

**ISLAND BEACH RESORT
PURCHASE AGREEMENT**

Island Beach, LLC, a Minnesota limited liability company ("Seller"), hereby acknowledges receipt from:

NAME: _____
(FIRST) (M.I.) (LAST)

SOCIAL SECURITY NO. _____

NAME: _____
(FIRST) (M.I.) (LAST)

SOCIAL SECURITY NO. _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP CODE: _____

WORK PHONE: _____ HOME PHONE: _____

E-MAIL ADDRESS: _____

As joint tenants/tenants in common [strike one] ("Buyer"), the sum of \$ _____ as earnest money ("Earnest Money"), and as part payment for the purchase of the real property located in the County of St. Louis, State of Minnesota, and legally described as follows:

Unit _____ and Garage Unit _____ (*not applicable if not completed*),
Island Beach Resort, Community Interest Community No. 68 (the
"Property"),

Including the improvements to be constructed on or provided to the Property as described in this Agreement.

Subject to the provisions of this Agreement, Seller hereby agrees to sell to Buyer and Buyer hereby agrees to purchase from Seller, the above-described real property for the total sum of \$ _____ (the "Purchase Price"). The Purchase Price shall be allocated as follows: \$ _____ to the Unit and \$ _____ to the Garage Unit. The Purchase Price shall be paid as follows:

- (i) Earnest Money herewith paid in the amount described above; and
- (ii) \$ _____ cash, on the date of closing.

Buyer acknowledges and agrees that the Earnest Money shall be non-refundable, except as provided in Sections 1, 3, 12 and 17 of this Agreement. Funds provided by Buyer shall be in the following form: cash, wire transfer, money order, certified check or cashier's check.

1. **Closing Date and Possession.** The projected date of closing ("Projected Date of Closing") is _____. The actual closing date may be affected by a number of factors, including but not limited to obtaining the required number of pre-sales, completion of construction of the project infrastructure and completion of the process of subjecting the development property to the common interest community form of ownership. Not less than ten (10) days prior to the Projected Date of Closing, Seller shall establish the actual closing date in a written notice to Buyer (the "Date of Closing"). Seller is not responsible for the loss of Buyer's financing, changes in interest rates, lost or additional origination fees or points, or other similar costs of financing if the actual closing date is later than the Projected Date of Closing. Buyer shall close on the closing date established in the notice. The closing shall take place at Consolidated Title & Abstract Co. in Duluth, Minnesota or at such other location set forth in the Seller's notice. Seller shall transfer possession of the Property to Buyer on the actual date of closing. If Seller fails to establish the actual closing date on or before _____, then Buyer may, by notice to Seller, cancel this Agreement. In the event this Agreement is so cancelled, Seller shall promptly refund the Earnest Money to Buyer.

2. **Garage Unit.** If the Buyer is purchasing a Garage Unit, the following provisions shall apply:

The Seller shall have no obligation to construct the garage until the Seller has obtained fully-executed purchase agreements for the purchase and sale of a total of at least four (4) Garage Units. If the Seller is ready to close before the garage is constructed, the Buyer and Seller agree to proceed to closing and deposit \$ _____ of the sale proceeds (which amount shall be the amount of the Purchase Price allocated to the Garage Unit) into escrow with Consolidated Title & Abstract Co. pending completion of construction of the garage.

The garage will be constructed substantially in accordance with the plans and specifications for the garage. Buyer specifically grants Seller the right to make any variations, substitutions, and changes Seller deems necessary as long as the garage, as constructed, is of a value which is greater than or equal to the value it would have if constructed as described in such plans and specifications for the garage.

The provisions of this Section 2 will survive the closing.

3. **Seller's Contingencies.** Seller's obligations to close pursuant to the terms of this Agreement are contingent upon the Seller obtaining fully-executed purchase agreements for the purchase and sale of a total of at least three (3) Residential Units without any buyer contingencies.

4. **Deposits.** Unless transferred to Seller to be used for project costs pursuant to the Agreement for Use of Earnest Money attached hereto as Exhibit A, the Earnest Money will be held in a non-interest bearing escrow account at Consolidated Title & Abstract Co., 332 W. Superior St., Duluth, MN 55802.
5. **Use of Deposits.** Buyer agrees that the Earnest Money may be used by Seller for project costs pursuant to the Agreement for Use of Earnest Money. The full amount of such Earnest Money shall be refunded to Buyer without interest if this Agreement is terminated: by Buyer if Seller fails to establish the actual closing date in accordance with Section 1 of this Agreement; by Seller if Seller fails to obtain the required number of pre-sales as provided under Section 3 of the Agreement; by Buyer or Seller due to Seller's failure to cure title objections as provided under Section 12 of this Agreement; by Buyer following a material, uncured default by Seller in accordance with Section 17 of this Agreement. In all other cases, Seller shall be entitled to retain the Earnest Money to compensate Seller for risks and expenses related to the construction of the project.
6. **Real Estate Taxes and Special Assessments.** Real estate taxes and all installments of special assessments certified for payment with the real estate taxes due and payable in the year of closing shall be pro-rated between Seller and Buyer to the actual date of closing. If, on the actual date of closing, the taxes and special assessments have not been split to allocate them to the individual units, then the amount of taxes and special assessments to be prorated will be determined by dividing the amount attributable to the development property by 9. Seller shall pay all real estate taxes and special assessments payable in years prior to the year of closing, and Buyer shall pay all real estate taxes and special assessments payable in all subsequent years.

Seller makes no representation concerning the amount of future real estate taxes or future special assessments.

7. **Association Assessments.** Buyer is obligated and agrees to pay the share of assessments for common expenses attributable to the Unit(s). At this time, the estimated monthly installment per Residential Unit is \$ _____ and the estimated monthly installment per Garage Unit is \$ _____. If a common expense assessment has not been levied as of the date of closing, Buyer shall pay an amount equal to one monthly installment to be used by the Association to pay common expenses, which shall be a credit against future common expense payments the Buyer will owe to the Association. If a common expense assessment has been levied as of the date of closing, the common expense attributable to the Unit(s) for the month of closing shall be prorated between Seller and Buyer based on the actual number of days of the month to the actual date of closing. Notwithstanding whether a common expense assessment has been levied as of the date of closing, Buyer must pay on the date of closing, an amount equal to two monthly installments of common expenses per Unit to be used by the Association as a working capital fund. This amount is not an advance of common expense installments that will be due from the Buyer and will not be credited against future common expense payments the Buyer

will owe the Association. Buyer's contribution to the operating reserve will be used by the Association in accordance with the Declaration for Island Beach Resort (the "Declaration"). Seller makes no representation or warranty of any kind concerning the amount of common expense assessments which may be assessed against the Unit(s) after the date of closing, except to the extent such information is reflected in the Disclosure Statement or the Declaration.

8. **Agency Disclosures.** _____ (SELLING AGENT)
STIPULATES HE IS REPRESENTING THE SELLER IN THIS TRANSACTION.
BROKER STIPULATES IT IS REPRESENTING THE SELLER IN THIS
TRANSACTION.

DUAL AGENCY REPRESENTATION DOES/DOES NOT [STRIKE ONE] APPLY IN
THIS TRANSACTION.

If dual agency is indicated, Broker represents both the Seller and the Buyer(s) of the Unit(s), which creates a dual agency. This means that Broker and its salespersons owe fiduciary duties to both Seller and Buyer(s). Because the parties may have conflicting interests, Broker and its salespersons are prohibited from advocating exclusivity for either party. Broker cannot act as a dual agent in this transaction without the consent of both Seller and Buyer(s). Seller and Buyer(s) acknowledge that:

- a. confidential information communicated to Broker which regards price, terms, or motivation to buy or sell will remain confidential unless Seller or Buyer(s) instructs Broker in writing to disclose this information. Other information will be shared.
- b. Broker and its salespersons will not represent the interest of either party to the detriment of the other, and
- c. within the limits of dual agency, Broker and its salespersons will work diligently to facilitate the mechanics of the sale. With the knowledge and understanding of the explanation above, Seller and Buyer(s) authorize and instruct Broker and its salespersons to act as dual agents in this transaction.

INITIALS Buyer(s) _____ Seller _____

9. **Government Notices.** Seller has not received any notice from any governmental authority as, to the violation of any law, ordinance or regulation. Seller has not received any notice from any governmental authority concerning any eminent domain, condemnation, special taxing district, or rezoning proceedings.
10. **Delivery of Deed.** Subject to the performance of Buyer, Seller agrees to execute and deliver to Buyer on the date of closing a Warranty Deed conveying title to the real property, subject to the following exceptions (the "Permitted Encumbrances"):
- a. Building and zoning laws, ordinances and state and federal regulations.

- b. Easements, reservations, conditions and restrictions of record on the closing date.
 - c. Covenants, conditions and restrictions described in the Declaration, and the provisions of Articles of Incorporation and Bylaws of the Association, and any amendments.
 - d. The exceptions contained in the standard ALTA Form Title insurance policy (other than the mechanic's lien coverage exception).
 - e. The lien of real estate taxes due and payable in the year following closing.
 - f. The lien of the Buyer's mortgage, if any.
11. **Title.** Within a reasonable period prior to the date of closing, Seller shall furnish to Buyer a commitment for an owner's policy of title insurance on a current ALTA form, insuring marketable title to the real property to be conveyed, subject only to Permitted Encumbrances. Buyer shall be allowed a period of ten (10) days after receipt of said commitment to make any objection to title, any such objection to be by written notice to Seller. Buyer's right to object to title matters shall be waived upon the expiration of such ten (10) day period. Seller shall be allowed one hundred twenty (120) days from the date of the giving of notice of the objection to make title marketable. Pending correction of title, the closing date shall be postponed, but upon correction of title and within ten (10) days notice of correction given to Buyer, Buyer shall perform this Agreement according to its terms. Buyer shall be solely responsible for payment of the premium for the title policy, if any, issued pursuant to said commitment, and any closing fees. Seller shall not be obligated to furnish any abstract, nor any title evidence other than the title insurance commitment described in this Paragraph. Buyer shall use Seller's title company for title insurance and closing. It is Seller's obligation to furnish the Commitment but all costs of preparation of the Commitment will be paid by Buyer.
12. **Marketability of Title and Remedies.** In the event title to the real property is not marketable and is not made so within the one hundred twenty (120) day period described in Section 11, this Agreement shall be null and void, and neither party shall be liable to the other, hereunder or otherwise, except that Seller shall promptly refund to Buyer all Earnest Money paid hereunder. If title is marketable or made marketable within said one hundred twenty (120) day period, and Buyer shall default in any of Buyer's agreements herein, then Seller may voluntarily, by notice; to Buyer, cancel this Agreement, and upon such cancellation all payments made hereunder, including Earnest Money, shall be retained by Seller as liquidated and agreed damages as provided in Section 17 of this Agreement.
13. **Sale Contingency.** This Purchase Agreement is not contingent upon the sale of another property.
14. **Notices.** All notices required or permitted hereunder shall be in writing and shall be deemed given when hand delivered, sent by overnight courier or mailed by U.S. Mail, postage prepaid, to the Buyer at the address as shown on the first page of this

Agreement or to the Seller at 2200 Water Street, Duluth, MN 55812. Either party may change its address by notice to the other given in accordance with this Paragraph.

15. **Disclosure Statement.**

The following notice is required by Minnesota Statutes: The Purchaser is entitled to receive a Disclosure Statement or Resale Disclosure Certificate, as applicable. The Disclosure Statement or Resale Disclosure Certificate contains important information regarding the common interest community and the purchaser's cancellation rights.

Seller is in the process of developing a common interest community (the "CIC") in the form of a planned community and not a condominium or cooperative. As a part of the process of submitting the development property to the common interest community form of ownership, Seller has prepared the Declaration, Articles of Incorporation for the formation of a Minnesota nonprofit corporation to act as the homeowners' association for the CIC, the Bylaws, the Rules and Regulations and a Disclosure Statement. Copies of the Declaration, Articles, Bylaws and Rules (the "Governing Documents") are included in the Disclosure Statement. A CIC Plat ("CIC Plat") is also being prepared to comply with the requirements of Minn. Stat. § 515B.2-110(c) and certain permits and approvals have been or are being requested to permit construction of certain improvements in accordance with the Seller's plans. No closing can occur until the Governing Documents are completed, the CIC Plat has been approved by the office of St. Louis County Surveyor and Examiner of Titles, necessary permits and approvals have been obtained, and the Declaration and the CIC Plat are recorded. Seller agrees to use Seller's best efforts to complete the process of submitting the CIC to the common interest community form of ownership contemplated herein and obtaining all necessary permits and approvals. The process may delay the Projected Date of Closing. The actual closing date shall occur on the later of (i) the Projected Date of Closing, or (ii) the Date of Closing set forth in Section 1.

Purchasers within common interest communities may be entitled to certain cancellation rights. These cancellation rights are discussed in the Disclosure Statement and are set forth in Minn. Stat. § 515B.4-106. If Buyer received a Disclosure Statement more than 10 days before signing this Agreement, then Buyer will not have the right to cancel this Agreement, except as provided below if certain modifications to the Governing Documents occur. If Buyer received a Disclosure Statement less than 10 days before signing this Agreement, then Buyer will be allowed 10 days after the date on which Buyer received the Disclosure Statement to examine the Disclosure Statement and to cancel this Agreement. If Buyer did not receive a Disclosure Statement before signing this Agreement, then Buyer will be allowed 10 days after the day the Buyer receives the Disclosure Statement to examine the Disclosure Statement and to cancel this Agreement.

If Buyer elects to cancel this Agreement as permitted in Minn. Stat. § 515B.4-106, Buyer may do so by delivering written notice of cancellation either personally or by postage pre-paid U.S. mail to Seller at 2200 Water Street, Duluth, MN 55812. If Buyer elects to so cancel this Agreement, then this Agreement shall become null and void. If Buyer does not elect to cancel this Agreement as provided in Minn. Stat. § 515B.4-106, then this Agreement shall be binding and will remain in full force and effect.

Seller reserves the right to modify or amend any of the Governing Documents, without any approval from the Buyer. If Seller modifies or amends the Governing Documents without Buyer's approval, then Seller must furnish to Buyer a copy of any such modification or amendment and, if the modification or amendment materially and adversely affects the rights of Buyer, then Buyer may cancel this Agreement within 10 days after the date Buyer receives the modification or amendment.

Any cancellation pursuant to this Section is without penalty, and all payments made by the Buyer before cancellation, including all Earnest Money, must be refunded promptly.

Notwithstanding anything in this Section to the contrary, the Buyer's cancellation rights terminate upon the Buyer's acceptance of a conveyance of the Unit(s).

16. Condition of the Property and Additional Disclosures.

To the best of Seller's knowledge after due inquiry, Seller knows of no hazardous substances or petroleum products having been placed, stored, or released from or on the development property by any person in violation of any law, nor of any underground storage tanks having been located on the development property at any time except as follows: septic systems while property was used as a camp ground and an above-ground commercial gas tank for boaters. To the best of Seller's knowledge the septic systems and the gas tank have been properly removed.

To the best of Seller's knowledge after due inquiry, there have been no other acts or occurrences upon the development property that have caused or could cause hazardous substances or petroleum products to be released or discharged into the soil or ground water of the development property. To the best of Seller's knowledge after due inquiry, the development property is free of hazardous substances and is not subject to any "superfund" type liens or claims by governmental regulatory agencies or third parties arising from the release or threatened release of hazardous substances in, on, or about the development property, except for the minimal levels of contamination that remain from the petroleum tank release as permitted by the MPCA. The MPCA has not imposed any restrictions on the development property.

Methamphetamine Production. To the best of Seller's knowledge, methamphetamine production has not occurred on the property.

Wells. Seller certifies that Seller does not know of any wells on the property that contains the Unit and will so certify on the Deed delivered at closing. Seller discloses that there are wells located on the Common Elements within the development property, and at Seller's expense, all wells will be capped according to State and Federal Guidelines before the Date of Closing.

Airport Zoning Regulations. If airport zoning regulations affect this property, a copy of those airport zoning regulations as adopted can be viewed or obtained at the office of the county recorder where the zoned area is located.

Hazardous Substances, Petroleum Products, and Underground Storage Tanks. Seller knows of no hazardous substances or petroleum products having been placed, stored, or released from or on the property by any person in violation of any law, nor of any underground storage tanks having been located on the property, unless otherwise disclosed in this Agreement.

Protected Sites. Seller has no knowledge that the property has any conditions that are protected by federal or state law (such as American Indian burial grounds, other human burial grounds, ceremonial earthworks, historical structures or materials, or archeological sites).

Residential Planned Unit Development. The Property is subject to a Conditional Use Permit for a Residential Planned Unit Development. The permit allows a maximum of 24 bedrooms on the development property. Therefore, each sale of a Lot in the development shall establish the number of bedrooms allocated to the Buyer. Accordingly, the Buyer agrees to construct a Dwelling with a maximum of _____ bedrooms. This provision will survive the closing and shall be enforceable against the Buyer.

17. **Default.** Buyer's remedies in the event of a material, uncured default by the Seller under this Agreement shall be: (a) rescission of this agreement, in which case all Earnest Money shall be refunded to Buyer; or (b) specific performance which action must be commenced within six months after such right of action arises.

If Buyer defaults in any of Buyer's agreements herein, then Seller may either (a) by notice to Buyer, cancel this Agreement, and upon such cancellation all payments made hereunder, including Earnest Money, shall be retained by Seller as liquidated and agreed damages, time being of the essence hereof; (b) seek damages from Buyer, together with costs and reasonable attorney's fees; or (c) seek specific performance of this Agreement within six (6) months after the Projected Date of Closing.

18. **Recordable Termination Agreement.** If this Agreement is cancelled or terminated pursuant to its terms by either Buyer or Seller, Buyer and Seller agree to contemporaneously execute and deliver such documents in recordable form as may be reasonably necessary to evidence such termination.
19. **Time is of the Essence.** Time is of the essence for all provisions of this Purchase Agreement.
20. **Minnesota Law.** This Purchase Agreement will be governed by the laws of the State of Minnesota.
21. **Miscellaneous.** This Agreement sets forth the entire agreement between the Buyer and Seller with respect to the subject matter hereof and there are no other terms, obligations, covenants, representations, statements or conditions, oral or otherwise of any kind whatsoever that are not herein referred to or expressly incorporated by reference. All

amendments, supplements or riders hereto, if any, shall be in writing and executed by both parties. There are no collateral understandings, representations or agreements other than those expressly contained herein or in the Disclosure Statement.

22. **Exhibits.** This Agreement is subject to and shall be performed in accordance with the terms and conditions set forth in the Exhibits attached hereto and by this reference incorporated into this Agreement as follows:

- Exhibit A Agreement for Use of Earnest Money
- Exhibit B Allocation of Dock Space
- Exhibit C Sewage Treatment System Disclosure

The parties hereto have caused this Agreement to be executed and delivered and this Agreement shall be effective as of the date the last party executes this Agreement as set forth below.

Buyer: _____ Date: _____

Buyer: _____ Date: _____

Seller:
Island Beach, LLC

By: _____ Date: _____

Its _____

**THIS IS A LEGALLY BINDING CONTRACT BETWEEN SELLER AND BUYER.
IF YOU DESIRE LEGAL OR TAX ADVICE, CONSULT AN APPROPRIATE
PROFESSIONAL.**

**ISLAND BEACH RESORT
PURCHASE AGREEMENT**

EXHIBIT A

AGREEMENT FOR USE OF EARNEST MONEY

The price offered in the Purchase Agreement is based on the Seller being able to use Earnest Money for project costs.

Minnesota Statutes require earnest money to be escrowed unless the Buyer(s) agree to release it for payment of project costs. Minnesota Statutes Section 515B.4-109 requires that all earnest money and deposits paid in connection with the purchase of a Unit subject to Chapter 515B of Minnesota Statutes be deposited into an escrow account. Buyer(s) and Seller are, however, permitted to enter into a written agreement permitting the use of such funds for project costs.

Buyer and Seller agree that all Earnest Money and other deposits made by Buyer under the Purchase Agreement may be transferred to Seller and used by Seller to pay project costs.

Buyer: _____

DATE: _____

Buyer: _____

DATE: _____

Seller:
Island Beach, LLC

DATE: _____

By: _____

Its _____

**ISLAND BEACH RESORT
PURCHASE AGREEMENT**

EXHIBIT B

ALLOCATION OF DOCK SPACE

This allocation of Dock Spaces is an addendum to the Purchase Agreement between Island Beach, LLC, as Seller, and _____, as Buyer, dated _____, 20 ____, for the purchase and sale of Unit _____ and Garage Unit _____, Common Interest Community No. 68, St. Louis County, Minnesota.

Section 3.4 of the Declaration provides that one dock space will be allocated for the use of each Residential Unit on a first come first served basis, except that there may be allocated two dock spaces to Units 7, 8 and 9.

The following dock space(s) will be allocated to the Unit being purchased by the Buyer:

Dock Space(s) _____

ISLAND BEACH, LLC

BUYER:

By: _____

Its: _____
