurance insuring Lessee against injury to property and against injury to person or loss of life arising out of the use and occupation of the Project, in amounts customarily obtained by others engaged in similar businesses and subject to similar risks of loss. Lessee shall deposit with Lessor an appropriate certificate of the existence of any such insurance executed by Lessee's insurance carrier.

5.9. **Indemnification of Lessor.** Lessee agrees that it will at all times protect, indemnify, save and hold harmless Lessor against and from any and all liability arising out of or from any accidents or other occurrences on or about the Project, causing injury to any person or persons or property, whomsoever or whatsoever, and due directly or indirectly to the negligent use or maintenance of the Project or any part thereof by Lessee, its employees, agents or invitees. Lessee shall list Lessor as additional insured on Lessee insurance policy and provide Lessor with a copy of said policy.

5.10. **Indemnification of Lessee.** Lessor agrees that it will at all times protect, indemnify, save and hold harmless Lessee against and from any and all liability arising out of or from any accidents or other occurrences on or about the Project, including those resulting from a structural failure of the Dam, causing injury to any person or persons or property, whomsoever or whatsoever, and due directly or indirectly to the sue or maintenance of the Project or any part thereof by Lessor, its employees, agents or invitees. Lessor shall list Lessee as additional insured on Lessor insurance policy and provide Lessee with a copy of said policy.

6. **Damage to the Project.**

6.1. **Casualty Loss.** If the Project is destroyed or is damaged (in whole or in part) by fire or other casualty (1) the Lease shall remain in full force and effect, (2) Lessor, at Lessor's direction and expense, (a) will promptly repair, rebuild or restore the property so damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations or modifications (including the substitution and addition of other property) as may be mutually agreed to by Lessor and Lessee and as will not impair the operation or character of the property so damaged, (b) will be entitled to the full amount of any Net Proceeds of insurance resulting from the claims for losses, and (c) will apply for such purposes so much of any Net Proceeds of insurance resulting from such claims for losses as may be necessary to pay for the repairs required by (a) above, as well as any additional moneys of Lessor necessary therefore and (3) the total of Lessor's obligations under Section 4.5 hereof shall be reduced during the period of such repairs, rebuilding or restoration of the fair market value of the Project so destroyed or damaged. Any balance of the Net Proceeds of insurance remaining after payment of all the costs of the above mentioned repair, rebuilding or restoration shall be the property of Lessor.

6.2. **Casualty Loss - Thirty Percent (30%) or More.** If thirty percent (30%) or more (as measured by fair market value as agreed upon by Lessor and Lessee, or if necessary, as determined pursuant to the appraisal, appointment and payment procedure specified in Section 6.1 hereof) of the Project is destroyed or is damaged (in whole or in part) by fire or other casualty, Lessor shall not be obligated to proceed in accordance with the provisions of Section 6.1 hereof; provided, however, that if Lessor elects to so repair, rebuild or restore such property while under no obligation to do so, Lessor shall give written notice to Lessee of its election to do so and shall proceed to so repair, rebuild or restore such property at Lessor's sole expense in accordance with the provisions of Section 6.1 hereof and this Lease shall remain in full force and effect. If Lessor elects not to so repair, rebuild or restore such property while under no obligation to do so, Lessor shall give written notice to Lessee of its election not to do so and lessee shall have the option to so repair, rebuild or restore such property. If Lessee elects to so repair, rebuild or restore such property while under no obligation to do so, Lessee shall give written notice to Lessor of its election to do so and shall proceed to so repair, rebuild or restore such property at Lessee's expense (it being understood that in this event Lessee shall have the sole right to any Net Proceeds of insurance resulting from the claims for losses) and this Lease shall remain in full force and effect. If Lessee elects not to so repair, rebuild or restore such property while under no obligation to do so, Lessee shall give written notice to Lessor of its election not to do so and the Lease may be terminated thereafter by either Lessor or Lessee upon thirty (30) days written notice to the other party hereto.

6.3. **Condemnation.** In the event that all or any portion of the Project shall be taken under the power of eminent domain or sold under the threat of the exercise of such power such that Lessee would be unable to continue its use of the Project or the portion thereof which has been partially taken for its intended purposes, then Lessee, upon giving to Lessor written notice of such election within thirty(30) days after the entry of the condemnation judgment, shall have the option to terminate the Lease as of the date the condemning authority takes title or possession of the Project, whichever occurs first; provided, however, that, in the event that Lessee does not so elect to terminate this Lease, the total of Lessee's obligations under Section 4.5 hereof shall be reduced as the result of such partial taking in direct proportion to the purchase of the fair market value of the Project so taken or sold. Compensation for any taking of the Project under the power of eminent domain or any payment made under the threat of the exercise of such power shall be paid as separate individual awards to Lessor and Lessee based upon the fair market value of their respective interests in the Project. The amount of Lessee's award specified herein shall be based upon the fair market values of (1) Lessee's leasehold interest; (2) Lessee's relocation and moving expenses; (3) Lessee's personal property constructed, installed or maintained at the Project; (4) the option to purchase the Project granted to Lessee in Section 10.1 hereof; and (5) other items entitled to compensation as required or permitted by law. If Lessor and Lessee are unable to agree as to any of the fair market values required by this Section 6.2, then such determination shall be made by three Independent Appraisers, one of whom shall be appointed by Lessee, one of whom shall be appointed by Lessor and one of whom shall be appointed by the two so chosen. Lessee and Lessor shall each be responsible for and pay fifty percent (50%) of the costs of appraisal under this Section 6.3.

7. **Additional Covenants.**

7.1. **No Warranty of Condition or Suitability.** Lessor makes no warranty, either expressed or implied, as to the condition of the Project or that it will be suitable for Lessee's purposes or needs.

7.2. **Lessor's Right of Access to the Project.** Lessee agrees that Lessor shall have the right at all reasonable times to enter upon the Leased land and property and to examine and inspect the Project, and to maintain, improve, and make repairs on the property.

7.3. **Qualification in Iowa.** Lessee warrants that it is and, until such time as any assignment of Lessee's interest in this Lease occurs pursuant to Section 7.4 hereof, it will continue to be duly qualified to do business in the State of Iowa.

7.4. **Assignment and Sublease.** Lessee may not assign this Lease or sublet any or all of the Project without the written consent of Lessor, which written consent will not be unreasonably withheld; provided, however, that Lessee may, without notice to and without being required to obtain the written consent of Lessor, assign this Lease by assignment for collateral security purposes in connection with financing of the Project or to a Iowa corporation or limited liability company whose stockholders or members are identical in identity and proportion of ownership to Lessee.

7.5. **Termination of Lease Due to Failure to Obtain Permits.** If Lessee is unable to obtain, at reasonable cost to Lessee, all of the necessary permits, licenses or authorizations described in Section 11.4 hereof or if Lessee's evaluation of the economic feasibility of the operation of the Project for the commercial production of hydroelectric power shows that the net revenue to be derived from such production is not sufficient to justify Lessee's operation of the Project, Lessee may, without liability of any kind to Lessor, declare this Lease at an end; provided, however, that upon termination of this Lease pursuant to this first sentence of this Section 7.5, Lessee shall not have the right to remove any Leased Equipment which Lessee shall have repaired, restored, refurbished or remodeled pursuant to Section 8.1 hereof so as to otherwise thereafter qualify as Non-Leased Equipment. Notwithstanding the provisions of the first sentence of this Section 7.5, if Lessee is unable to obtain all of the necessary permits, licenses or authorizations described in Section 11.4 hereof within a period of thirty-six (36) months subsequent to the date of execution of this Lease, Lessor may declare this Lease at an end. If this Lease is terminated pursuant to this Section 7.5, the following provisions shall apply:

7.5.1. Lessor shall retain ownership of all equipment originally owned by Lessor whether refurbished by Lessee or not. Lessor shall reimburse Lessee a mutually agreed upon amount for the refurbishment expenses at Lessee's cost with a mutually agreed upon repayment schedule. The reimbursement amount if required shall not exceed $200,000. This provision shall only apply if termination is due to the failure to obtain a FERC License.

7.5.1. Lessee will not be reimbursed by the Lessor for any expenses the Lessee incurred in trying to obtain all necessary Permits for the Project.

7.5.2. Lessor will not be reimbursed by the Lessee for any expenses the Lessor incurred in trying to obtain all necessary Permits for the Project.

8. **Equipment and Signs.**

8.1. **Installation and Repair of Equipment.** Lessee may from time to time, in its sole discretion and at its own expense, repair, renovate, restore, refurbish or remodel Leased Equipment and other personal property in the Leased Structures or on the Leased Land and attach or affix such items to the Leased Structures or the Leased Land by whatever means necessary including but not limited to, structural additions to or modifications of the Leased Structures and/or the Leased Land. Any structural additions or modifications shall require prior approval of the Lessor. Lessor shall retain ownership of all equipment

originally owned by Lessor whether refurbished by Lessee or not. In no event shall the wicket or flood gates located at the Project whether or not repaired, renovated, restored, refurbished or remodeled pursuant to this Section 8.1, qualify as Non-Leased Equipment or be removed from the Project by Lessee, either during or upon termination of this Lease. Non-Leased Equipment and other personal property installed by Lessee shall remain and/or the sole personal property of Lessee and Lessee may remove the same from the Leased Structures or the Leased Land at any time, in its sole discretion and at its own expense; provided, however, that any damage to the Project resulting from any such removal shall be repaired by the Lessee at the expense of Lessee; provided, however, that all turbine and generator openings shall be sufficiently secured so as to not allow water flow or create a safety hazard. Non leased Equipment to be initially installed by Lessee, along with each item's fair market value is listed on Schedule D, attached. Before making repairs, renovations, or restorations that give rise to a conversion of Leased Equipment to Non-leased Equipment, Lessee must first obtain Lessor's written consent. Failure to obtain such prior written consent shall result in said equipment remaining Leased Equipment. Lessee may create any mortgage, encumbrance, lien or charge on any such Non-leased Equipment and other personal property. Lessor shall not have any interest in or landlord's lien on any such Non-Leased Equipment or personal property so installed pursuant to this Section 8.1, except to the extent that such a land lord's lien is created pursuant to Section 9.2 hereof. All such Non-Leased Equipment and personal property shall be and remain identified to the extent reasonably possible, as the property of Lessee by appropriate tags or other markings. Finally, Lessee shall not erect any structures upon the leased land, of any kind, absent Lessor's advance written consent and arrival at provisions for the manner of construction, maintenance, responsibility for and removal of such structures.

8.2. **Fences and Signs**. Lessee shall have the right to install and maintain fences and informational or warning signs as approved by Lessor around all or any part of the Project provided such fences and signs are reasonable in their content and size. Lessor shall maintain all existing fences and signs. Any such fences shall not impair pre-existing rights of access of third parties. Lessee shall provide warning or informational sign requirements of the FERC License. Size, subject, and placement and buoys which maybe required are all subject to Ferc's regulations.

9. **Events of Default and Remedies.**

9.1. **Events of Default Defined**. The following shall be "events of default" under this Lease and the terms "event of default" or "default" shall mean, whenever they are used in this Lease, any one or more of the following events:

9.1.1. Failure by Lessee to respond to take curative action to retain the water level within 24 hours for temporary repairs. Permanent repairs shall be completed within a mutually agreed reasonable period as set forth in Section 5.2. If water level cannot be retained by temporary measures, the Lessee and Lessor shall mutually agree on an appropriate course of action. If a mutual agreement cannot be reached, a resolution shall be achieved by retaining a mutually agreed to third party.

9.1.2. Failure by Lessee to pay the rents required to be paid under Section 4.5 hereof at the times specified therein and continuing for a period of thirty (30) days after written notice thereof given to Lessee by Lessor that the payment referred to in such notice has not been received.

9.1.3. Failure by Lessee to observe and perform any covenant, condition or agreement in this Lease on any part of Lessee to be observed or performed, other than as referred to in this Section, for a period of ninety (90) days after written notice thereof specifying the failure and requesting

that it be remedied given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration.

9.1.4. Lessee (1) becoming insolvent; (2) being unable, or admitting in writing its inability, to pay its debts as they mature; (3) failing to promptly lift any execution, garnishment or attachment of such consequence as will, in the judgment of Lessor, impair the ability of Lessee to carry on its business operations, (4) making a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; (5) entering into an agreement of composition with its creditors; (6) becoming the subject of an "order for relief" within the meaning of the U.S. Bankruptcy Code; (7) filing a petition in bankruptcy or for reorganization or to effect a plan or other arrangement with creditors under the provisions of the Bankruptcy Act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted; (8) filing an answer to a creditor's petition (admitting the material allegations thereof) for reorganization or to effect a plan or other arrangement with creditors; (ix) applying to a court for the appointment of a receiver for any of its assets; or (x) having a receiver appointed for any of ,its assets (with or without the consent of Lessee) and such receiver not being discharged within sixty (60) days after appointment. Nothing within this section 9.1.4 shall exonerate Lessee from Timely maintaining the Project as called for by section 5.2 above, or by any other terms of the lease.

The foregoing provisions of this Section 9.1 are subject to the following limitations: If, by reason of force majeure, Lessee is unable, in whole or in part, to carry out the agreements of Lessee on its part herein contained (other than the obligations on the part of Lessee contained in Article Four and Sections 5.4, 5.6 and 5.7 hereof to which the force majeure provisions of this paragraph shall have no application), Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure"" as used herein shall mean, without limitation, the following: acts of God; acts of public enemies; orders of any kind of the government of the United States or of Iowa or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightening; earthquake; fire; hurricanes; storms; flood; washouts; droughts; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event to reasonably within the control of Lessee.

9.2. **Remedy on Default.** Whenever any event of default referred to in Section 9.1 hereof shall have happened and be subsisting, subject to the limitations imposed by Section 9.4 hereof, Lessor may take whatever action at law or in equity may appear necessary or desirable to collect the rent then due, any penalties incurred or paid and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of Lessee under this Lease, may, upon written notice to Lessee and upon granting to Lessee a period of not less than sixty (60) days to cease operation of and vacate the Project, declare this Lease to be terminated and/or impose a landlord's lien upon the Non-Leased Equipment within the restrictions imposed by and subordinate to any liens created by Lessee in favor at any financial institution providing financing to Lessee with regard to the Project and/or may exercise the option to purchase the Non-Leased Equipment granted to Lessor pursuant to Section 10.1 hereof.

9.3. **Waiver of Default.** No waiver of any default by Lessee hereunder shall be implied from any omission by Lessor to take any action on account of such default if such default persists or is repeated and no express waiver shall effect any default other than the default specified, in the express waiver, and then only for the time and the extent therein stated. One or more waivers of any covenant, term or condition

of this Lease by Lessor shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

9.4. **Non-Leased Equipment.** In the event that Lessor avails itself of any remedy provided in Section 9.2 hereof upon a default by Lessee under Section 9.1 hereof, Lessor shall allow Lessee to remove from the Project in accordance with Section 8.1 hereof any and all Non-Leased Equipment which is not taken by Lessor pursuant to exercise of the landlord's lien which Lessor may impose upon Non-Leased Equipment pursuant to Section 9.2 hereof, and subject to Lessor's option to purchase the Non-Leased Equipment contained in Section 10.1 hereof. Lessor shall retain ownership of all equipment originally owned by Lessor whether refurbished by Lessee or not. Removal of any Non Leased equipment as identified in Schedule "D" shall occur in a safe and timely manner, and so as not to disrupt the operation and function of the dam or otherwise jeopardize or risk the safety of others or their property.

9.5. **Holding Over.** In the event Lessee remains in possession of the Project after the expiration of this Lease and without the execution of a new Lease or a renewal under Section 10.2 hereof, Lessee shall be deemed to be occupying the premises as a tenant from month-to-month subject to all the conditions, provisions and obligations of this Lease insofar as the same are applicable to a month-to-month tenancy.

9.6. **Default by Lessor.** Failure by Lessor to observe and perform any covenant, condition or agreement in this Lease on the part of Lessor to be observed or performed for a period of ninety (90) days after written notice specifying the failure and requesting that it be remedied given to Lessor by Lessee, unless Lessee shall agree in writing to an extension of such time prior to its expiration, shall constitute a default under the terms of this Lease and shall entitle Lessee, to declare this Lease to be terminated.

10. **Options to Purchase and Renew.**

10.1. Lessor's Option to Purchase the Non-Leased Equipment. Lessor shall have the option to purchase the Non-Leased Equipment as identified on Schedule "D", upon the occurrence of an event of default or upon any expiration or termination of this Lease, in any of such events for a price equal to the then fair market value of such Non-Leased Equipment, less Lessor's basis, if any, in such equipment. Lessor agrees to give Lessee at least sixty (60) days written notice of its intent to exercise this option to purchase. Lessor shall, at the time of giving notice of its intent to exercise this option, pay ten percent (10%) of the estimated purchase price to Lessee as a down payment. The balance of the purchase price shall be paid upon closing or upon such other terms and conditions as Lessor and Lessee may agree to. Lessee shall be released from any and all obligations under this Lease as of the date of the closing of the sale of the Non-Leased Equipment to Lessor. If Lessor and Lessee are unable to agree upon the then fair market value of such Non-Leased Equipment, then such determination shall be made by three (3) Independent Appraisers, one of whom shall be appointed by Lessee, one of whom shall be appointed by Lessor and one of whom shall be appointed by the two so chosen. Lessee and Lessor shall each be responsible for and pay fifty percent (50%) of the costs of appraisal under this Section 10.1.

10.2. **Lessee's Option to Renew.** Lessee and Lessor shall have the option to renew this Lease if mutually agreed for four (4) additional fifteen (15) year terms. These renewals shall occur by operation of this Section 10.2 written notice of intent for renewal required to be given by Lessee to Lessor, unless Lessee shall serve written notice of its election to not renew this Lease upon Lessor on or before ninety (90) days prior to the expiration date of the expiring Lease Term. Such renewal shall be upon terms and conditions identical to those contained in this Lease (except that the number of remaining renewals specified in this Section 10.2 shall be decreased by one (1).

10.3. **Restrictions on the Sale of Property by the Lake Delhi Recreation Association.** Lessor agrees that it will not, without Lessee's written notice, sell, convey, mortgage, encumber, transfer or otherwise dispose of all or any part of the Project during the original forty (40) year Lease Term or during this renewal thereof pursuant to Section 10.2 hereof. Any such sale, conveyance, mortgage, encumbrance, transfer or other disposition of all or any part of the Project to which Lessee has given its written consent shall specifically made subject to the rights of Lessee hereunder, such rights specifically including, but not limited to, the right to a renewal term pursuant to Section 10.2 hereof.

11. **Miscellaneous.**

11.1. **Quiet Enjoyment.** Lessor agrees that so long as Lessee shall fully and punctually pay all of the rents and other amounts provided to be paid hereunder by Lessee and shall fully and punctually perform all of its other covenants and agreements hereunder, Lessee shall peaceably and quietly have, hold and enjoy the Project during the Lease Term.

11.2. **Surrender of Project.** At the expiration or sooner termination of the Lease Term, Lessee agrees to surrender possession of the Project peaceably and promptly to Lessor, except as provided in Section 8.1 hereof, in as good condition as at the commencement of the Lease Term, ordinary wear, tear and obsolescence, and structural additions to and modifications of the Leased Structures and/or the Leased Land as provided in Section 8.1 hereof only excepted.

11.3. **Notices.** All written notices, requests, demands, consents, certificates or other communications required or permitted to be given hereunder shall be sufficiently given when mailed by certified mail, return receipt requested, postage prepaid, addressed to Lessee at N3311 Sunrise Lane, Waupaca, Wisconsin 54981 and to Lessor at the address then fixed for the payment of rent and either party may be like notice at any time and from time to time designate a different address to which notices shall be sent.

11.4. **Permits and Licenses.** Lessor agrees to cooperate fully with Lessee and furnish Lessee with any and all requested information in Lessor's possession or control regarding, relating to or necessary for Lessee's application for any and all permits, licenses or other federal or state governmental authorizations from, but not limited to, FERC, Iowa Department of Natural Resources or Iowa Public Service Commission necessary for the operation or modification of the Project. Lessor further agrees to obtain for and/or assign to Lessee, at Lessee's expense, any and all such permits or licenses which Lessor may be required to obtain or which Lessor may have previously obtained with regard to the Project at any such time as may be required by applicable law. In addition:

11.4.1. Lessee agrees to pay Federal Energy Regulatory Commission (FERC) the annual fee required in Title 18: Conservation of Power and Water Resources, Part 11, Annual Charges under Part 1 of the Federal Power Act.

11.5. **Parallel Generation Agreement.** Lessor agrees to cooperate fully with Lessee and furnish Lessee with any and all requested information in Lessor's possession or control regarding, relating to or necessary for Lessee's negotiation with any and all Purchasers with regard to a Parallel Generation Agreement for the Project.

11.6. **Recording and Filing**. This Lease as originally executed or a memorandum thereof shall be recorded in the office of the Delaware County, Iowa Recorder or such other office as may at the time be provided by law as the proper place for recordation thereof.

11.7. **Binding Effect**. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.4 and 10.3 hereof.

11.8. **Severability**. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

11.9. **Amendments, Changes and Modifications**. This Lease may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of Lessor and Lessee.

11.10. **Law Governing Construction of Lease**. This Lease is prepared and entered into with the intention that the Laws of the State of Iowa shall govern its construction and interpretation. In addition, each party submits to the jurisdiction of the Iowa courts, and further agrees that any cause of action arising under this Agreement shall be brought exclusively in the Iowa District Court for Delaware County.

11.11. **Counterparts**. This Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

11.12. **Captions**. The captions contained in this Lease are for the convenience of the parties hereto and shall not be deemed or construed as in any way limiting or extending the language of the provisions to which such captions refer.

11.13. **Amendments**. Amendments to Schedule"A" and Schedule "D" shall be accomplished by mutual agreement of both parties. An annual inventory shall be required and attached to this document.

In Witness Whereof, the parties hereto have executed this Lease Agreement as of the date first above written.

Lake Delhi Recreation Association

By: _____
James Willey, President LDRA

Modern Hydro, a Division of IOWAter Power Corporation

By: _____
Dwight Shanak, President

STATE OF IOWA, DELAWARE COUNTY) ss:

On this 24 day of October, 2008, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared James Willey, to me personally known, who, being by me duly sworn, did say that he/she is the President of the Lake Delhi Recreation Association, executing the within and foregoing instrument, that no seal has been procured by the corporation; that said instrument was signed on behalf of the corporation by authority of its Board of Directors; and that James Willey as President acknowledged the execution of the foregoing instrument to be the voluntary act and deed of the association, by it and by him/her voluntarily executed.

_____
Notary Public, State of Iowa

NOTARIAL SEAL IOWA
LISA K. STEENHOEK
COMMISSION NUMBER 723755
MY COMMISSION EXPIRES
AUGUST 4, 2009

STATE OF WISCONSIN, Waupaca COUNTY) ss:

On this 21 day of October, 2008, before me, the undersigned, a Notary Public in and for the State of Wisconsin, personally appeared Dwight Shanak, to me personally known, who, being by me duly sworn, did say that he is the President of IOWAter Power Corporation, executing the within and foregoing instrument, that no seal has been procured by the corporation; that said instrument was signed on behalf of the corporation by authority of its Board of Directors; and that Dwight Shanak, as President, acknowledged the execution of the foregoing instrument to be the voluntary act and deed of the corporation, by it and by him voluntarily executed.

Notary Public, State of Wisconsin

ANN L. DUTCHER NOTARY PUBLIC STATE OF WISCONSIN

Schedule A

Leased Equipment

Leased Equipment consists of:

1. Two (2) generators;
   Generator No. 1 Model Number: 22E783 Serial Number: 4354249
   Generator No. 2 Model Number: 22E783 Serial Number: 4354250 DSF

2. Overhead crane;

3. Turbine cases;
   Serial # 8334 - # 8335

4. Electrical controls.

LEGAL DESCRIPTION:

LEASE AREA FOR LAKE DELHI DAM STRUCTURE

COMMENCING at the Northeast Corner of Tract No. 4 (the Delhi Hydro-Electric Plant Site) as recorded in Plat Book B, Page 4 and Page 53 in the Office of the Delaware County Recorder;

THENCE along the Northerly Line of said Tract No. 4, South 55° 22' 52" West, to the centerline of County Road X-31, also being 230th Avenue, 94.46 feet;

THENCE along the centerline of said County Road X-31, also being 230th Avenue, South 20° 28' 15" East, to the intersection of said centerline with the Northerly Line of the Lake Delhi Dam and bridge structure, 79.89 feet, the **POINT OF BEGINNING**;

THENCE North 69° 39' 46" East, 12.55 feet;

THENCE South 20° 20' 14" East, 16.14 feet;

THENCE North 69° 39' 46" East, 63.56 feet;

THENCE South 20° 20' 14" East, 130.71 feet;

THENCE South 65° 20' 14" East, 25.49 feet;

THENCE South 24° 39' 46" West, 2.55 feet;

THENCE North 85° 35' 18" West, 23.01 feet;

THENCE South 69° 39' 46" West, 39.26 feet;

THENCE South 20° 20' 14" East, 9.18 feet;

THENCE South 69° 39' 46"West, 56.55 feet;

THENCE South 24° 39' 46"West, 45.76 feet;

THENCE North 65° 20' 14" West, 20.40 feet;

THENCE North 24° 39' 46" East, 53.22 feet;

THENCE North 20° 20' 14" West, 127.15 feet;

THENCE North 69° 39' 46" East, 8.16 feet;

THENCE North 20° 20' 14" West, 19.38 feet;

THENCE North 69° 39' 46" East, 25.36 feet to the **POINT OF BEGINNING**

The above Legal Description and attached Exhibit A is for a lease agreement for the Delhi Dam and Bridge Structure located upon Tract No. 4 and Tract No. 5 of the Land acquired by Interstate Power and Light Company in Plat Book B, Page 4 and Page 53 and Plat Book B, Page 3, respectively, in the Office of the Delaware County Recorder. The distances for the Delhi Dam and Bridge Structure are based upon construction plans and surveyed locations. This legal description may or may not include portions of the Delhi Dam and Bridge Structure that are under water, buried or deemed not a part of the actual Delhi Dam and Bridge Structure. The intent of this Legal Description is to generally describe the Delhi Dam and Bridge Structure for lease purposes. It is not intended for title transfer or taxation purposes.

The Northerly Line of Tract No. 4 of the Land acquired by Interstate Power and Light Company in Plat Book B, Page 4 and Page 53 in the Office of the Delaware County Recorder is assumed to bear South 55° 22' 52" West.



EXHIBIT A

GIBBS
ENGINEERING &
SURVEYING

- QUARTER LINE
- QTR.-QTR. LINE
- INTERSTATE POWER CO. (IPC) LINE
- CENTER LINE
- EASEMENT OR ROW LINE
- VACATED BOUNDARY LINE
- REFERENCE LINE
- LAKE FRONTAGE BOUNDARY LINE
- PARCEL BOUNDARY

REVISED 9/30/2008

105 West Main, Manchester, Iowa 52057 (563) 927-2434 www.gibbseng.com

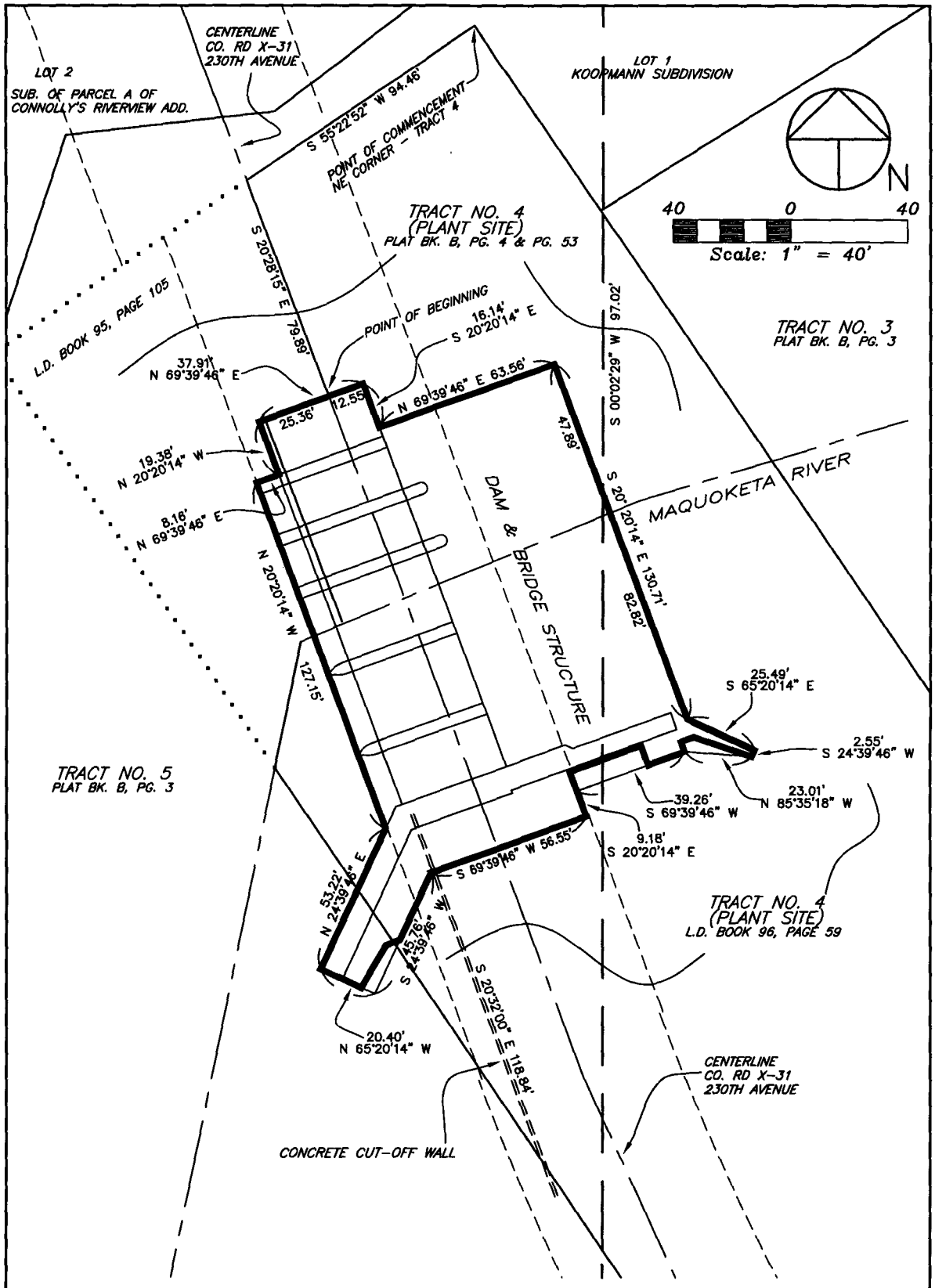


EXHIBIT A

GIBBS ENGINEERING & SURVEYING

- QUARTER LINE
- QTR.-QTR. LINE
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REVISED 9/30/2008

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Schedule C

Additional Maintenance Responsibilities

Lessor. Lessor agrees to the following as listed below during the Lease Term and Renewal of Lease Term.

1. Lessor agrees to keep all concrete structures in good condition and repair.

2. Lessor shall provide, maintain and keep all warning apparatuses and signs addressed to the Project under State and Federal agencies guidelines in good condition and repair.

3. Lessor shall maintain and keep at all times the ceiling above the generator room in good condition and repair, (to be understood as ceiling to have no water leakage from above) before installation of refurbished electrical generation equipment.

4. Lessor shall operate the Hydroelectric Plant at their expense. Tasks are to include visual operation checks and keeping trash racks clean on a daily bases.

5. Lessor shall maintain water levels during high flows and blackouts at its expense.

6. Lessor shall maintain and keep in good running order the emergency generator at its expense.

Lessee. Lessee agrees to the following as listed below during the Lease Term and any Renewal of Lease Term.

1. Lessee shall maintain and keep trash racks in good condition and repair.

2. Lessee shall maintain and keep steel head (wicket) gates to turbine intakes in good condition and repair.

3. Lessee shall maintain and keep all generation equipment to include generators, turbines, electrical switchgear, and transformers in good condition and repair.

4. Lessee shall maintain and keep all equipment relating to the dissolved oxygen monitoring in good condition and repair.

5. Lessee shall maintain and keep all lifting apparatuses to all gates in good condition and repair.

6. Lessee shall maintain and keep all trash rack raking equipment in good condition and repair.

7. Lessee shall maintain and keep all windows and doors to powerhouse in good condition and repair.

8. Lessee shall maintain and keep all lifting apparatuses (overhead bridge crane) inside of powerhouse in good condition and repair.

9. Lessee shall refurbish one main head (flood) gate including lifting apparatus within 2 years of the execution of the lease agreement (subject to provisions of section 7.5.1). Lessee shall automate one main head (flood) gate to be operational at First Hydroelectric Production. Lessee shall refurbish the remaining two main head (flood) gates within 15 years of the First Hydroelectric Production.

Schedule D

Non-Leased Equipment provided by Lessee

Lessee. Lessee shall provide and amend this schedule as necessary during the Lease Term and Renewal of Lease Term.

1. Switch Gear
2. Transformers for exciters
3. Control Panel
4. Dissolved Oxygen equipment
5. Main Step up transformer, CT's and PT's
6. Air Compressor
7. Welder, generator oil
8. Two new turbine runners, shafting, and sealing units
9. Turbine bearing units
10. Water pump
11. Hydraulic unit

This is not a complete list, and will be subject to amendments in the future.

Proposed Scheduled Time Table

1.Initialize historical and archeological evaluation of Project when required by FERC license procedure.
2.Develop Pre-Application Document for Project to include Environmental Impact Statement (Spring of 2009).
3.Consult with Iowa DNR on pre-operation water quality study plan (completed).
4.Initialize continuous dissolved oxygen monitoring and random sampling above and below dam (to be completed September 30, 2008).
5.Remove head gates to turbine intakes and reinstall (Fall of 2008).
6.Remove trash racks and replace with new trash racks (Fall of 2008).
7.Provide trash-raking machine (Start of electrical generation).
8.Remove generator to be refurbished (approval of license).
9.Install draft tubes (approval of license).
10.Manufacture new turbine runners (approval of license).
11.Submit final draft for FERC License (expected fall of 2010).
12.Estimated License issued (Spring 2011).
13.Install all equipment and begin hydro production (by end of 2012).