



November 23, 2020

VIA E-FILING

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

**Re: In the Matter of Minnesota Power's
Approval of a Purchase Agreement
with Spalj Real Estate, LLC
Docket No. E015/PA-20-**

Dear Mr. Seuffert:

Minnesota Power (or the "Company") submits this Petition to the Minnesota Public Utilities Commission for approval of a Purchase Agreement between Minnesota Power and Spalj Real Estate, LLC. The Company respectfully requests an expeditious regulatory review of the proposed Purchase Agreement, which is in the public interest, as too lengthy of a regulatory review process may result in the buyer withdrawing from the purchase agreement and hence no near-term benefits being passed on to customers.

Please contact me at (218) 355-3601 or lhoyum@mnpower.com if you have any questions regarding this filing.

Yours truly,



Lori Hoyum
Regulatory Compliance Administrator

LMH:th
Attach.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of Minnesota Power’s
Approval of a Purchase Agreement with
Spalj Real Estate, LLC

Docket No. E015/PA-20-____

SUMMARY

Minnesota Power (or the “Company”) submits this Petition to the Minnesota Public Utilities Commission (“Commission”) for approval of a Purchase Agreement between Minnesota Power and Spalj Real Estate, LLC. Under the Purchase Agreement, the Company intends to sell its Crosby Service Center, a large industrial facility located on approximately 6 acres in Crosby, Minnesota, for \$400,000. The Purchase Agreement requires prior Commission approval pursuant to Minn. Stat. §216B.50.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of Minnesota Power's
Approval of a Purchase Agreement with
Spalj Real Estate, LLC

Docket No. E015/PA-20-____

I. INTRODUCTION

Minnesota Power (or the "Company") submits this Petition to the Minnesota Public Utilities Commission ("Commission") seeking approval of a Purchase Agreement between Minnesota Power and Spalj Real Estate, LLC. Under the Purchase Agreement (which is attached as Exhibit A to this Petition), the Company intends to sell its Crosby Service Center, a large commercial facility located on approximately 6 acres in Crosby, Minnesota, for \$400,000. The Purchase Agreement requires prior Commission approval pursuant to Minn. Stat. §216B.50.

This Petition is filed pursuant to Minn. Stat. §216B.50 and Minn. Rules Part 7825.1600-1800. The Company believes that the Purchase Agreement is in the public interest and satisfies all the criteria under the statute and Rules and should be approved by the Commission. Minnesota Power respectfully requests an expeditious regulatory review of the proposed Purchased Agreement as a lengthy review process is a deterrent to potential buyers. The Agreement is in the public interest; therefore, the Company looks forward to working with regulators and other stakeholders to achieve Commission approval on behalf of customers.

II. PROCEDURAL MATTERS

Pursuant to Minn. Rules Part 7825.1300, Subpart 3, Minnesota Power provides the following general information:

A. Summary of Filing (Minn. Rule 7829.1300, subp.1)

A one-paragraph summary accompanies this Petition.

B. Service on Other Parties (Minn. Rule 7829.1300, subp. 2)

Pursuant to Minn. Stat. § 216.17, subd. 3 and Minn. Rules 7829.1300, subp. 2, Minnesota Power eFiles the Petition on the Minnesota Department of Commerce, Division of Energy Resources and the Minnesota Office of the Attorney General – Antitrust and Utilities Division. A summary of the filing prepared in accordance with Minn. Rules 7829.1300, subp. 1 is being served on Minnesota Power’s general service list.

C. Name, Address and Telephone Number of Utility (Minn. Rule 7829.1300, subp. 3(A))

Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 722–2641

D. Name, Address and Telephone Number of Utility Attorney (Minn. Rule 7829.1300, subp. 3(B))

David Moeller
Senior Attorney and Director of Regulatory Compliance
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 723–3963
dmoeller@allete.com

E. Date of Filing and Date Proposed Rate Takes Effect (Minn. Rule 7829.1300, subp. 3(C))

This Petition is being filed on November 23, 2020. Minnesota Power requests approval of the Purchase Agreement as of its effective date.

F. Statute Controlling Schedule for Processing the Filing (Minn. Rule 7829.1300, subp. 3(D))

This Petition is made pursuant to Minn. Stat. § 216B.50 and Minn. Rules Part 7825.1600 – 1800. These provisions do not establish an explicit time deadline for Commission action.

G. Utility Employee Responsible for Filing (Minn. Rule 7829.1300, subp. 3(E))

Lori Hoyum
Regulatory Compliance Administrator
Minnesota Power
30 West Superior Street
Duluth, MN 55802

(218) 355-3601
lhoyum@mnpower.com

H. Impact on Rates and Services (Minn. Rule 7829.1300, subp. 3(F))

The Purchase Agreement will have no effect on Minnesota Power's base rates. The additional information required under Minn. Rule 7829.1300, subp. 3(F) is included throughout this Petition.

I. Service List (Minn. Rule 7829.0700)

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Regulatory Compliance
Minnesota Power
30 West Superior Street
Duluth, Minnesota 55802
(218) 723-3963
dmoeller@allete.com

Lori Hoyum
Regulatory Compliance
Administrator
Minnesota Power
30 W Superior Street
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(218) 355-3601
lhoyum@mnpower.com

III. DESCRIPTION OF FILING

A. THE PURCHASE AGREEMENT

Minnesota Power has operated the Crosby Service Center in Crosby, Minnesota, since it was built in the 1980s. For many years, this location was used to support customers in the western section of the Company's service territory, respond to trouble calls when necessary, and maintain assets and facilities. As part of the on-going facility optimization efforts of Minnesota Power's field operations, the Crosby Service Center closed on December 31, 2019. This closure had minimal employee impacts as employees at this location took leadership positions in other areas of the company or retired for reasons unrelated to the facility closure. Thus, the Crosby Service Center is in an excellent position for divestiture. A sale of the Crosby Service Center building would be the best option long-term, and a willing buyer (Spalj Real Estate, LLC) has stepped forward. Spalj Real Estate, LLC is a known and respected business doing business in Crosby and the surrounding communities. The transaction is contingent on the required Commission approval sought through this Petition.

Minnesota Power commissioned Ramsland & Vigen, Inc. to complete a market price analysis for the Crosby Service Center (attached as Exhibit B). This report was completed on October 15, 2019, and determined the estimated market value to be \$385,000.00. Minnesota Power's property accountants determined the book value on the proposed parcels was \$275,736.00. Minnesota Power and Spalj Real Estate, LLC executed a Purchase Agreement of \$400,000 for the large industrial facility and approximately 6 acres that comprise the Crosby Service Center, about \$15,000 more than the estimated market value.

Minnesota Power is requesting an expeditious regulatory review of the proposed Purchased Agreement. The Company is concerned, based on feedback received from a respected real estate professional, that the associated delay in taking possession of the Crosby Service Center due to the required Commission regulatory review process, is a deterrent to potential buyers. The delay in taking possession is a business cost to the potential buyer that can be used as leverage during negotiations, potentially impacting the final sale price. Too lengthy of a regulatory review process may result in the buyer withdrawing from the purchase agreement and no resulting benefits to customers.

B. THE PURCHASE AGREEMENT IS IN THE PUBLIC INTEREST

Minn. Stat. §216B.50 requires that transfers "of any plant as an operating unit or system" involving a public utility in which the value of the property exceeds \$100,000 must be approved by the Commission. Minn. Rules Part 7825.166, Subpart 8, likewise incorporates the concept of an "operating unit or system" in requiring approval. In any event, the Purchase Agreement is clearly in the public interest and approval should be granted. The sale of the property will reduce Minnesota Power's real estate costs and creating a significant public benefit.

The Company will credit the difference between the book value and the sale price to Minnesota Power customers. The proposed accounting entries are included as Exhibit C to this Petition. Minn. Stat. §216B.50 governs the Commission's review of this Petition. This statute provides, in relevant part: Upon the filing of an application for the approval and consent of the commission thereto the commission shall investigate, with or without

public hearing, and in case of a public hearing, upon such notice as the commission may require, and if it shall find that the proposed action is consistent with the public interest it shall give its consent and approval by order in writing." Minn. Stat. §216B.50, subd. 1. Thus, if the Commission finds that the transaction is "consistent with the public interest," it must approve the Petition. In prior cases, the Commission established that this standard "does not require an affirmative finding of public benefit, just a finding that the transaction is compatible with the public interest." In the Matter of the Proposed Merger of Minnegasco, Inc. With and Into ARKLA, Inc., Order Approving Merger, Docket No. G-008/PA-90-604 (1990). The Commission reconfirmed this standard in its approval of the merger In the Matter of the Proposed Merger of Minnegasco, Inc. With and Into Houston Industries, Inc. and Houston Lighting and Power Co., Docket No. G-008/PA-96-950. In that matter, the Commission approved a merger that had no rate reductions or freezes. The statute does not require that proposed transactions affirmatively benefit ratepayers or the public or that they otherwise promote the public interest. They cannot, however, contravene the public interest and must be shown to be compatible with it. *Id.*, p.4. The sale of the land and buildings that comprise the Crosby Service Center easily meets the Commission's standard under Section 50.

C. FILING COMPLIANCE AND VARIANCE REQUEST

The effectiveness of the Purchase Agreement is contingent upon Commission approval. Moreover, the information provided with this Petition meets the requirements of the relevant Rules. Under Section 50, the Commission must consider the "reasonable value" of the property transferred. The information provided, including the information on how the Company will treat the difference between the purchase price and the book value of the property, gives the Commission ample basis for making that determination.

In addition, however, a Section 50 filing must contain information required by Minn. Rules Part 7825.1400 and 7825.1800. These Rules are primarily designed to collect information pertinent to capital structure filings and for the purpose of investigating the issuance of securities and Minnesota Power requests a variance from the application of such Rules in this Petition. The Commission shall grant a variance to its rules when it determines that the following requirements are met:

- a. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- b. granting the variance would not adversely affect the public interest; and
- c. granting the variance would not conflict with standards imposed by law.

Minnesota Power believes that these Rules have no direct relevance to ascertaining the reasonableness of small property transfers such as the sale of the Crosby Service Center; while the burden may not be excessive, the information that would result is not relevant to the Commission's analysis. Consequently, to the extent the informational requirement of Minn. Rules Part 7825.1400 and 1800 apply to this Docket, the Company seeks a variance since those requirements are irrelevant. The public interest is not harmed by the absence of such information, and there is no conflict with any other law, Rule or regulation if the variance is granted. In any event, the Company has provided the acquisition price and the book value referenced in these Rules. The public interest will not be adversely affected and no other applicable law or statute will be violated; a variance is justified.

IV. CONCLUSION

Minnesota Power respectfully requests the Commission expeditiously approve the Purchase Agreement with Spalj Real Estate, LLC. Approval will financially benefit Minnesota Power customers, as well as the community of Crosby, Minnesota with a known and respected business taking possession of the six acres and commercial facility.

Yours truly,



Lori Hoyum
Regulatory Compliance Administrator

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 23rd day of November, 2020, she served Minnesota Power's Petition in **Docket No. E015/PA-20-TBD** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Tiana Heger

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (the “**Agreement**”) dated as of this 23rd day of October, 2020 (the “**Effective Date**”), is made and entered into by and between Minnesota Power, a division of ALLETE, INC., a Minnesota corporation f/k/a Minnesota Power & Light Company (“**Seller**”), and SPALJ REAL ESTATE, LLC, a Minnesota limited liability company (“**Buyer**”).

ARTICLE 1

DEFINED TERMS

1.1 Definitions. As used in this Agreement, the following terms have the meanings indicated:

“**Broker**” means Close-Converse, Inc.

“**Business Day**” means a day other than a Saturday, a Sunday or another day on which commercial banks in Minneapolis, Minnesota are not required to be open for public business.

“**Closing**” means the consummation of the purchase of the Property by Buyer from Seller in accordance with Article 9.

“**Closing Date**” means the date on which Closing is actually held.

“**Deed**” has the meaning given such term in Section 9.2.

“**Defect**” has the meaning given such term in Section 4.3.

“**Earnest Money Deposit**” means the portion of the Purchase Price deposited by Buyer in escrow with Title Company as provided in Section 2.2 and any interest accrued thereon. The Earnest Money Deposit shall be payable as provided in this Agreement.

“**Inspection Period**” means the forty-five (45) day period commencing on the Effective Date.

“**Permitted Exceptions**” means the Title Exceptions set forth in the Title Commitment or reflected in the Survey delivered or made pursuant to Section 4.2, or any other exceptions or conditions that affect or may affect Seller's title to or use of the Property to which Buyer has not objected pursuant to Section 4.3, or that are waived (or deemed to be waived) by Buyer in accordance with Section 4.3.

“**Personal Property**” means Seller's interest in all machinery, equipment and other tangible personal property and all fixtures which are attached and appurtenant to, or forming part of, the Property, including, without limitation, those items set forth on the attached Exhibit E.

“Property” means:

- (i) the real property described on the attached Exhibit A and located in Crow Wing County, Minnesota, being approximately 6.09 acres, commonly known as 1 4th Street NW, Crosby, MN 55441, and identified as tax parcel number 11120507, together with all buildings and improvements thereon;
- (ii) all easements, rights of way, privileges, licenses, appurtenances and other rights and benefits running with the real property described above; and
- (iii) all Personal Property.

“Purchase Price” has the meaning given such term in Section 2.1.

“Review Materials” means the documents described as such on the attached Exhibit F, to the extent in Seller’s possession

“Survey” means any survey to be provided by Seller to Buyer or otherwise obtained by Buyer pursuant to Section 4.2.

“Title Commitment” has the meaning given such term in Section 4.1.

“Title Company” means: First American Title Insurance Company operating out of its Minneapolis office, with an address of:

First American Title Insurance Company
National Commercial Services
121 South 8th Street, Suite 1250
Minneapolis, MN 55402

“Title Exception” means any lien, mortgage, security interest, encumbrance, pledge, assignment, claim, charge, lease (surface, space, mineral, or otherwise), condition, restriction, option, conditional sale agreement, right of first refusal, restrictive covenant, exception, easement (temporary or permanent), right-of-way, encroachment, overlap, or other outstanding claim, interest, estate, or equity of any nature.

“Title Policy” has the meaning given such term in Section 4.1.

1.2 Other Defined Terms. Other defined terms have the meanings assigned to them elsewhere in this Agreement.

ARTICLE 2

AGREEMENT TO PURCHASE AND SELL; EARNEST MONEY DEPOSIT

2.1 Agreement to Purchase and Sell. Subject to and upon the terms and conditions contained in this Agreement, Seller agrees to sell and convey to Buyer and Buyer agrees to purchase the Property from Seller for a total purchase price of Four Hundred Thousand and No/100ths Dollars (\$400,000.00) (the “**Purchase Price**”).

2.2 Earnest Money Deposit. Within three (3) Business Days after execution and delivery by Seller of this Agreement, Buyer shall deliver to Title Company the sum of Seven Thousand Five Hundred and No/100ths Dollars (\$7,500.00) (the “**Earnest Money Deposit**”), to be held by Title Company in escrow and to be applied or disposed of by it as is provided in this Agreement.

Title Company shall deposit the Earnest Money Deposit in an interest-bearing account with a financial institution and in a manner reasonably acceptable to Seller and Buyer. All interest earned is part of the Earnest Money Deposit under this Agreement. If the purchase and sale hereunder is consummated, then the Earnest Money Deposit shall be applied to the payment of the Purchase Price at Closing. In all other events, the Earnest Money Deposit shall be applied by Title Company as provided in this Agreement.

2.3 Payment of Purchase Price. Prior to 5:00 p.m. (Minneapolis, Minnesota time) on the Closing Date, subject to the terms and conditions herein, Buyer shall, by wire transfer of funds immediately available for disbursement at Closing by Title Company, pay an amount equal to (i) the Purchase Price, (ii) plus or minus net adjustments and prorations provided for in this Agreement, and (iii) minus the Earnest Money Deposit (inclusive of any interest earned thereon). The Earnest Money Deposit and all interest earned thereon shall be disbursed by Title Company to Seller at Closing.

ARTICLE 3

DOCUMENTS FURNISHED BY SELLER; CONFIDENTIALITY

3.1 Documents Furnished by Seller; Confidentiality. Within five (5) Business Days after the Effective Date, Seller shall deliver to Buyer the Review Materials to the extent within Seller’s possession or control or shall make the Review Materials available at the Property for inspection by Buyer. The Review Materials and all materials, books and records examined by or on behalf of Buyer pursuant to this Agreement shall: (i) be held in strict confidence by Buyer; (ii) not be used for any purpose other than the investigation and evaluation of the Property by Buyer and its members, partners, prospective investors, lenders, attorneys, employees, agents, engineers, consultants and other representatives (collectively, “**Buyer’s Agents**”); (iii) not be disclosed, divulged or otherwise furnished to any other person or entity except to Buyer’s Agents or as required by law; and (iv) be disclosed only to those Buyer’s Agents who are under a duty to comply with the confidentiality provisions of this Agreement. If this Agreement is terminated for any reason whatsoever, Buyer shall return to Seller all of the Review Materials (and all copies thereof) in the possession of Buyer and Buyer’s Agents. The provisions of this Section shall survive the Closing or termination of this Agreement.

ARTICLE 4

TITLE AND SURVEY

4.1 Title Report. Not later than ten (10) Business Days after the Effective Date, Seller shall deliver to Buyer an updated title insurance commitment for the Property prepared by Title Company (the “**Title Commitment**”). Any delays in the delivery of the Title Commitment to Buyer shall extend the Inspection Period on a day-by-day basis. The title insurance policy to be issued at Closing by Title Company pursuant to the Title Commitment shall be an ALTA Owner’s Policy of Title Insurance (Form B - revised 6/17/06) issued by Title Company, insuring marketable fee simple title of Buyer in and to the Property for the Purchase Price, together with endorsements which may be required to insure over any valid Defects (the “**Title Policy**”). Buyer shall have the right to obtain a title policy, at Buyer’s cost, pursuant to Section 7.2(a), to be issued to Buyer at Closing, subject to the Permitted Exceptions (as hereinafter defined) and free and clear of all standard or general exceptions contained in the Title Commitment which Title Company is permitted by applicable law to remove or modify upon delivery of the Survey (as hereinafter defined) and a standard title affidavit from Seller.

4.2 Survey. Within three (3) Business Days after the Effective Date, Seller shall deliver to Buyer any existing survey of the Property within the Seller’s possession or control, and Buyer, at Buyer’s sole cost and expense, shall have the right to obtain a new survey of the Property reflecting such ALTA Table A items as Buyer may require (any survey delivered by Seller to Buyer or otherwise obtained by Buyer are collectively referred to herein as the “**Survey**”).

4.3 Title Defects. Prior to the expiration of the Inspection Period, Buyer shall give a written notice to Seller (the “**Defects Notice**”) of any claim, lien or exception adversely affecting marketable title to the Property and which Buyer is not willing to waive (a “**Defect**”). Buyer shall be deemed to have waived all Title Exceptions and any other claim, lien or exception adversely affecting marketable title to the Property to which Buyer has not objected via a Defects Notice prior to the expiration of the Inspection Period, provided, however, Buyer may object after the expiration of the Inspection Period to any Defect first created or added to the Title Commitment after the expiration of the Inspection Period by giving Seller an additional Defects Notice within ten (10) days after Buyer learns of the new Defect. Seller shall have the right, but not the obligation, to cure any Defect within fifteen (15) days after its receipt of the Defects Notice, or in the case of any Defect which cannot with due diligence be cured within such 15-day period, such later date by which such Defect can reasonably be cured, provided that Seller commences to cure such Defect within such fifteen (15) day period and thereafter continues diligently and in good faith to cure the Defect. Closing shall be extended, if necessary, in order to permit the cure described above, but in no event shall the date of Closing, as provided in Section 9.1, be extended for more than sixty (60) days. In the event that Seller elects not to cure any such Defect, Seller shall notify Buyer of such election within five (5) Business Days after its receipt of the Defects Notice or within five (5) Business Days after its election not to continue to attempt to cure such Defect. Seller shall have no obligation to cure any Defect created solely by any acts or omissions of Buyer (a “**Buyer’s Defect**”), and Seller’s failure to cure any Buyer’s Defect shall not relieve Buyer from its obligation to close under this Agreement. If Seller elects not to cure any Defect as set forth above or, if by the expiration of the cure period provided for above, Seller has failed to cure all Defects (other than any Buyer’s Defects), Buyer may, at its option and as its sole remedy, either (i) cure such Defects and subtract the cost thereof paid by

Buyer from the Purchase Price and proceed to Closing, thereby waiving all claims against Seller with respect to such Defects, (ii) waive the Defects and proceed to close subject to any such Defects, with no offset against or reduction in the Purchase Price, thereby waiving all claims against Seller with respect to such Defects, or (iii) terminate this Agreement by written notice given to Seller within five (5) Business Days after the expiration of the cure period or Seller's notice of election not to cure any Defect, as the case may be. In the event this Agreement is so terminated by Buyer, the Earnest Money Deposit and all interest earned thereon shall be delivered to Buyer and the parties shall be released from all further obligations and liabilities hereunder, except with respect to the covenants and indemnities that expressly survive termination of this Agreement.

ARTICLE 5

BUYER'S INSPECTION OF THE PROPERTY

5.1 Inspection and Examination. After the Effective Date, Buyer and Buyer's Agents will be given the right to (i) perform nondestructive physical tests on the Property, (ii) conduct any and all necessary engineering, environmental and other inspections at the Property and (iii) examine and evaluate the Review Materials. No soil and/or ground water sampling shall be performed unless and until the location, scope and methodology of such sampling and the environmental consultant selected by Buyer to perform such sampling have all been approved by Seller, which approval shall not be unreasonably withheld or delayed. With respect to Buyer's right to inspect the Property, Buyer agrees that (i) Seller shall receive not less than twenty-four (24) hours prior notice of each inspection; (ii) each inspection shall be performed during normal business hours or at such other times as Seller and Buyer shall mutually agree; (iii) Buyer shall promptly repair and restore all damage to the Property caused by such inspection to the condition that existed prior to such inspection, and (iv) each such inspection or examination shall, at Seller's election, be in the presence of Seller or its representative. The provisions of this Section 5.1 shall survive the Closing or termination of this Agreement. Buyer will provide a copy of any environmental report obtained by Buyer to Seller.

5.2 Right of Termination. Except as otherwise provided herein, Buyer's obligations under this Agreement shall be contingent, only during the Inspection Period, upon Buyer being satisfied in its sole discretion with the results of its investigation and evaluation of the Property, the Review Materials and any and all other documents, files, records, correspondence and matters relating to the Property and such other matters as Buyer may determine are relevant to its decision to purchase the Property. In the event that Buyer is not so satisfied for any reason (or for no reason) in Buyer's sole discretion, Buyer shall notify Seller in writing (the "**Termination Notice**") prior to the expiration of the Inspection Period. If Buyer shall give the Termination Notice to Seller prior to the expiration of the Inspection Period, the Earnest Money Deposit and all interest earned thereon shall be promptly returned to Buyer and the parties hereto shall be released from all further obligations and liabilities hereunder, except with respect to the covenants and indemnities that expressly survive termination of this Agreement. If Buyer does not timely give the Termination Notice, then (a) Buyer shall be deemed to have accepted the condition of the Property, subject to Article 10, (b) Buyer's right to terminate this Agreement pursuant to this Section 5.2 shall be deemed waived, and (c) the Earnest Money Deposit shall thereafter not be refundable to Buyer and shall be deemed fully earned by Seller in all events

other than (i) Seller's default and failure to tender conveyance of the Property under this Agreement, or (ii) termination of this Agreement by Buyer under the provisions of Sections 4.3, 6.2, 8.2, 10.1, 10.2 or 12.2.

5.3 Inspection Indemnity. Buyer shall defend, indemnify and hold Seller harmless from and against all loss, expense (including, without limitation, reasonable attorneys' fees and court costs arising from the enforcement of this indemnity), damage and liability resulting from claims for personal injury, wrongful death or property damage against Seller or any of the Property arising from or as a result of, any act or omission of Buyer or Buyer's Agents while on the Property in connection with any inspection or examination of the Property or the books and records with respect thereto by Buyer or Buyer's Agents. The provisions of this Section 5.3 shall survive the Closing or the termination of this Agreement.

5.4 Condition. As a material inducement to Seller to execute this Agreement, Buyer acknowledges, represents and warrants that, if Buyer has not terminated this Agreement prior to the expiration of the Inspection Period, (i) Buyer will have fully examined and inspected the Property, including, without limitation, the physical and environmental condition of the Property, together with the Review Materials and such other documents and materials with respect to the Property which Buyer deems necessary or appropriate in connection with its investigation and examination of the Property, (ii) Buyer will have accepted and will be fully satisfied in all respects with the foregoing and with the physical condition, value, presence/absence of hazardous materials, financing status, use, leasing, operation, tax status, income and expenses of the Property, (iii) the Property will be purchased by Buyer "AS IS" and "WHERE IS" and with all faults and, upon Closing, Buyer shall assume responsibility for the physical and environmental condition of the Property, and (iv) Buyer will have decided to purchase the Property solely on the basis of its own independent investigation and the representations, covenants and agreements of Seller contained in this Agreement. Except as expressly set forth herein or in any document executed by Seller and delivered to Buyer pursuant to this Agreement ("**Seller's Documents**"), Seller has not made, does not make, and has not authorized anyone else to make any representation as to the present or future physical condition, value, presence/absence of hazardous materials, financing status, leasing, operation, use, tax status, income and expenses or any other matter or thing pertaining to the Property, and Buyer acknowledges that no such representation or warranty has been made and that in entering into this Agreement it does not rely on any representation or warranty other than those expressly set forth in this Agreement or in Seller's Documents. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN SELLER'S DOCUMENTS, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY. Seller shall not be liable for or bound by any verbal or written statements, representations, advertisements or information pertaining to the Property furnished by any real estate broker, agent, employee, servant or any other person unless the same are specifically set forth in this Agreement or in Seller's Documents. The provisions of this Section 5.4 shall survive Closing.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of Seller. Seller makes the following representations and warranties to Buyer, which representations and warranties shall be true and correct in all material respects on the date hereof and on the Closing Date:

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Minnesota.

(b) The execution, delivery and performance of this Agreement and, upon approval of the sale of the Property by the Minnesota Public Utilities Commission, upon terms and conditions acceptable to Seller, and release of the first lien mortgage on the Property, all other documents, instruments and agreements now or hereafter to be executed and delivered by Seller pursuant to this Agreement are within the power of Seller, have been duly authorized by all necessary or proper action and are enforceable against Seller in accordance with its terms. The individual executing this Agreement on behalf of Seller has the authority to bind Seller.

(c) Seller is not a “foreign person” as defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended.

(d) Upon approval from the Minnesota Public Utilities Commission of the sale of the Property prior to Closing, to Seller’s knowledge, the conveyance of the Property to Buyer will not violate any applicable statute, ordinance, governmental restriction or regulation, or any private restriction or agreement applicable to the Property or to Seller.

(e) To Seller’s knowledge, as of the date hereof, there is no pending or threatened suit or action against Seller which, if adversely decided, would prevent the consummation of the transaction contemplated by this Agreement. Without limiting the generality of the foregoing, to Seller’s knowledge, as of the date hereof there are no actual or threatened suits, actions or proceedings with respect to all or part of the Property (a) for condemnation or (b) alleging any material violation of any applicable law, regulation, ordinance or code.

(f) Intentionally omitted.

(g) To Seller’s knowledge, the Property is in compliance with all federal, state, local or other governmental building, zoning, environmental, health, safety, platting, subdivision or other law, ordinance or regulation, or any applicable private restriction, and such use is not a pre-existing, non-conforming use. No notice of the violation of any of said laws, ordinances, regulations, codes or restrictions has been received by Seller.

(h) Intentionally omitted.

(i) As of the date of this Agreement and continuing up to and until the Closing Date, the Property is insured for not less than the full replacement cost of the

improvements on the Property against loss by fire and all other insurable perils to which they may be subject including, without limitation, riot and civil commotion, and vandalism and malicious mischief.

(j) No judgment, lien, suit, action or legal, administrative, arbitration or other proceeding, or any change in the zoning or building ordinances affecting the Property is pending or, to Seller's knowledge, threatened against Seller which could result in a material adverse change in the financial condition of Seller or which could result in a judgment or lien against Seller or could result in a rezoning or taking of the Property (or any part thereof).

(k) The Property consists of a separate tax parcel and is not assessed for real estate tax purposes as part of any other lot or parcel.

(l) There are no leases, licenses or agreements granting a right to possess or occupy the Property or any part thereof, to any party other than Seller.

(m) To Seller's knowledge, there are no adverse or other parties in possession of the Property or any part thereof, except Seller.

(n) There are no service contracts affecting the operation, leasing and management of the Property that will exist or continue in force after the Closing Date.

(o) Seller has not entered into any other agreements for the sale of the Property, nor are there any rights of first refusal or options to purchase the Property or any other rights of others to acquire the Property that might prevent or impede the consummation of this Agreement.

(p) Seller does not know of any wells on the Property.

(q) There is no subsurface sewage treatment system on the Property; all sewage generated by the Property goes to a facility permitted by the Minnesota Pollution Control Agency, which representation is intended to satisfy the requirements of Minn. Stat. § 115.55, Subd. 6.

(r) To the best of Seller's knowledge, methamphetamine production has not occurred on the Property, which representation is intended to satisfy the requirements of Minn. Stat. § 152.0275.

6.2 Limitation of Seller's Representations. At Closing, Seller shall execute and deliver to Buyer a certificate ("**Closing Certificate**") certifying that the representations and warranties of Seller in this Agreement are true and correct as of Closing except as may be otherwise set forth in the Closing Certificate. If any qualifications set forth in the Closing Certificate as to any representation or warranty materially and adversely affects the value or utility of the Property and arises as a result of causes other than the act or failure to act of Seller, Buyer (as its sole remedy) may either (a) waive said matter and close this transaction in accordance with the terms hereof; or (b) terminate this Agreement by delivering written notice thereof to Seller on or before Closing whereupon the Earnest Money Deposit and all interest

earned thereon shall be delivered to Buyer and neither party shall have any further obligation hereunder. If the qualifications set forth in the Closing Certificate materially and adversely affect the Property and arise as a result of the act or failure to act of Seller, Seller shall be deemed to be in default hereunder and Buyer shall be entitled to pursue the only those remedies for Seller's default as set forth in Section 12.2(a) and (c). The representations and warranties of Seller contained in Section 6.1 shall survive Closing for six (6) months after the Closing Date (the "**Representation Termination Date**"), at which time such representations and warranties shall terminate and be of no further force or effect except as to any representation or warranty with respect to which Buyer has given Seller notice of a default by Seller in any of such representations or warranties prior to such date. All other representations and warranties made by Seller in this Agreement, unless expressly provided otherwise, shall not survive Closing.

6.3 Representations and Warranties of Buyer. Buyer makes the following representations and warranties to Seller, which representations and warranties shall be true and correct in all material respects on the Closing Date:

(a) Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Minnesota.

(b) The execution, delivery and performance of this Agreement and all other documents, instruments and agreements now or hereafter to be executed and delivered by Buyer pursuant to this Agreement are within the power of Buyer have been duly authorized by all necessary or proper action, and is enforceable against Buyer in accordance with its terms.

The representations and warranties of Buyer contained in this Section 6.3 shall survive Closing.

ARTICLE 7

COVENANTS AND AGREEMENTS

7.1 Operation and Maintenance of Property Prior to Closing. From the date hereof until the Closing Date or the earlier termination of this Agreement, Seller shall:

(a) Insure at current insured amounts and maintain the Property in a manner consistent with the current management of the Property;

(b) Advise Buyer of any litigation, arbitration, or administrative action or proceeding before any governmental agency concerning and affecting the Property in any material manner that is instituted or threatened in writing and of any proposed change in any zoning, variance, conditional use or other land use ordinance or regulation of which Seller has knowledge on or prior to the Closing Date; and

(c) Not enter into any contract or agreement that would be binding on Buyer after Closing unless such contract is terminable without cost to Buyer effective on or prior to the Closing Date.

7.2 Expenses.

(a) Buyer shall pay (i) the premium for the Title Policy and the cost of all endorsements and any extended coverage obtained by Buyer thereunder; (ii) all recording fees on the Deed; and (iii) one-half (1/2) of the escrow fees charged by the Title Company.

(b) Seller shall pay (i) the cost of obtaining the Title Commitment; (ii) all state and county transfer taxes with respect to the transaction contemplated hereby; and (iii) one-half (1/2) of the escrow fees charged by Title Company.

(c) Each party shall pay its own attorneys' fees and all of its other expenses, except as otherwise expressly set forth herein.

(d) All costs incurred incidental to the Closing not otherwise specifically allocated herein shall be allocated in accordance with the custom and practice for similar transactions in the area in which the Property is located.

ARTICLE 8

CONDITIONS PRECEDENT TO BUYER'S AND SELLER'S PERFORMANCE

8.1 Performance of Seller's Obligations. Seller is not obligated to perform under this Agreement unless:

(a) Buyer has performed all obligations and agreements performable by Buyer on or before Closing Date; and

(b) All representations and warranties of Buyer herein are true and correct in all material respects as of the Closing Date.

If any of the specified conditions precedent to the performance of Seller's obligations under this Agreement has not been satisfied by Buyer or waived or deemed waived by Seller, and if Seller gives Buyer written notice of the specific conditions that Buyer has failed to perform, and if those specific conditions remain unperformed and uncured for five (5) Business Days after Buyer has received written notice thereof, then Seller may terminate this Agreement as Seller's sole remedy or recourse. On Seller's termination pursuant to this Section 8.1, the Earnest Money Deposit shall be paid to Seller by Title Company. If the Earnest Money Deposit is properly payable to Seller, then Buyer shall, on written request from Seller, promptly deliver a quit claim deed to the Property executed by Buyer and instructions to cause Title Company to pay to Seller the Earnest Money Deposit and thereafter Buyer and Seller shall have no further obligations under this Agreement, one to the other, except those that expressly survive termination of this Agreement.

8.1.1 Seller's Contingencies: The following are specific conditions precedent to the obligation of Seller to sell the Property to Buyer:

(a) Approval of the transaction contemplated herein by the Minnesota Public Utilities Commission by a written order upon terms and conditions acceptable to

Seller (“PUC Order”) no later than twelve (12) months from the Effective Date (“PUC Order Contingency Period”).

(c) The release of the first lien mortgage prior to Closing Date (the “Mortgage Release”).

If any of the contingencies as set out in this Section 8.1.1 are not met by Seller within the specified time period, then either Seller or Buyer may terminate this Agreement. On termination pursuant to this Section 8.1.1, the Earnest Money Deposit shall be promptly returned to Buyer by Title Company, and thereafter Buyer and Seller shall have no further obligations under this Agreement, one to the other, except those that expressly survive termination of this Agreement. Seller’s waiver of any of the above items does not affect any of the other contingencies. Seller agrees to submit all applications necessary to obtain the PUC Order promptly upon full execution of this Agreement, and Seller agrees to diligently pursue the Mortgage Release prior to the Closing Date and the PUC Order during the PUC Order Contingency Period. If Seller is unable to obtain the PUC Order within the PUC Order Contingency Period or the Mortgage Release prior to the Closing Date, Seller shall reimburse Buyer for expenses incurred by Buyer in its investigation of the Property and negotiation of this Agreement including, without limitation, any environmental consultant fees, survey fees and attorney’s fees up to a maximum of Seven Thousand Five Hundred and 00/100th dollars (\$7,500.00) (“Buyer’s Due Diligence Costs”). Seller’s obligation to reimburse Buyer for Buyer’s Due Diligence Costs shall survive termination of this Agreement.

8.2 Performance of Buyer’s Obligations. Buyer is not obligated to perform under this Agreement unless:

(a) Seller has performed all obligations and agreements performable by Seller on or before the Closing Date;

(b) All representations and warranties of Seller herein are true and correct in all material respects as of the Closing Date;

(c) The Title Policy, or a Title Commitment updated at Closing to commit Title Company to issue the Title Policy, as approved by Buyer in accordance with Section 4.3, hereof, and signed by an officer of Title Company, is delivered to Buyer at Closing; and

(d) As of the Closing Date, except as permitted by Article 10, there has been no material adverse change in the physical condition of the Property from the condition thereof as of the end of the Inspection Period.

If any of the specified conditions precedent to the performance of Buyer's obligations under this Agreement has not been satisfied by Seller or waived or deemed waived by Buyer, and if Buyer gives Seller written notice of the specific conditions that Seller has failed to perform, and if those specific conditions remain unperformed and uncured for five (5) Business Days after Seller has received written notice thereof, then if the failure to perform relates to curing of Defects Buyer may exercise its remedies under Section 4.3, and if the failure to perform relates to any other matter, then Buyer may exercise the rights and remedies provided in

Section 12.2 as Buyer's sole remedies or recourses. On Buyer's termination pursuant to this Section 8.2, the Earnest Money Deposit shall be promptly returned to Buyer by Title Company. If the Earnest Money Deposit is properly returnable to Buyer, then Seller shall, on written request from Buyer together with a quit claim deed to the Property executed by Buyer, promptly deliver necessary instructions to cause Title Company to return to Buyer the Earnest Money Deposit and thereafter Buyer and Seller shall have no further obligations under this Agreement, one to the other, except those that expressly survive termination of this Agreement.

ARTICLE 9

CLOSING

9.1 Date and Place of Closing. Closing shall take place by escrow of documents and funds with the Title Company. The Closing Date shall occur on the date that is thirty (30) days after the issuance of the PUC Order (defined in Section 8.1.1(a) of this Agreement) if and when it is issued, unless an earlier date is agreed on in writing by Seller and Buyer.

9.2 Items to be Delivered at Closing.

(a) Seller. At Closing, Seller shall deliver to Buyer or Title Company, at Seller's expense (except as provided to the contrary), the following items:

(i) a Limited Warranty Deed, subject only to the Permitted Exceptions and all other conditions contained therein (the "**Deed**") in substantially the form of the attached Exhibit B. Notwithstanding the foregoing, title to the Property shall be subject to the following:

1. Building and zoning laws, ordinances, state and federal regulations;
2. Exception of all minerals and mineral rights of record;
3. Utility easements which do not interfere with present improvements.

(ii) a Bill of Sale, and a Non-Foreign Certification, in substantially the form of the attached, Exhibit C and D respectively, executed by Seller and acknowledged where required;

(iii) a Closing Certificate executed by Seller that all representations and warranties herein are true, correct and complete as of Closing;

(iv) appropriate evidence of authorization, satisfactory to Buyer and Title Company, in their reasonable discretion, for (A) the sale of the Property in accordance with this Agreement, (B) the execution and delivery of this Agreement on behalf of Seller, and (C) the consummation of the transactions contemplated by this Agreement on behalf of Seller;

(v) a standard form seller's affidavit in form acceptable to Title Company; and

(vi) keys and/or passcodes to any locks located on the Property that are in Seller's possession or control; and

(vii) other items reasonably requested by Buyer or Title Company as administrative requirements for consummating Closing and issuing the Title Policy.

(b) Buyer. At Closing, Buyer shall deliver to Seller or Title Company:

(i) the cash sum required by Section 2.3;

(ii) appropriate evidence of authorization, satisfactory to Seller and Title Company, in their reasonable discretion, for (A) the purchase of the Property in accordance with this Agreement, (B) the execution and delivery of this Agreement on behalf of Buyer, and (C) the consummation of the transactions contemplated by this Agreement on behalf of Buyer; and

(iii) other items reasonably requested by Seller or Title Company as administrative requirements for consummating Closing.

9.3 Adjustments at Closing. The following items shall be adjusted or prorated between Seller and Buyer with respect to the Property at Closing:

(a) Real estate taxes (“**Taxes**”) relating to the Property which are due and payable in the calendar year of Closing shall be prorated between Seller and Buyer as of Closing Date on the basis of the days remaining in the calendar year of Closing. All levied and pending special assessments, including any portion thereof or interest thereon included with Taxes not yet paid, shall be paid by Seller at Closing.

If the actual amount of Taxes due and payable in the calendar year of Closing is not known or cannot be calculated based on tax rates and assessed values as of the Closing Date, the proration shall be based on the amount of Taxes due and payable with respect to the Property in the calendar year preceding the calendar year of Closing. If the amount of actual Taxes due and payable in the calendar year in which Closing takes place is more or less than the amount used to prorate for Taxes as of the Closing Date, then an adjustment for actual Taxes due shall be made after Closing. Any amounts now or hereafter received by Buyer or Seller by reason of tax protests for real estate taxes due and payable with respect to periods prior to the Closing Date shall be the property of Seller.

(b) Any other ordinary operating expenses of the Property (other than for public utilities, for which each party shall deal directly with the service provider), including, without limitation, maintenance, management, and other service charges, and all other normal operating charges with respect to the Property shall be prorated effective at Closing based on reasonable estimates of such operating expenses, and appropriate cash adjustments shall be made by Buyer and Seller at Closing.

(c) Seller shall endeavor to have all meters read and final bills rendered for all utilities servicing the Property, including, without limitation, water, sewer, gas and electricity, for the period to and including the day preceding Closing, and Seller shall pay such bills.

(d) If any errors or omissions are made at Closing regarding adjustments or prorations, the parties shall make the appropriate corrections promptly after the discovery thereof.

(e) All prorations shall be effective as of 11:59 p.m. on the day prior to the Closing Date, with Seller being charged with expenses of the Property to and including the day prior to the Closing Date and Buyer being charged with expenses of the Property for the Closing Date and thereafter.

(f) The provisions of this Section 9.3 shall survive Closing.

ARTICLE 10

RISK OF LOSS; CASUALTY AND EMINENT DOMAIN

10.1 Casualty. If, prior to Closing, the Property is damaged by fire, vandalism, acts of God or other casualty or cause, Seller shall promptly give Buyer notice of any such damage (the “**Damage Notice**”), together with Seller’s estimate of the cost and period of repair and restoration. In any such event: (a) in the case of damage to the Property of less than \$25,000, Buyer shall take the Property at Closing as it is and shall receive a credit against the Purchase Price in an amount equal to the cost to repair the damage; or (b) in the case of damage to the Property of \$25,000 or more, Buyer shall have the option of (x) taking the Property at Closing in accordance with item (a) above, or (y) terminating this Agreement, by written notice to Seller within fifteen (15) Business Days after receipt of the Damage Notice.

10.2 Eminent Domain. If, prior to Closing, all or substantially all of the Property is taken by eminent domain, this Agreement shall be terminated without further act or instrument. If any part of the Property is so taken or threatened to be taken, Buyer shall have the option, by written notice given to Seller within fifteen (15) days after receiving notice of such taking or threat, to terminate this Agreement. If Buyer does not elect to terminate this Agreement, it shall remain in full force and effect and Seller shall assign, transfer and set over to Buyer at Closing all of Seller’s right, title and interest in and to any awards that have been or may be made for such taking.

10.3 Termination. If this Agreement is terminated pursuant to this Article 10, the Earnest Money Deposit, including all interest earned thereon, shall be promptly returned to Buyer and the parties hereto shall be released from all further obligations and liabilities hereunder, except with respect to the covenants and indemnities that expressly survive termination of this Agreement.

ARTICLE 11

BROKER; INDEMNITY

11.1 Broker's Commission. Buyer and Seller represent and warrant to each other that neither they nor their affiliates have dealt with any broker, finder or the like in connection with the transaction contemplated by this Agreement other than Broker. At Closing, Seller shall pay a commission to the Broker pursuant to a separate agreement between Seller and Broker. Buyer and Seller each agrees to indemnify, defend and hold the other harmless from and against all loss, expense (including reasonable attorneys' fees and court costs), damage and liability resulting from the claims of any other broker or finder (including anyone claiming to be a broker or finder) on account of any services claimed to have been rendered to the indemnifying party in connection with the transaction contemplated by this Agreement. The provisions of this Section 11.1 shall survive the Closing or the termination of this Agreement.

ARTICLE 12

DEFAULTS

12.1 Default by Buyer. If, prior to Closing, Buyer is in default with respect to, or breaches or fails to perform one or more of the representations, covenants, warranties or other terms of this Agreement, and such default, breach or failure is not cured or remedied within ten (10) Business Days after receipt of written notice thereof given by Seller to Buyer, Seller may terminate this Agreement and receive the Earnest Money Deposit and all interest earned thereon from Title Company, as liquidated damages, in which event this Agreement shall be deemed null and void and the parties shall be released from all further obligations and liabilities under this Agreement, except with respect to the covenants and indemnities that expressly survive termination of this Agreement. It is recognized by Seller and Buyer that the damages Seller will sustain by reason of Buyer's default, breach or failure will be substantial, but difficult, if not impossible, to ascertain. The Earnest Money Deposit has been determined by the parties as a reasonable sum for damages. Notwithstanding the foregoing, Seller shall also have the right to maintain a cause of action against Buyer for Seller's damages by reason of Buyer's breach of the covenants and indemnities that expressly survive termination of this Agreement.

12.2 Default by Seller. If, prior to Closing, Seller is in default with respect to, or breaches or fails to perform any of the terms of this Agreement, and such default, breach or failure is not cured or remedied within ten (10) Business Days after receipt of written notice thereof given by Buyer to Seller, Buyer may either (a) terminate this Agreement, in which event the Earnest Money Deposit and all interest earned thereon shall be returned by Title Company to Buyer, Seller shall reimburse Buyer for the Buyer's Due Diligence Costs up to a maximum of Seven Thousand Five Hundred and 00/100 dollars (\$7,500.00), and the parties shall be released from all further obligations and liabilities under this Agreement, (b) sue for specific performance or (c) terminate this Agreement, in which event the Earnest Money Deposit and all interest earned thereon shall be returned by Title Company to Buyer, and sue Seller for Buyer's damages in accordance with applicable law. Notwithstanding the foregoing, Buyer shall not be entitled to sue for specific performance regarding any Seller's breach of the provisions of Section 6.1 Representations and Warranties of Seller. The remedies set forth above shall be Buyer's sole remedies arising from a default, breach or failure to perform by Seller.

12.3 Payment of Earnest Money Deposit. Upon the termination of this Agreement by reason of a default by Buyer hereunder, the Earnest Money Deposit and all interest earned

thereon shall promptly be tendered by Title Company to Seller. If the Earnest Money Deposit may be properly delivered to Seller under this Section 12.3, then Buyer shall, on written request from Seller, promptly deliver a quit claim deed to the Property executed by Buyer and instructions to cause Title Company to deliver the Earnest Money Deposit to Seller.

12.4 Statutory Cancellation. The parties agree that if Seller commences a statutory cancellation of this Agreement by reason of Buyer's default, Buyer's cure period shall be limited to thirty (30) days.

ARTICLE 13

MISCELLANEOUS

13.1 Notices. All notices, demands, requests, and other communications given with respect to the subject matter of this Agreement shall be in writing, and shall be deemed to be delivered (a) on receipt if delivered by hand delivery, (b) on receipt if emailed to the email address provided below, or (c) when delivered to a recognized overnight courier service, or whether actually received or not, if addressed as provided below:

If to Seller:	Minnesota Power / ALLETE, Inc. Real Estate Services 30 W. Superior St. Duluth, MN 55802 Attn: Matthew Hagelin Email Address: mhagelin@mnpower.com
If to Buyer:	Spalj Real Estate, LLC 22360 County Road 12 Deerwood, MN 56444 Attn: Luke Spalj Email Address: luke_spalj@ricelake.org
Copy to:	Fabyanske, Westra, Hart & Thomson, P.A. 333 South Seventh Street, Suite 2600 Minneapolis, MN 55402 Attn: Thomas J. Tucci, Esq. Email Address: ttucci@fwhtlaw.com Attn: Kenzie M. Longren, Esq. Email Address: klongren@fwhtlaw.com

13.2 Governing Law. This Agreement is being executed and delivered, and is intended to be performed, in the state in which the Property is located, and the internal laws of such state shall govern the validity, construction, enforcement, and interpretation of this Agreement, unless otherwise specified herein. This Agreement is performable in, and the exclusive venue for any

action brought with respect hereto shall lie in the state court for the county in which the Property is located or the United States District Court for the District in which the Property is located.

13.3 Entirety and Amendments. This Agreement embodies the entire agreement between the parties and supersedes all prior agreements and understandings, if any, relating to the Property, including any letter of intent executed relating to the Property. This Agreement may not be modified, discharged or changed in any respect whatsoever, except by a further agreement in writing duly executed by Buyer and Seller. However, any consent, waiver, approval or authorization shall be effective if signed by the party granting or making such consent, waiver, approval or authorization.

13.4 Parties Bound. This Agreement is binding on and inures to the benefit of Seller and Buyer, and their respective heirs, executors, administrators, successors, and assigns.

13.5 Further Acts. In addition to the acts and deeds recited in this Agreement and contemplated to be performed, executed, and/or delivered under this Agreement, Seller and Buyer agree to perform, execute, and/or deliver or cause to be performed, executed, and/or delivered at Closing or after Closing all further acts, deeds, and assurances reasonably necessary to consummate the transactions contemplated hereby.

13.6 Exhibits. The Exhibits referred to in, and attached to, this Agreement are incorporated in and made a part of this Agreement for all purposes.

13.7 Assignment. This Agreement and all rights of Buyer arising hereunder shall not be assigned, sold, pledged or otherwise transferred by Buyer in whole or in part, without the prior written consent of Seller.

13.8 Attorney's Fees. If either party hereto employs an attorney to enforce or defend its rights hereunder, the prevailing party shall be entitled to recover its reasonable attorney's fees.

13.9 Non-Disclosure; Non-Recordation. Neither party shall make a public announcement or press release with respect to this transaction before the expiration of the Inspection Period and thereafter, only after consulting with the other party and giving such other party an opportunity to review and comment. Neither this Agreement, nor a memorandum hereof, shall be recorded in any public record.

13.10 Enforceability. If a provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during this Agreement, the legality, validity, and enforceability of the remaining provisions of this Agreement shall not be affected thereby, and in lieu of each illegal, invalid or unenforceable provision there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

13.11 Captions. The captions of this Agreement are for convenience and reference only and in no way define, describe, extend or limit the scope, meaning or intent of this Agreement.

13.12 Business Day. Notwithstanding any other provision herein, if the Closing Date or the expiration of the Inspection Period, title review period, or cure period, or any other period

occurs on a day that is not a Business Day, then the Closing Date or the expiration date for such period shall be extended to 5:00 p.m. on the first Business Day following that date.

13.13 Counterpart Signatures. This Agreement may be executed in any number of counterparts, all of which evidence only one agreement and only one of which need be produced for any purpose, which, when assembled and taken together, is to be regarded as a single agreement. This Agreement (and any amendment thereto) may be delivered by facsimile machine, email or by other electronic transmission, and (ii) that a facsimile, xerographic, electronically transmitted, or similar copy of a handwritten signature or an electronic signature to this Agreement (and any amendment thereto) shall have the effect of an original signature.

13.14 No Joint Venture. This Agreement shall not be construed as in any way establishing a partnership, joint venture, express or implied agency, or employer-employee relationship between Buyer and Seller.

13.15 No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto, their respective successors and permitted assigns, and no other person or entity shall be entitled to rely upon or receive any benefit from this Agreement or any term hereof.


13.16 Expiration of Offer. If a fully-executed counterpart of this Agreement is not received by Buyer and Title Company within five (5) Business Days after the date of Buyer's execution, the offer contained in this Agreement shall be null and void.

13.17 Time of the Essence. It is agreed by Buyer and Seller that time is of the essence with respect to the performance of each of the obligations of the parties to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

SELLER:

MINNESOTA POWER, A DIVISION OF
ALLETE, INC.,
a Minnesota corporation

By: 
Name: Nicole Johnson
Title: VP-ALLETE + CAO

BUYER:

SPALJ REAL ESTATE, LLC,
a Minnesota limited liability company

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

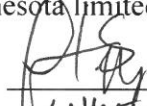
SELLER:

MINNESOTA POWER, A DIVISION OF
ALLETE, INC.,
a Minnesota corporation

By: _____
Name: _____
Title: _____

BUYER:

SPALJ REAL ESTATE, LLC,
a Minnesota limited liability company

By:  _____
Name: LUKE T. SPALJ
Title: OWNER

JOINDER OF TITLE COMPANY

On or before the 23 day of October, 2020, the undersigned (i) acknowledges receipt of a counterpart of this Agreement, fully executed by Seller and Buyer, (ii) acknowledges receipt of the Earnest Money Deposit, (iii) agrees to act as Title Company under the Agreement, (iv) agrees to be the person responsible for reporting the transaction to the Internal Revenue Service under then-current Treasury regulations, and (v) agrees to hold and disburse the Earnest Money Deposit in accordance with the provisions of this Agreement.

FIRST AMERICAN TITLE INSURANCE
COMPANY

By: Nicole Haapala
Name: Nicole Haapala
Title: Vice President

EXHIBIT LIST

A - Property Description

B – Limited Warranty Deed

C - Bill of Sale

D - Non-Foreign Certification

E - Personal Property List

F - Due Diligence Materials

EXHIBIT A

Property Description

[PART OF NW1/4 OF NW1/4 DESCRIBED AS FOLLOWS; BEG. AT THE POINT ON THE E. LINE OF SAID NWNW, THAT IS AT THE POINT OF INTERSECTION OF THE E. LINE OF SAID NWNW, AND THE W'LY PROJECTION OF THE CENTERLINE OF 6TH STREET N, HALES ADDITION TO CROSBY, THEN S'LY ALONG THE E. LINE OF SAID NWNW TO ITS INTERSECTION WITH THE W'LY PROJECTION OF THE CENTERLINE OF 4TH STREET N, SAID HALES ADDITION TO CROSBY, THEN SW'LY PARALLEL WITH THE S. LINE OF SAID NWNW TO THE INTERSECTION WITH THE N'LY PROJECTION OF THE CENTERLINE OF FIRST AVE, W. PARK DIVISION TO CROSBY, THEN N'LY PARALLEL WITH THE E. LINE OF SAID NW1/4 OF NW1/4 TO THE INTERSECTION WITH A LINE THAT IS PARALLEL WITH THE S. LINE OF SAID NWNW FROM THE POINT OF BEG, THEN NE'LY ALONG A LINE PARALLEL WITH THE S. LINE OF SAID NWNW TO THE POINT OF BEG.]

Legal description contained in the Title Commitment to control.

EXHIBIT B

Limited Warranty Deed

eCRV number: _____
DEED TAX DUE: \$ _____
DATE: _____

FOR VALUABLE CONSIDERATION, _____, a _____ (“Grantor”), hereby conveys and quitclaims to _____, a _____ (“Grantee”), the real property in _____ County, Minnesota, described as follows:

See legal description Exhibit “A” attached hereto,

Together with all hereditaments and appurtenances belonging thereto, if any.

This Deed conveys after-acquired title. Grantor warrants that Grantor has not done or suffered anything to encumber the property, EXCEPT:

SEE EXHIBIT B ATTACHED HERETO AND INCORPORATED HEREIN.

Check box if applicable:

- The Seller certifies that the seller does not know of any wells on the described real property.
- A well disclosure certificate accompanies this document.
- I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

[Remainder of Page Intentionally Left Blank]

GRANTOR:

By: _____
Name: _____
Its: _____

STATE OF MINNESOTA)
)ss
COUNTY OF)

The foregoing instrument was acknowledged before me this ___ day of _____,
202_ by _____, the _____ of _____, a
_____, on behalf of the _____.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

Fabyanske, Westra, Hart & Thomson, P.A.
333 South Seventh Street
Suite 2600
Minneapolis, MN 55402

Tax statements are to be sent to:

EXHIBIT A
TO
LIMITED WARRANTY DEED

Legal Description

EXHIBIT B
To
LIMITED WARRANTY DEED

Permitted Exceptions

EXHIBIT C

Bill of Sale

_____, a _____ (“Grantor”), for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, to Grantor in hand paid, the receipt and legal sufficiency of which are hereby acknowledged, has BARGAINED, SOLD and DELIVERED unto _____ (“Grantee”), all of Grantor's interest in all tangible personal property owned by Grantor and located on or attached to the real property described on the attached Exhibit A and the improvements attached thereto, including without limitation, the property described on the attached Exhibit B (collectively the “Personal Property”).

GRANTOR HEREBY WARRANTS THAT IT HAS TITLE TO ALL OF THE PERSONAL PROPERTY, FREE AND CLEAR OF ALL LIENS AND ENCUMBRANCES, OTHER THAN PERMITTED EXCEPTIONS, AS SUCH TERM IS DEFINED IN THE PURCHASE AND SALE AGREEMENT, DATED AS OF _____, 202__, BETWEEN GRANTEE AND GRANTOR. GRANTOR HEREBY EXPRESSLY DISCLAIMS ANY WARRANTIES AS TO MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE AND ANY OTHER WARRANTIES OR REPRESENTATIONS AS TO THE PHYSICAL CONDITION OF THE PERSONAL PROPERTY. BY ITS ACCEPTANCE THEREOF, GRANTEE ACKNOWLEDGES AND AGREES THAT IT HAS INSPECTED THE PERSONAL PROPERTY AND ACCEPTS SAME IN ITS PRESENT CONDITION, “AS IS” AND “WITH ALL FAULTS.”

TO HAVE AND TO HOLD the Personal Property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto Grantee, and Grantee's successors and assigns forever.

EXECUTED this ___ day of _____, 202__.

By: _____
Name: _____
Title: _____

[Exhibit “A”: Real Property Description]
[Exhibit “B”: Personal Property Inventory]

EXHIBIT A

TO

BILL OF SALE

PROPERTY DESCRIPTION

EXHIBIT B
TO
BILL OF SALE
PERSONAL PROPERTY INVENTORY

EXHIBIT D

Certification as to Non-Foreign Status

This Certification as to Non-Foreign Status (“Certification”) is made as of the ___ day of _____, 202_ by _____, a _____ (“Transferor”).

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the “Code”), a transferee of a U.S. real property interest must withhold tax with respect to certain transfers of property if the transferor is a foreign person. To the extent Section 1445(e) is applicable to the subject transfer, for the purposes of informing _____ (“Transferee”), that no withholding is required with respect to the disposition of a U.S. real property interest by Transferor, the undersigned hereby certifies as follows:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Income Tax Regulations).
2. Transferor is not a disregarded entity as defined in Section 1.1445-2(b)(2)(iii).
3. The U.S. employer identification number for Transferor is _____.
4. The mailing address for Transferor is _____.

The undersigned acknowledges and agrees that this certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalties or perjury, the undersigned declares that it has examined the foregoing certification and, to the best of its knowledge and belief, it is true, correct and complete, and the undersigned further declares that he or she has authority to sign this document on behalf of Transferor.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Seller has executed and made this Certification this ____ day
of _____, 202_.

TRANSFEROR:

_____,
a _____

By: _____
Name: _____
Title: _____

STATE OF _____)
)
COUNTY OF _____)

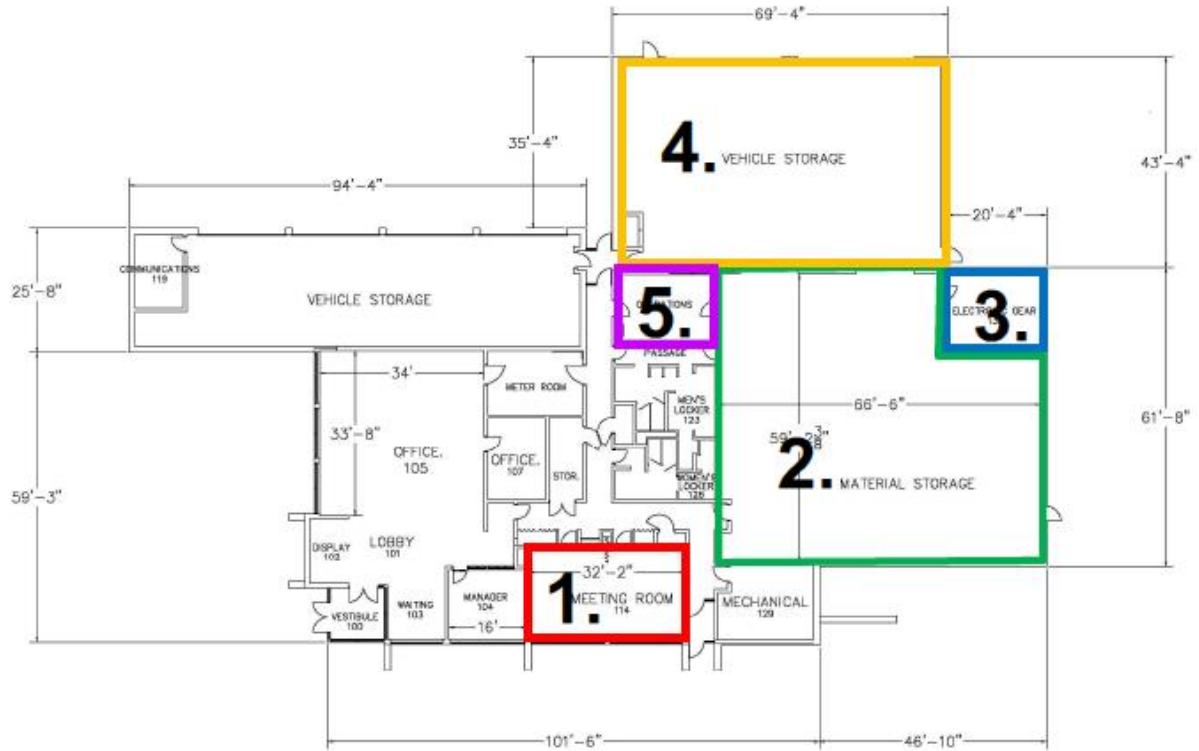
This instrument was acknowledged before me this __ day of _____, 202_, by
_____, the _____ of _____ a _____ on
behalf of the _____.

Notary Public

EXHIBIT E

Personal Property List

[attached]



1. Meeting Room - All Tables & Chairs, Refrigerator, Microwave, and Whiteboard



2. Material Storage - All Racking / Storage Shelves



3. Electronic Gear - All Racking / Storage Shelves and Metal Desk



4. Vehicle Storage - Ice Maker and Hotsy Wash Equipment



5. Operations - All Desks

EXHIBIT F

Review Materials

Copies of the following documents to the extent in Seller's possession or control:

1. Any surveys or maps of the property and any environmental reports covering the property.

The Review Materials shall not include any documents and/or files relating to Seller's acquisition of the Property, any appraisals obtained by Seller, any projections, internal performance reviews, internal memoranda, financial statements and other documents prepared for internal use, Seller's organizational documents, and other financial and tax records.

RAMSLAND & VIGEN, INC.
Real Estate Appraisers & Consultants
LONSDALE BUILDING
302 WEST SUPERIOR STREET, SUITE 600
DULUTH, MINNESOTA 55802-5110

JOHN M. VIGEN, SRA, RM
GARY A. BATTUELLO, MAI, AI-GRS
MARCIA A. RAMSLAND, RESEARCH

TELEPHONE: 218/727-8583
FACSIMILE: 218/727-1697
appraise@ramslandvigen.com

MAXWELL O. RAMSLAND, JR. 1939-2014

October 15, 2019

Mr. Thomas Castle
Minnesota Power
30 West Superior Street
Duluth, Minnesota 55802

Re: MP Service Center
Crosby, Minnesota

Dear Mr. Castle:

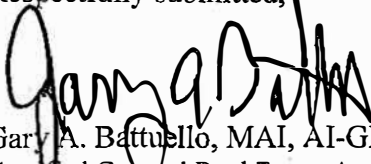
Following your request for an appraisal of the above captioned property, I have inspected the property, reviewed available market data, and the findings are summarized herein.

This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. The depth of discussion contained in this report is specific to the needs of the client and the intended use stated herein. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's files. The appraiser is not responsible for the unauthorized use of the report.

Based on the analysis, findings and conclusions presented herein, it is my opinion that the market value of the subject property, or the most probable price estimated in terms of money which the subject would bring if exposed for sale in the open market, allowing a reasonable time to find a prudent purchaser who buys with a knowledge of all the uses to which it is adapted and for which it is capable of being used, as of August 28, 2019 is:

THREE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS
(\$385,000.00)

Respectfully submitted,


Gary A. Battuello, MAI, AI-GRS
Certified General Real Estate Appraiser
Minnesota License #4000939

INTRODUCTION

Property: Minnesota Power
Crosby Service Center
1 Fourth Street NW
Crosby, Minnesota

Owner: Minnesota Power (MP)

Legal Description: Part of NW ¼ of NW ¼
Section 12, T46-R29
Crow Wing County, Minnesota
(Full legal contained in parcel information reproduced in Addenda.)

Tax Parcel: 11120507

Site Area: ±6.09 acres (Site plan attached.)

Building Size/Age: 15,410 square feet/ (1983-84)
(Building sketch in Addenda.)

Date of Valuation: The subject property is valued as of August 28, 2019, the date of inspection.

Purpose of the Appraisal: The purpose of this report is to estimate the market value of the subject property. The definition of market value is contained in the Addenda to this document.

Intended User/Use: The intended use of this report is to assist the client, Minnesota Power, in pricing and selling the property.

Property Rights Appraised: The property is appraised in fee simple.

Scope of Services: In preparing this appraisal, the appraiser:

1. Inspected the site, the interior and exterior of the building and the neighborhood; examined zoning maps and information, various aerial photos and other resources; and collected public information such as tax and assessment records, zoning and general demographic materials;
2. Gathered information on comparable property sales;
3. Confirmed and analyzed the data and developed the sales comparison approach to value.

This summary appraisal report is a brief recapitulation of the appraiser's data, analysis and conclusions. Supporting documentation is retained in the appraiser's file.

History of the Property: The subject property has not sold in the previous five years.

Exposure Period: The subject is a limited market property in a small community. Therefore, a lengthy exposure period of one to three years is forecast.

Valuation Conclusions: Estimated market value \$385,000

Description of the Real Estate

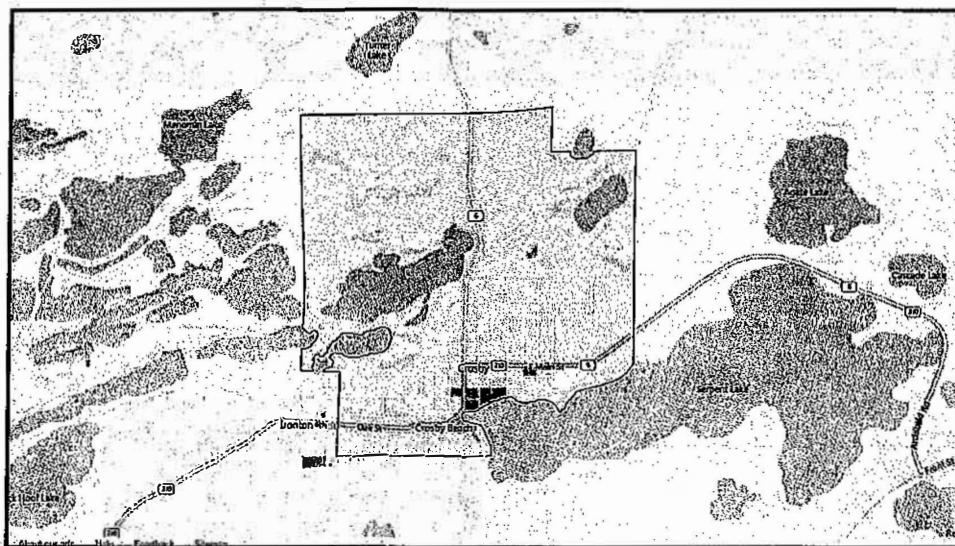
Location:

The subject is located in the city of Crosby, Crow Wing County, Minnesota. Crosby was the focal point for the natural iron ore mining of the Cuyuna Range in central Minnesota. Crosby and adjacent Ironton served as the community support of the nearby mines. Crosby is located on the north and west shores of Serpent Lake. Mining ended in the early 1980's when natural ore was depleted in this area.

Today, Crosby serves as an area health care provider and also supports tourism associated with surrounding lakes and recreational lands.

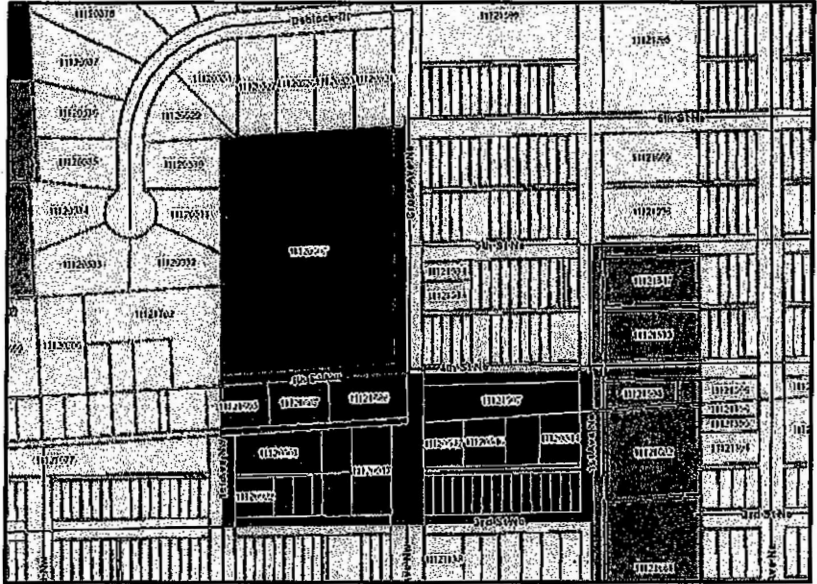
Population was 2,386 at the 2010 Census and had a 2017 estimate of 2,344. This is an increase from 2,299 in 2000 and 2,073 in 1990.

Crosby is ± 15 miles northeast of Brainerd and ± 100 miles west of Duluth, Minnesota.



Zoning:

Zoning is an "I-Industrial" classification as established and administered by the city of Crosby. This district is intended to "provide for the establishment of industrial warehousing and manufacturing development". This description reasonably fits the current use of the subject property and also fits the typical potential reuses of such a property.



The subject and lands to the south represent a pocket of industrial zoned land surrounded by residential properties. This is due to historic uses in the neighborhood (pre-zoning).

Real Estate Tax:

Property tax information was obtained from Crow Wing County records. Assessed values for January 2019 were:

Land	\$67,300
Building	<u>369,100</u>
Total	\$436,400

Taxes payable in 2019 were \$17,696 and were based on a \$490,000 total assessed value as of January 2, 2018.

Site Data:

The MP site is a level, rectangular parcel at the northwest corner of Fourth Street NW and Cross Avenue. Overall dimensions, net of streets, are ±440.47 feet by ±598.2 feet for a total site size of ±264,500 square feet, or ±6.06 acres (tax records report 6.09 acres).

Fourth Street is the southern boundary of the site, and Cross Avenue travels along the full length of the east side of the site and accesses a more recent residential subdivision abutting the south and west side of the site.

Lands to the east, north and west are residential in character; while lands to the south are industrial/warehouse. The site is four blocks north of Main Street (Highway 210), the main commercial thoroughfare through downtown Crosby. This pocket of industrial uses is displaced from typical highway or industrial park locations and less desirable for many types of users.

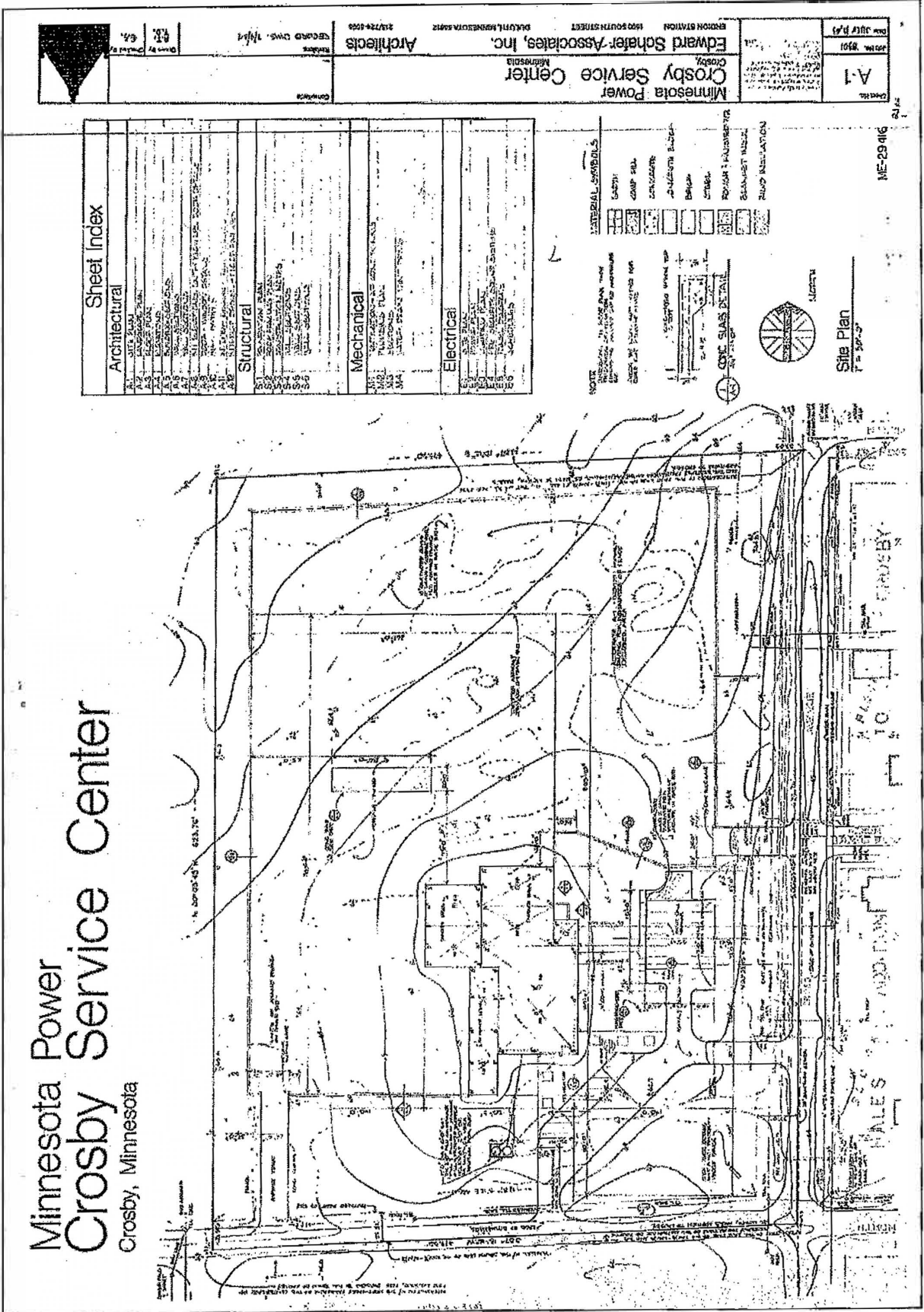
Heavy truck traffic from the warehouses south of the subject have created neighborhood complaints, thus the location is less amenable to certain user types.

Municipal utilities are available to the site.



Minnesota Power Crosby Service Center

Crosby, Minnesota



Improvements

Description:

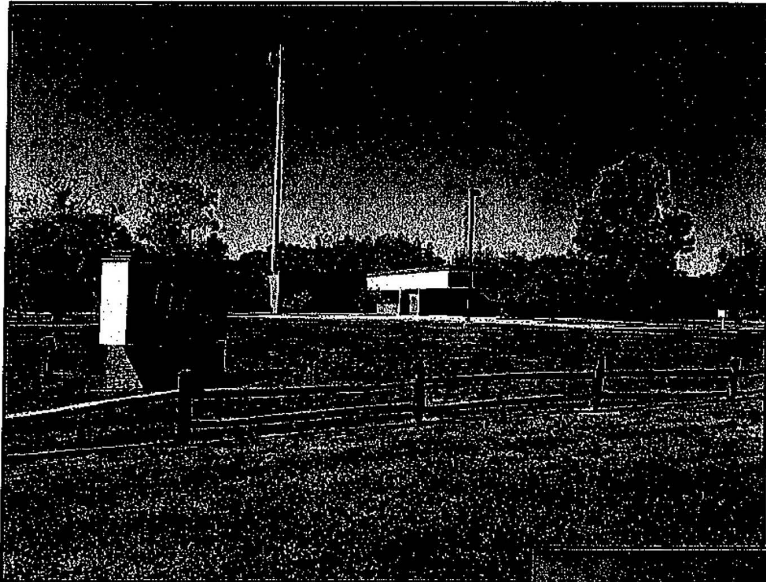
Improvements consist of a masonry utility service center building constructed in 1983-1984 and a large, paved, fenced and lit yard storage area. The south side of the site has an attractive landscaped yard area and visitors/employee parking lots.

The service center is a garage, materials storage and office building containing 15,410 square feet according to MP company records. It is institutional grade construction of higher quality than typical in the marketplace.

Garages face west and there are two high-bay openings for full size service vehicles and four lower bay doors for smaller service trucks.

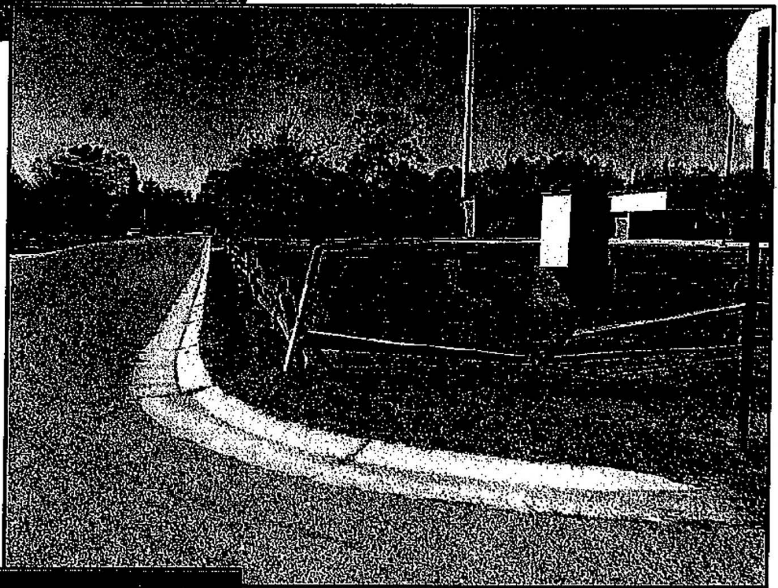
Overall, the facility is well maintained and in good condition for its age. As noted, it is considered overbuilt for a commercial standard.

MP Crosby Service Center

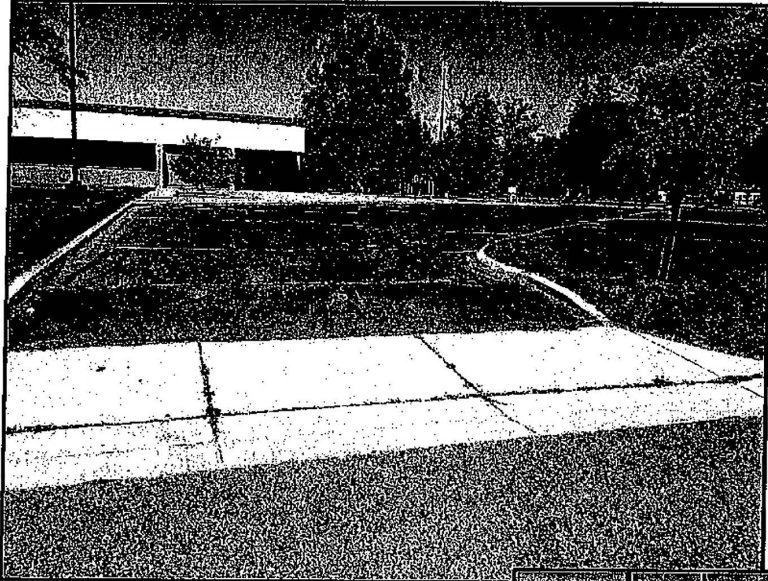


Front view of property.

Fourth Street NW frontage.



Cross Avenue frontage.



Service Center entrance from Fourth Street.



Service Center entrance from Cross Avenue



Visitor Parking



Storage yard entrance from Fourth Street.



Storage yard entrance from Cross Avenue.

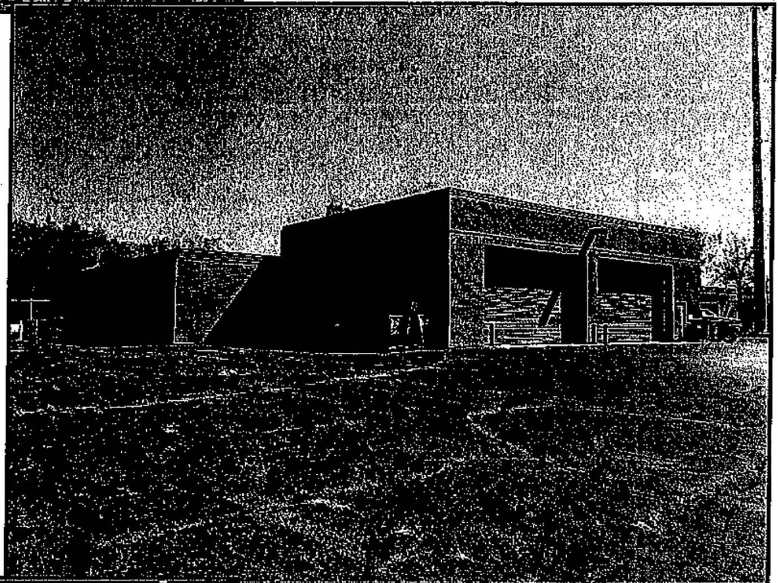


Storage yard looking northeast.



Service Center entrance.

High-bay service garage with material storage behind.



All garages from yard side (west).



Interior of office and front entry.

Administration office.



Lunch/training room.

Highest & Best Use:

Highest and Best Use is considered to be: *The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.*

The subject is a 6+ acre tract of industrially zoned property in the middle of a residential neighborhood. Lands are level and appear to be structurally adequate for on-grade construction. Zoning permits a range of warehouse and light manufacturing uses. Due to the adjacent residential neighborhoods, objections are a potential for high noise, dust or traffic users.

The existing use as a service center with office, garage and large storage yard components would be desirable for contractor facilities, municipal, utility or school uses, or for certain corporate entities requiring outside material or vehicle storage. Since these entities are only sporadically attracted to a community such as Crosby, an extended marketing period may be required.

Continued use of the existing structure is considered to be the highest and best use as improved. This is because of the long expected life of the higher quality improvements and the pattern of reuse of these types of structures. It is highly unlikely the building will be torn down or that the structure would be converted to a distinctly different use.

VALUATION PROCEDURE

Traditional appraisal practice uses three recognized indicators of value: the cost, income and sales comparison approaches.

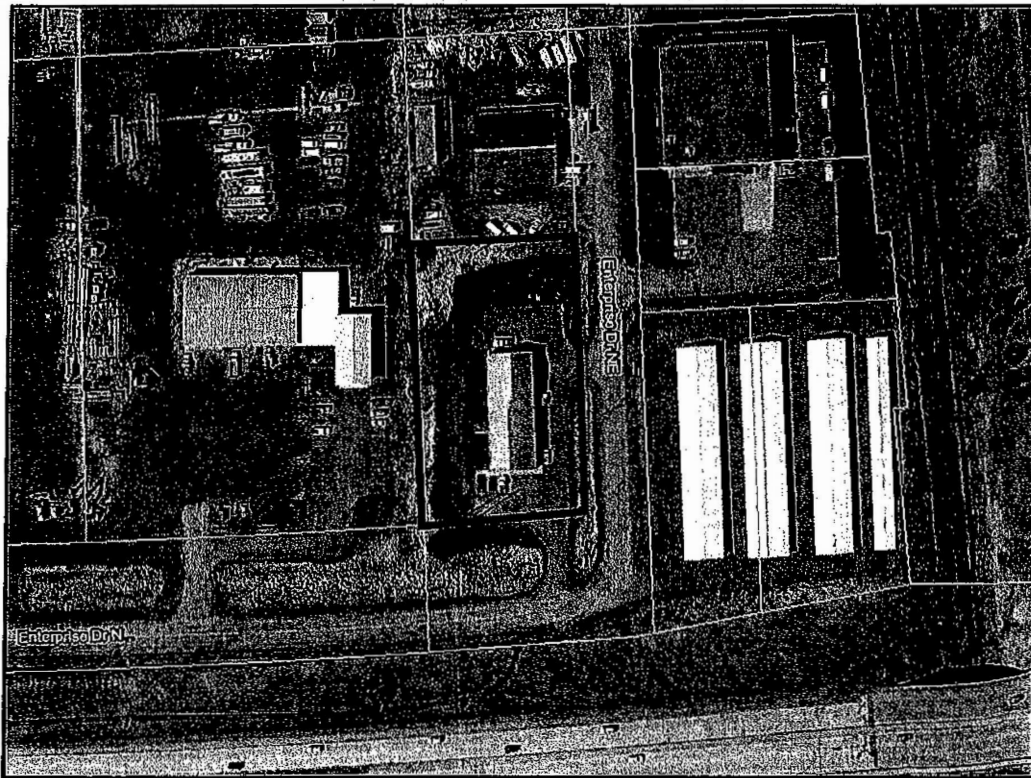
A cost approach estimates the value of land which is added to the replacement cost new of the improvements less applicable depreciation. This method is most reliable for newer structures on land improved to its highest and best use. Due to the subject's age, small market and over-improvement, the cost approach is not considered applicable.

An income approach is based upon the principle of anticipation. It estimates the potential income for a property, deducts relevant expenses to arrive at a net operating income and then converts that income into the estimate of value. Since the subject land is not currently rented, nor are similar properties rented in the market, an income approach is not presented. This property market is dominated by owner-occupied properties.

Sales comparison is an appraisal method based upon collecting sales data for similar properties and directly comparing the sales to the subject property to arrive at a value estimate. It is most reliable when a sufficient number of properties closely resembling the subject are available for the comparison process. This approach to value will be fully relied upon in this report.

Property sales have been researched from the northeast Minnesota region. Sales were selected based on location in smaller communities, mix of space utilization such as the subject and relatively large site size, preferably with storage yard configuration. Several sales of utility service centers were found and selected as well as office and shop or warehouse properties with larger land areas. The process was to find comparable sales having similar use potential as the subject. Comparable sales occurred over the previous five years. Because of the slow market activity for such properties, a fairly lengthy time frame was considered reasonable for market data.

Property sales will be presented on the following pages and those sales will be analyzed/compared to the subject on the basis of price paid per square foot of building area.

Sale 1

Location: former Fastenal Co
8367 Enterprise Drive
Mountain Iron, Minnesota

Seller: Fastenal Company

Buyer: AEOA

Date of Sale: May 2018

Property ID #: 175-0064-00080

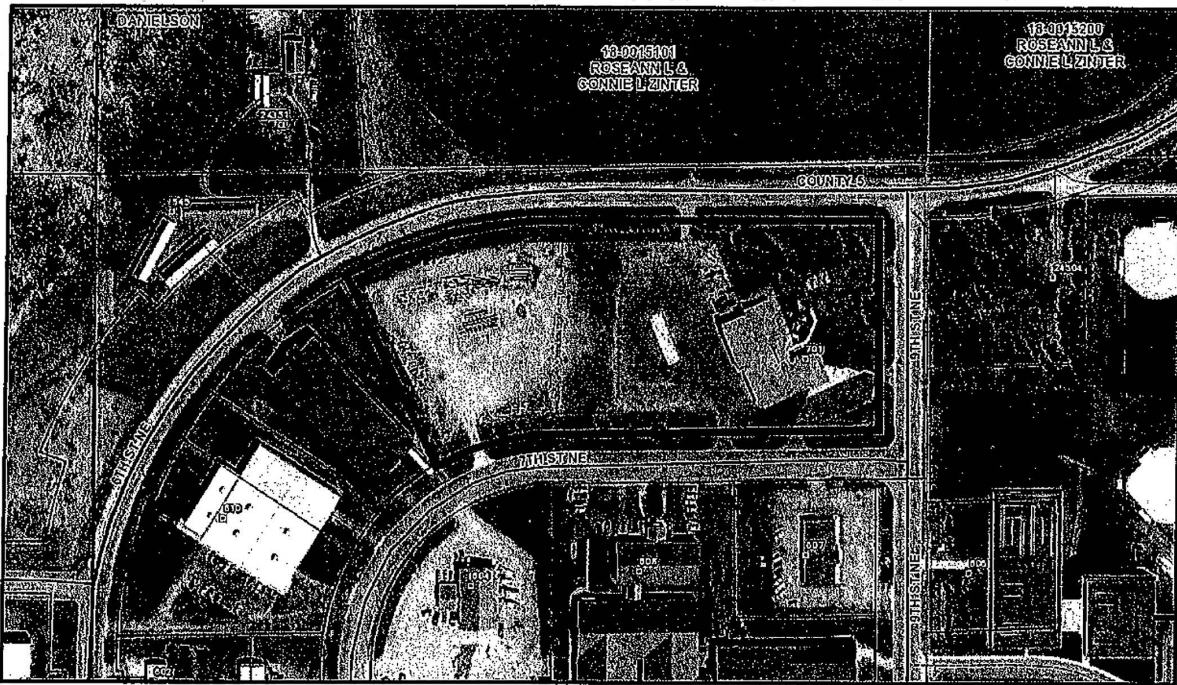
Land Area: 1.17 acres

Building Size/Age: 6,000 sq. ft/1992-93

Sale Price: \$200,000

Price/Sq. Ft of Bldg: \$33.33

Comments: Comparable is an office warehouse located on a frontage road of Highway 169. It has excellent visibility and exposure to the highway. Building is a steel-clad, wood-frame structure on slab. Mountain Iron and adjacent Virginia/Eveleth are a larger community than the subject's Crosby/Ironton location. Buyer is a local food shelf (non-profit).

Sale 2

Location: former MP Service Center
701 9th Street NE
Long Prairie, Minnesota

Seller: State of Minnesota

Buyer: Minnesota Power, Inc.

Date of Sale: April 2018

Property ID #: 36-0105200 (Todd County)

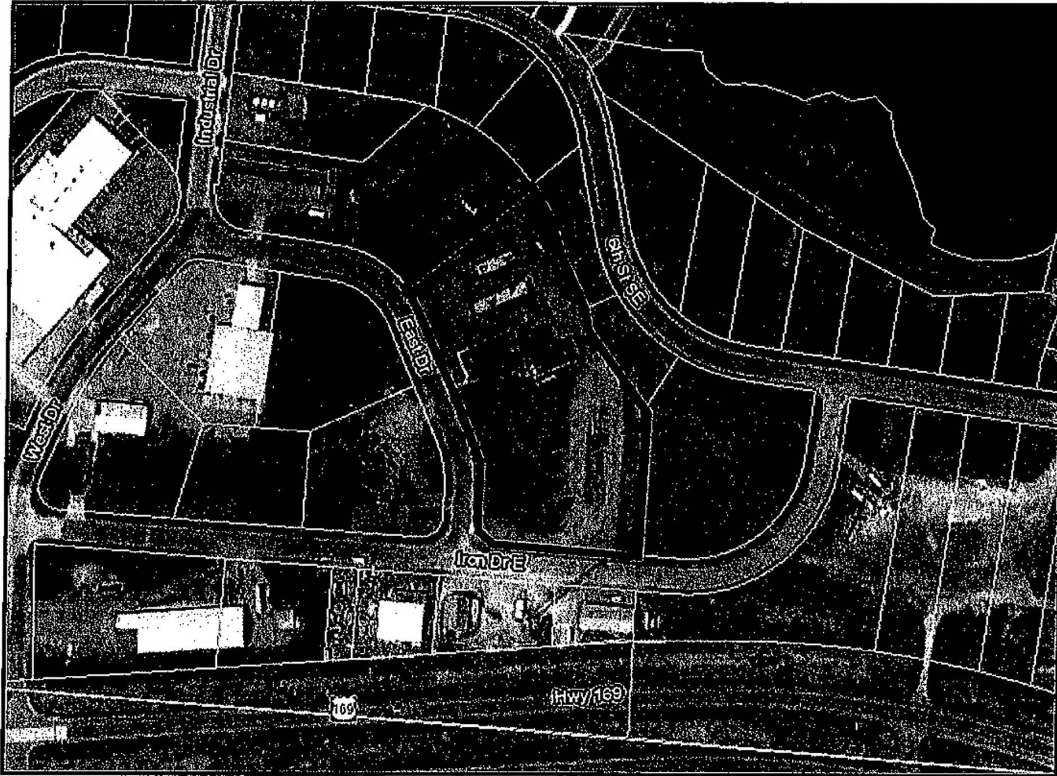
Land Area: 5.81 acres

Building Size/Age: 13,457 sq. ft/1981

Sale Price: \$270,000

Price/Sq. Ft of Bldg: \$20.06

Comments: Comparable is a qualitative, masonry service center structure with 4,872 square feet of office. It has a large, fenced, storage yard, part paved and part gravel surface and is located on County 5 at the north edge of Long Prairie in a small industrial neighborhood. Long Prairie had a 2010 Census population of 3,458. Minnesota Power constructed this facility in 1981 as part of its regional network of service centers. It was sold to the State of Minnesota in +1990 for use by the Minnesota National Guard. MP Recently repurchased the property and re-established the service center use.

Sale 3

Location: former Minnesota Power Service Center
608 East Drive
Chisholm, Minnesota

Seller: ALLETE, Inc.

Buyer: United Way of Northeastern Minnesota

Date of Sale: January 2018

Property ID #: 020-0082-00040

Land Area: ±4.2 acres

Building Size/Age: 11,364 sq. ft/1979

Sale Price: \$300,000

Price/Sq. Ft of Bldg: \$26.40

Comments: Comparable is a highly similar to the subject property and was constructed in an industrial park with visibility to Highway 169. Population for Chisholm at the 2010 Census was 4,976. Buyer intends to use as an administration and distribution location.

Sale 4

Location: former Minnesota Power Service Center
510 West Third Avenue North
Aurora, Minnesota

Seller: ALLETE, Inc.

Buyer: Lakehead of Minnesota, Inc.

Date of Sale: December 2017

Property ID #: 100-0080-00332 + 100-0080-00363

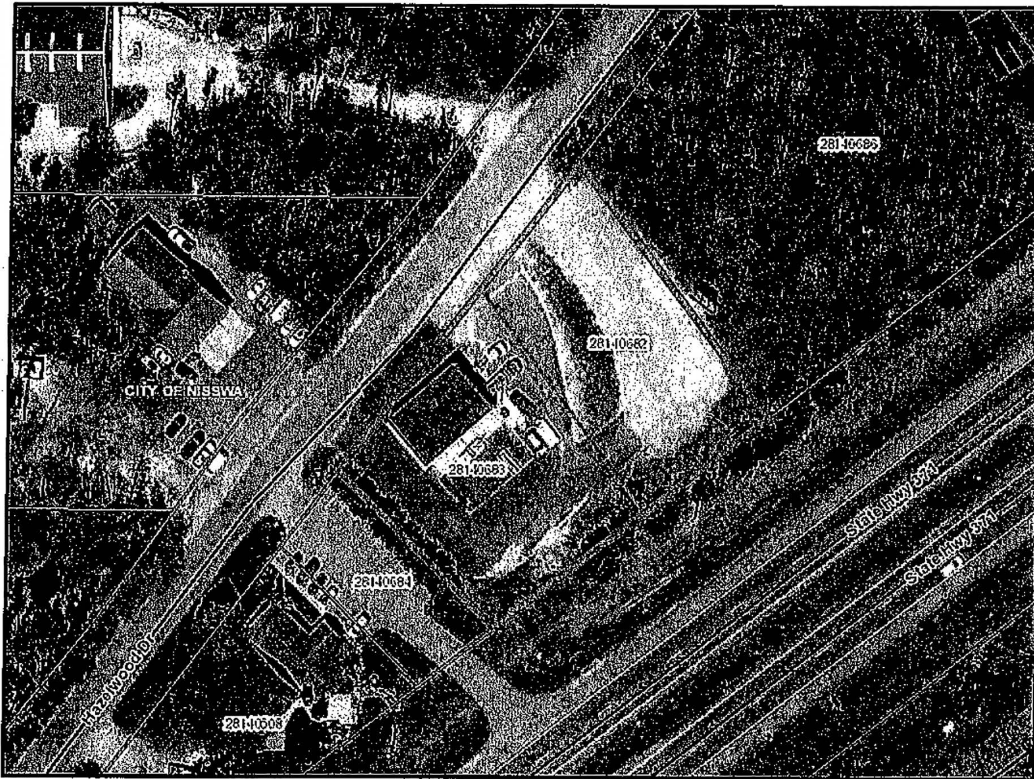
Land Area: 3.28 acres

Building Size/Age: 9,320 sq. ft/1993

Sale Price: \$400,000

Price/Sq. Ft of Bldg: \$38.63

Comments: Comparable is a steel-clad, steel-frame utility service center with 5,990 square feet of office and 3,330 square feet of garage space. Buyer is a commercial/industrial general contractor. Aurora is an Iron Range community with a 2010 Census population of 1,682. This property is newer, of lesser grade construction and smaller, but has a higher ratio of office space than the subject

Sale 5

Location: former Minnesota Power Service Center
24542 Hazelwood Drive
Nisswa, Minnesota

Seller: Minnesota Power (ALLETE)

Buyer: Mark Turner

Date of Sale: March 2016

Property ID #: 28140682 + 28140683

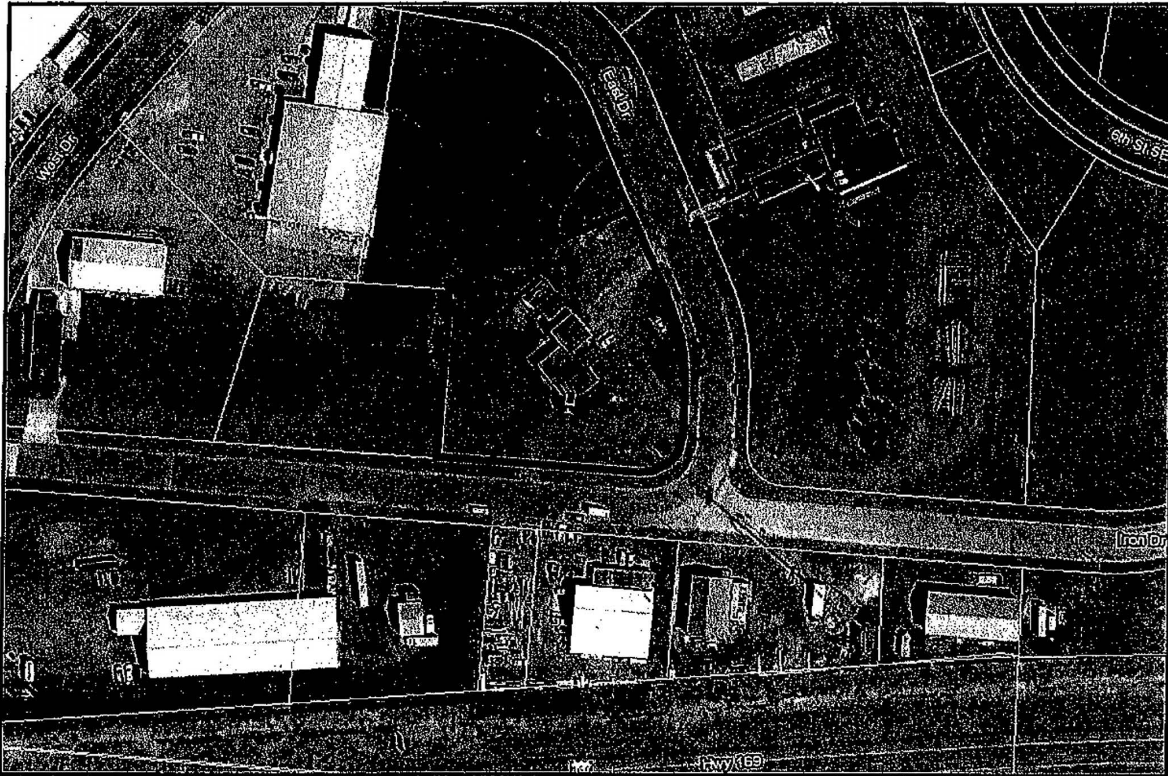
Land Area: ±.93 acres

Building Size/Age: 2,128 sq. ft/1975

Sale Price: \$97,500

Price/Sq. Ft of Bldg: \$45.82

Comments: Comparable is a smaller, masonry garage structure with fenced and open storage yard areas. It is located on a frontage road, and the site backs onto Highway 371. Nisswa is in the heart of the Brainerd Lakes district and had a 2010 Census population of 1,971.

Sale 6

Location: former utility service center
100 Iron Drive East
Chisholm, Minnesota

Seller: MN Energy Resources Corp

Buyer: Masucci Rentals, LLC

Date of Sale: January 2016

Property ID #: 020-0082-00100

Land Area: ±1.3 acres

Building Size/Age: 3,866 sq. ft/1985

Sale Price: \$99,000

Price/Sq. Ft of Bldg: \$25.61

Comments: Comparable is a smaller, masonry service center property with 1,866 square feet (48%) office. It is located in an industrial park with excellent exposure and visibility to Highway 169. Buyer is a real estate operator.

Sale 7

Location: Contractor's shop and yard
505 West 37th Street
Hibbing, Minnesota

Seller: Ulland Brothers, Inc.

Buyer: Radotich, Inc.

Date of Sale: September 2015

Property ID #: 139-0050-04382

Land Area: 8.43 acres

Building Size/Age: 29,265 sq. ft/1952

Sale Price: \$330,000

Price/Sq. Ft of Bldg: \$11.28

Comments: Comparable is an older office/shop/storage building with a large yard. Seller and buyer were both contractors. This sale is presented as an indication of absolute price paid for a property with similar potential uses. Hibbing had a 2010 Census population of 16,361.

Sale 8

Location: former newspaper facility
704 7th Avenue South
Virginia, Minnesota

Seller: Mesabi Publishing Company

Buyer: APG Real Properties, LLC

Date of Sale: March 2014

Property ID #: 090-180-00482

Land Area: 1.39 acres

Building Size/Age: 16,837 sq. ft/1952

Sale Price: \$350,000

Price/Sq. Ft of Bldg: \$20.79

Comments: Comparable is an older, masonry facility with office, shop and warehouse components. It is also located in an urban, residential area, similar to the subject. Virginia had a 2010 Census population of 8,712 and is part of the Quad Cities of Virginia, Eveleth, Gilbert and Mountain Iron. This sale is considered as a floor to per square foot value for the subject analysis.

Comparable sales are summarized in the chart below.

Sale	Date	Location	Bldg Size	Price	Price/ Sq. Ft
1	05/18	Mt. Iron	6,000	\$200,000	\$33.33
2	04/18	Long Prairie	13,457	270,000	20.06
3	01/18	Chisholm	11,364	300,000	26.40
4	12/17	Aurora	9,320	400,000	38.63
5	03/16	Nisswa	2,128	97,500	45.82
6	01/16	Chisholm	3,866	99,000	25.61
7	09/15	Hibbing	29,265	330,000	11.28
8	03/14	Virginia	16,837	350,000	20.79
Subject	08/19	Crosby	15,410		

Comparables range in unit price from \$11.28 per square foot to \$45.82 per square foot with an average of \$27.74 per square foot and a weighted average of \$22.19 per square foot.

The better comparables are Sales 2, 3 and 4, which range from \$20.06 to \$38.63 with an average of \$28.36 and a weighted average of \$28.41 per square foot. Each of these comparables is viewed as slightly superior to the Crosby facility due to location (all) or age (Sale 4).

After consideration of the best three comparables and the entire dataset, it is reasonable to estimate the subject's most probable unit price at \$25 per foot. This value estimate is consistent with the best three comparable sales indications as well as the averages demonstrated by the entire dataset.

An overall estimate of value for the Crosby service center is calculated below.

15,410 square feet @ \$25 per square foot = \$385,250

Rounded to: \$385,000

Certification

The undersigned certifies that, to the best of his knowledge and belief:

The facts and data reported by the review appraiser and used in the review process are true and correct.

The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this review report and no personal interest with respect to the parties involved.

I have not performed appraisal or appraisal review services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review report.

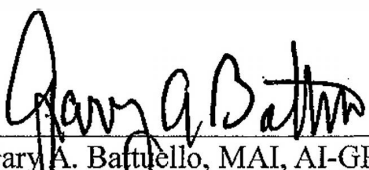
The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, Gary A. Battuello, has completed the continuing education program for Designated Members of the Appraisal Institute.

The undersigned has not made a personal inspection of the property that is the subject of the report under review.

No one provided significant appraisal review assistance to the person signing this report.



Gary A. Battuello, MAI, AI-GRS
Certified General Real Estate Appraiser
Minnesota License 4000939

ADDENDA

MARKET VALUE

The definition of market value used in this appraisal is found in The Dictionary of Real Estate Appraisal, 6th edition, page 142:

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.



**CROW WING COUNTY
LAND SERVICES**
322 LAUREL ST.
SUITE 15
BRainerD, MN 56401
218-824-1010
WWW.CROWWING.US

Property ID: 11120507

Owner:
Escrow:

Taxpayer: # 3389
MINNESOTA POWER AND LIGHT
30 W SUPERIOR ST
DULUTH MN 55802

Property Description:
CITY OF CROSBY
SEC:12 TWP:046 RANGE:029
PART OF NW1/4 OF NW1/4 DESCRIBED AS FOLLOWS;
BEG. AT THE POINT ON THE E. LINE OF SAID

Property Addr: 1 4TH ST NW / CROSBY

TAX STATEMENT 2019		
2018 Values for Taxes Payable in		
Step	VALUES & CLASSIFICATIONS	
	Taxes Payable Year: 2018	2019
1	Estimated Market Value:	493,600 490,000
	Improvements Excluded:	
	Homestead Exclusion:	0 0
	Taxable Market Value:	493,600 490,000
	New Improvements/ Expired Exclusions:	
	Property Class:	PP PUBLIC UT PP PUBLIC UT
Sent in March 2018		
2	Proposed Tax:	PROPOSED TAX 0.00
	Sent in November 2018	
3	PROPERTY TAX STATEMENT	
	First half Taxes:	8,848.00
	Second half Taxes:	8,848.00
	Total Taxes Due in 2019 :	17,696.00

\$\$\$ REFUNDS? You may be eligible for one or even two refunds to reduce your property tax. Read the back of this statement to find out how to apply.

Tax Detail for Your Property:			
Taxes Payable Year:	2018	2019	Taxes Payable Year:
	2018	2019	2018
1. Use this amount on Form M1PR to see if you are eligible for a property tax refund. File by August 15. If this box is checked, you owe delinquent taxes and are not eligible.	<input type="checkbox"/>	0.00	10. Special Taxing Districts
2. Use these amounts on Form M1PR to see if you are eligible for a special refund.	0.00		A. Other special taxing districts 86.96 82.96
Property Tax and Credits	17,761.02	17,696.00	B. Tax increment 0.00 0.00
3. Property tax before credits	17,761.02	17,696.00	C. Fiscal disparity 3,192.58 3,346.42
4. Credits that reduce your property taxes	0.00	0.00	11. Non-school voter approved referenda levies 0.00 0.00
A. Agricultural and rural land credits.	0.00	0.00	12. Total property tax before special assessments 17,761.02 17,696.00
B. Other Credits	0.00	0.00	Special Assessments
5. Property tax after credits	17,761.02	17,696.00	13. A. 2008 STREET/UTILITY 4TH ST N 5,712.98
Property Tax by Jurisdiction	2,203.39	2,226.82	B.
6. CROWING County	2,203.39	2,226.82	C.
7. City or Township	7,374.60	7,304.64	14. YOUR TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS 23,474.00 17,696.00
CITY OF CROSBY	7,374.60	7,304.64	
8. State General Tax	3,343.31	3,202.42	
9. School District 0182			
A. Voter Approved Levies	553.09	764.96	
B. Other Local Levies	1,007.09	767.78	

PAYABLE 2019 2nd HALF PAYMENT STUB
TO AVOID PENALTY PAY ON OR BEFORE OCTOBER 15, 2019
Property ID: 11120507

PLEASE READ BACK OF STATEMENT FOR IMPORTANT INFORMATION

If your address has changed please check this box and show the change on the back of this stub

Taxpayer: # 3389
MINNESOTA POWER AND LIGHT
30 W SUPERIOR ST
DULUTH MN 55802

Note: When you provide a check as payment you authorize the County to use information from your check to make a one-time electronic fund transfer from your account. The funds may be withdrawn from your account the same day. You will not receive your check back from your financial institution.

Total Property Tax: \$ 17,696.00
Second half Due: \$ 8,848.00
Second half Penalty Due: \$ 0.00
Second half Payment Made: \$ 0.00
Second half Due with Penalty: \$ 8,848.00

DETACH HERE AND RETURN THIS STUB

Make Checks Payable To:
CROW WING COUNTY
LAND SERVICES
322 LAUREL ST., SUITE 15
BRainerD, MN 56401

30.00 service charge for all returned checks.

Duplicate/Revised Statement 10/2019

2018 11120507 00000884800

PAYABLE 2019 1st HALF PAYMENT STUB
TO AVOID PENALTY PAY ON OR BEFORE MAY 15, 2019
Property ID: 11120507

PLEASE READ BACK OF STATEMENT FOR IMPORTANT INFORMATION

If your address has changed please check this box and show the change on the back of this stub

Taxpayer: # 3389
MINNESOTA POWER AND LIGHT
30 W SUPERIOR ST
DULUTH MN 55802

Note: When you provide a check as payment you authorize the County to use information from your check to make a one-time electronic fund transfer from your account. The funds may be withdrawn from your account the same day. You will not receive your check back from your financial institution.

Total Property Tax: \$ 17,696.00
First half Due: \$ 8,848.00
First half Penalty Due: \$ 0.00
First half Payment Made: \$ 8,848.00
First half Due with Penalty: \$ 0.00

DETACH HERE AND RETURN THIS STUB

Make Checks Payable To:
CROW WING COUNTY
LAND SERVICES
322 LAUREL ST., SUITE 15
BRainerD, MN 56401

30.00 service charge for all returned checks.

Duplicate/Revised Statement 10/2019

2018 11120507 00000000000

Crosby Service Center Building Information

Building Information	
Building Type	Office & Garage Space
Ceiling Height	Office Area 8'-0"
Building Size	15410 SQ FT
Column Spacing	Varies
Year Built	1983
Primary Construction	Masonry
Zoning	Commercial
Air Conditioned	Yes
Number of Truck Dock	2
Number of Drive In Doors	6
Utility Information	
Electric Provider	Minnesota Power
Electric Voltage	3-phase 120/208 volt service fed by a 150kVA transformer
Sewer on Site	Yes
Sewer Provider	City of Crosby
Sewer Main Size	4" Sanitary Drain
Gas On Site	None
Gas Provider	None
Gas Main PSI	None
Water Provider	City of Crosby
Water Main Size	1-1/2" Water Service
Telecom on Site	Yes
Telecom Provider	Owner Owned Telecom

Single Feature

Available Reports
 Plat Drawing [v] Go

Zoom to Feature

Feature Information	Value
Name	
Parcel Number	11120507
Legacy Parcel Number	110122200BD0889
Municipality	CITY OF CROSBY
Owner ID	3389
Owner Name	MINNESOTA POWER AND LIGHT
Owner Address	30 W SUPERIOR ST
Owner Address 2	DULUTH MN 55802
Owner Address 3	
Owner Address 4	
Tax Falc	OTH
Tax ID	3389
Tax Name	MINNESOTA POWER AND LIGHT
Tax Address	30 W SUPERIOR ST
Tax Address 2	DULUTH MN 55802
Tax Address 3	
Tax Address 4	

Physical Address 1 4TH ST NW
 Physical City CROSBY
 Physical Zip 56441
 Township 46
 Range 29
 Section 12

Plat Number
 Plat Description
 Block
 Lot
 Unit
 Lake ID
 Lake Name
 Legal

PART OF NW1/4 OF NW1/4
 DESCRIBED AS FOLLOWS;
 BEG. AT THE POINT ON THE E.
 LINE OF SAID NWNW, THAT IS
 AT THE POINT OF
 INTERSECTION OF

School INTERSECTION OF
 20182
 Tax Class 420
 Tax Class 2
 Tax Class 3
 Homestead 0
 Land Value 67300
 Building Value 369100
 Estimated Value 436400
 Assessment Year 2019
 Acres 6.08750964
 Plat Code 11012
 Impervious_sqft
 Impervious_Percent
 Shape.area 265171.9197192525
 Shape.len 3083.210156453802



General Information

Parcel Number: 110122200BD0889

General Information

Township/City: CITY OF CROSBY

Taxpayer: MINNESOTA POWER AND LIGHT
30 W SUPERIOR ST
DULUTH MN 55802

Property Address: 1 4TH ST NW
CROSBY, MN 56441

Township: 46

Range: 29

Section: 12

Lake Number: 0

Lake Name:

Acres: 6.09

School District: 182

Legal Description:

PART OF NW1/4 OF NW1/4 DESCRIBED AS FOLLOWS; BEG. AT THE POINT ON THE E. LINE OF SAID NWNW, THAT IS AT THE POINT OF INTERSECTION OF THE E. LINE OF SAID NWNW, AND THE W'LY PROJECTION OF THE CENTERLINE OF 6TH STREET N, HALES ADDITION TO CROSBY, THEN S'LY ALONG THE E. LINE OF SAID NWNW TO ITS INTERSECTION WITH THE W'LY PROJECTION OF THE CENTERLINE OF 4TH STREET N, SAID HALES ADDITION TO CROSBY, THEN SW'LY PARALLEL WITH THE S. LINE OF SAID NWNW TO THE INTERSECTION WITH THE N'LY PROJECTION OF THE CENTERLINE OF FIRST AVE, W. PARK DIVISION TO CROSBY, THEN N'LY PARALLEL WITH THE E. LINE OF SAID NW1/4 OF NW1/4 TO THE INTERSECTION WITH A LINE THAT IS PARALLEL WITH THE S. LINE OF SAID NWNW FROM THE POINT OF BEG, THEN NE'LY ALONG A LINE PARALLEL WITH THE S. LINE OF SAID NWNW TO THE POINT OF BEG, SUBJECT TO EASEMENTS, RESERVATIONS, RESTRICTIONS, OF RECORD, EXCEPT PART TO CITY OF CROSBY.

ASSUMPTIONS AND LIMITING CONDITIONS

1. This is a Review Appraisal Report, which is intended to comply with the reporting requirements set forth under Standard Rule 4 of the Uniform Standards of Professional Appraisal Practice. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental, or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, ureaformaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. The exhibits found herein are included to assist the reader in visualizing the property. The appraiser assumes no responsibility in connection with the accuracy of such items. If plat map exhibits of the Rockford Map Company are contained herein, it should be noted that the maps are reproduced with permission granted under a license agreement between Rockford Map Company and Ramsland & Vigen, Inc.
15. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
18. Neither all nor any part of the contents of this report (especially any conclusion as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.
19. The Americans with Disabilities Act, "ADA," became effective January 26, 1992. The appraiser has not made a specific compliance survey/analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact may have a negative effect upon the value of the property. Since there is no direct evidence relating to this issue, noncompliance with the requirements of ADA has not been considered in estimating the value of the property.

QUALIFICATIONS OF THE APPRAISER**Gary A. Battuello, MAI, AI-GRS**

Present Position: Ramsland & Vigen, Inc. (1981 - present)
 Real Estate Appraisers & Consultants
 302 West Superior Street #600
 Duluth, Minnesota

Member: Appraisal Institute – North Star Chapter
 MAI Designation, Certificate No. 7477
 AI-GRS Designation, 2014
 Lake Superior Chapter – President 1993, 2004-2005

Licenses: Minnesota Real Estate Appraiser - #4000939 (Cert General)
 Wisconsin Real Estate Appraiser - #16-10 (Cert General)
 Illinois Real Estate Appraiser - #553.002118 (Cert General)

Academic Education: University of Minnesota
 Graduate School of Business and Economics
 Masters of Business Administration (1992)

University of Wisconsin-Superior
 Data Processing Major, B. S. - Summa Cum Laude (1983)

Michigan Technological University
 Engineering (1970 - 1972)

Appraisal Education: SREA Courses, University of Wisconsin
 Course 101 (1977)
 R-2 examination (1978)
 Narrative Report Seminar (1978)
 AIREA Courses, University of Minnesota
 Capitalization II and III (1983)
 2-2, Report Writing (1984)
 2-3, Standards of Professional Practice (1985)
 General Review Theory (2014)
 AIREA Examinations
 Capitalization I (1983)
 1A-2, Procedures (1984)
 2-1, Case Studies (1984)
 6, Real Estate Investment Analysis (1985)
 Recent Appraisal Institute Seminars
 Condemnation Appraising: Principles & Applications (2019)
 USPAP Update (2018)
 Land & Site Valuation (2017)
 Appraisal of Owner-Occupied Commercial Properties (2017)
 Introduction to Expert Witness Testimony (2017)
 Business Practice and Ethics (2016)
 Subdivision Valuation (2013)

Battuello (continued)

Publications:

"Appraisal Issues in the Valuation of Extremely Large Buildings," *The Appraisal Journal*, (October 1996): 394-398, The Appraisal Institute, Chicago

"The Impact of Real Property Taxation Upon Economic Development," Master's Dissertation, 1992, University of Minnesota

Mr. Battuello is an acknowledged contributor to the "Appraising Industrial Properties" text of the Appraisal Institute (2005)

Mr. Battuello is a reviewer for the "Appraisers in Arbitration" text of the Appraisal Institute (2018).

Partial List of Clients:

Allete/Minnesota Power
Burlington Northern Santa Fe Railroad
Canadian National Railway
ConAgra Foods
Enbridge Energy Ltd Partnership
Macy's Department Store
Ford Motor Company
General Electric
General Growth Properties
Great Lakes Gas Transmission Company
J C Penney Company Inc
Kraft Foods
Lowe's
Menards
Mutual of Omaha
Minnesota Department of Transportation
Sears Holding Corporation
Walmart

The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAIs and RMs who meet the minimum standards of this program are awarded periodic educational certification. I am currently certified under this program.

Minnesota Power**Sale of Crosby Service Center Land and Building to Spalj Real Estate, LLC****Summary of Entries - Data as of August 31, 2020****Entry #1 - To record removal of the original installed cost for assets sold by Minnesota Power to Spalj Real Estate, LLC**

Debit Account 102 Electric Plant Purchased or Sold	1,398,867.08	
Credit Account 101 Electric Plant In-Service - Owned Account 3890		29,994.58
Credit Account 101 Electric Plant In-Service - Owned Account 3900		1,368,872.50

Entry #2 - To record the removal of the accumulated depreciation for assets sold by Minnesota Power to Spalj Real Estate, LLC

Debit Account 108 Electric Depreciation Reserve Account 3900	1,123,131.05	
Credit Account 102 Electric Plant Purchased or Sold		1,123,131.05

Entry #3 - To record cash received for assets sold by Minnesota Power to Spalj Real Estate, LLC

Debit Account 131 Cash	400,000.00	
Credit Account 102 Electric Plant Purchased or Sold		400,000.00

Entry #4 - To record estimated closing costs of 10 percent incurred by Minnesota Power related to assets sold by Minnesota Power to Spalj Real Estate, LLC

Debit Account 102 Electric Plant Purchased or Sold	40,000.00	
Credit Account 131 Cash		40,000.00

Entry #5 - To record gain on sale of assets by Minnesota Power to Spalj Real Estate, LLC

Debit Account 102 Electric Plant Purchased or Sold	84,263.97	
Credit Account 421.1 Gain on Disposition of Property		84,263.97

Entry #6 – To record the tax impacts on sale of assets by Minnesota Power to Spalj Real Estate, LLC

Debit Account 282 Accumulated Deferred Income Taxes	86,660.85	
Debit Account 409 Provision for Current Income Taxes	18,900.00	
Debit Account 410.1 Provision for Deferred Income Taxes	91,980.00	
Credit Account 190 Accumulated Deferred Income Taxes		91,980.00
Credit Account 236 Current Tax Payable		18,900.00
Credit Account 411.1 Provision for Deferred Income Taxes		86,660.85