

# ???? with Heritage Sustainable Energy Lease

Section 1, paragraph 4: Land owner is only paid for the acreage described, yet lessee gets wind rights (which lessee is not paying for) of any contiguous or appurtenant land or preference right of acquisition that Lessor has. This is grossly unfair, and would be even more unfair when lessor buys some of land. Also this will screw up lessor's sale of any of the contiguous lands as lessee will have a claim on the wind rights.

Section 2: Lease continues for as long as some form of operation is ongoing anywhere in the pooled area, theoretically forever.

Section 3, (b) and (c) and thereafter: Explanation of royalties is confusing and potentially misleading. Royalty rates of 4% and 4.5% quoted sound OK but what "does actually generated and sold, calculated at the tower site" mean? Actual electric sales are unlikely to be made at the Tower Site. MISO would buy at MISO delivery points. Utilities would buy at utility grid interconnection points. So "actually sold" would likely refer to the energy sold after line and transmission losses, potentially as high as 10% line losses. Further, the lease states that Lessee can deduct fees and expenses to transport the electricity to the actual delivery point. So the amount to which the royalties are applied can be substantially less than the described Tower Site electric generation. State and federal subsidies are for lessee. RECs are arguably a state policy related subsidy. There is no determination for what the actual per MWH rate for the energy sold is. The price for the sale of energy could be less than MISO. A utility can always buy energy from MISO at MISO prices, so why would the utility pay more than MISO? Probably the utility would pay less than MISO.

Section 3, hand written note: It's not clear how "Royalties are made of MISO dollars plus the share of renewable energy credit" is calculated.

Section 6: Language on unitizing and pooling is very confusing.

Section 7: Language on unitizing and pooling is very confusing. What is Glencoe Project. It is not defined. Why is there separate language for this project?

Section 10: States that Lessee can make as much noise, light, interference with radio and TV and Lessor must accept it.

Section 11, second to last sentence: Allows the Lessee to assign the wind farm to a shell company just prior to the required removal and related expense of the wind turbines. And if the shell company does not get the removal done, too bad for the Lessor.