UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2019

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number **1-3548**

ALLETE, Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0418150**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

30 West Superior Street
Duluth, Minnesota 55802-2093
(Address of principal executive offices)
(Zip Code)

(218) 279-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, without par value	ALE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). x Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer ☐
Non-Accelerated Filer ☐	Smaller Reporting Company ☐
	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes x No

Common Stock, without par value,
51,624,422 shares outstanding
as of March 31, 2019

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Definitions

The following abbreviations or acronyms are used in the text. References in this report to “we,” “us” and “our” are to ALLETE, Inc., and its subsidiaries, collectively.

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction – the cost of both debt and equity funds used to finance regulated utility plant additions during construction periods
ALLETE	ALLETE, Inc.
ALLETE Clean Energy	ALLETE Clean Energy, Inc. and its subsidiaries
ALLETE Properties	ALLETE Properties, LLC and its subsidiaries
ALLETE Transmission Holdings	ALLETE Transmission Holdings, Inc.
ATC	American Transmission Company LLC
Bison	Bison Wind Energy Center
Blanchard	Blanchard Solar Energy Facility
BNI Energy	BNI Energy, Inc. and its subsidiary
Boswell	Boswell Energy Center
Camp Ripley	Camp Ripley Solar Array
CO_2	Carbon Dioxide
Company	ALLETE, Inc. and its subsidiaries
Cliffs	Cleveland-Cliffs Inc.
CSAPR	Cross-State Air Pollution Rule
DC	Direct Current
EIS	Environmental Impact Statement
EITE	Energy-Intensive Trade-Exposed
EPA	United States Environmental Protection Agency
ERP Iron Ore	ERP Iron Ore, LLC
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Form 10-K	ALLETE Annual Report on Form 10-K
Form 10-Q	ALLETE Quarterly Report on Form 10-Q
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gases
GNTL	Great Northern Transmission Line
Hibbard	Hibbard Renewable Energy Center
Husky Energy	Husky Energy Inc.
Invest Direct	ALLETE’s Direct Stock Purchase and Dividend Reinvestment Plan
IRP	Integrated Resource Plan
Item ___	Item ___ of this Form 10-Q
kV	Kilovolt(s)
kW / kWh	Kilowatt(s) / Kilowatt-hour(s)
Laskin	Laskin Energy Center
Manitoba Hydro	Manitoba Hydro-Electric Board
Minnesota Power	An operating division of ALLETE, Inc.
Minnkota Power	Minnkota Power Cooperative, Inc.
MISO	Midcontinent Independent System Operator, Inc.
MMTP	Manitoba-Minnesota Transmission Project

Abbreviation or Acronym	Term
Montana-Dakota Utilities	Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc.
Moody’s	Moody’s Investors Service, Inc.
MPCA	Minnesota Pollution Control Agency
MPUC	Minnesota Public Utilities Commission
MW / MWh	Megawatt(s) / Megawatt-hour(s)
NAAQS	National Ambient Air Quality Standards
NDPSC	North Dakota Public Service Commission
Nobles 2	Nobles 2 Power Partners, LLC
NOL	Net Operating Loss
NOX	Nitrogen Oxides
Northern States Power	Northern States Power Company, a subsidiary of Xcel Energy Inc.
Northshore Mining	Northshore Mining Company, a wholly-owned subsidiary of Cleveland-Cliffs Inc.
Note ___	Note ___ to the Consolidated Financial Statements in this Form 10-Q
NPDES	National Pollutant Discharge Elimination System
NTEC	Nemadji Trail Energy Center
Oliver Wind I	Oliver Wind I Energy Center
Oliver Wind II	Oliver Wind II Energy Center
Palm Coast Park District	Palm Coast Park Community Development District in Florida
PolyMet	PolyMet Mining Corp.
PPA / PSA	Power Purchase Agreement / Power Sales Agreement
PPACA	Patient Protection and Affordable Care Act of 2010
PSCW	Public Service Commission of Wisconsin
SEC	Securities and Exchange Commission
Silver Bay Power	Silver Bay Power Company, a wholly-owned subsidiary of Cleveland-Cliffs Inc.
SO_2	Sulfur Dioxide
Square Butte	Square Butte Electric Cooperative, a North Dakota cooperative corporation
SWL&P	Superior Water, Light and Power Company
Taconite Harbor	Taconite Harbor Energy Center
TCJA	Tax Cuts and Job Act of 2017 (Public Law 115-97)
Town Center District	Town Center at Palm Coast Community Development District in Florida
U.S.	United States of America
U.S. Water Services	U.S. Water Services Holding Company and its subsidiaries
WTG	Wind Turbine Generator

Forward-Looking Statements

Statements in this report that are not statements of historical facts are considered “forward-looking” and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Although such forward-looking statements have been made in good faith and are based on reasonable assumptions, there can be no assurance that the expected results will be achieved. Any statements that express, or involve discussions as to, future expectations, risks, beliefs, plans, objectives, assumptions, events, uncertainties, financial performance, or growth strategies (often, but not always, through the use of words or phrases such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “projects,” “likely,” “will continue,” “could,” “may,” “potential,” “target,” “outlook” or words of similar meaning) are not statements of historical facts and may be forward-looking.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are providing this cautionary statement to identify important factors that could cause our actual results to differ materially from those indicated in forward-looking statements made by or on behalf of ALLETE in this Form 10-Q, in presentations, on our website, in response to questions or otherwise. These statements are qualified in their entirety by reference to, and are accompanied by, the following important factors, in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements that could cause our actual results to differ materially from those indicated in the forward-looking statements:

- our ability to successfully implement our strategic objectives;
- global and domestic economic conditions affecting us or our customers;
- changes in and compliance with laws and regulations;
- changes in tax rates or policies or in rates of inflation;
- the outcome of legal and administrative proceedings (whether civil or criminal) and settlements;
- weather conditions, natural disasters and pandemic diseases;
- our ability to access capital markets and bank financing;
- changes in interest rates and the performance of the financial markets;
- project delays or changes in project costs;
- changes in operating expenses and capital expenditures and our ability to raise revenues from our customers in regulated rates or contract price increases at our Energy Infrastructure and Related Services and other businesses;
- the impacts of commodity prices on ALLETE and our customers;
- our ability to attract and retain qualified, skilled and experienced personnel;
- effects of emerging technology;
- war, acts of terrorism and cybersecurity attacks;
- our ability to manage expansion and integrate acquisitions;
- population growth rates and demographic patterns;
- wholesale power market conditions;
- federal and state regulatory and legislative actions that impact regulated utility economics, including our allowed rates of return, capital structure, ability to secure financing, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities and utility infrastructure, recovery of purchased power, capital investments and other expenses, including present or prospective environmental matters;
- effects of competition, including competition for retail and wholesale customers;
- effects of restructuring initiatives in the electric industry;
- the impacts on our Regulated Operations segment of climate change and future regulation to restrict the emissions of GHG;
- effects of increased deployment of distributed low-carbon electricity generation resources;
- the impacts of laws and regulations related to renewable and distributed generation;
- pricing, availability and transportation of fuel and other commodities and the ability to recover the costs of such commodities;
- our current and potential industrial and municipal customers’ ability to execute announced expansion plans;
- real estate market conditions where our legacy Florida real estate investment is located may not improve;
- the success of efforts to realize value from, invest in, and develop new opportunities in, our Energy Infrastructure and Related Services businesses; and
- factors affecting our Energy Infrastructure and Related Services businesses, including unanticipated cost increases, changes in legislation and regulations impacting the industries in which the customers served operate, the effects of weather, creditworthiness of customers, ability to obtain materials required to perform services, and changing market conditions.

Additional disclosures regarding factors that could cause our results or performance to differ from those anticipated by this report are discussed in Part I, Item 1A. Risk Factors of ALLETE's 2018 Form 10-K. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which that statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of these factors, nor can it assess the impact of each of these factors on the businesses of ALLETE or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Readers are urged to carefully review and consider the various disclosures made by ALLETE in this Form 10-Q and in other reports filed with the SEC that attempt to identify the risks and uncertainties that may affect ALLETE's business.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ALLETE
CONSOLIDATED BALANCE SHEET
Unaudited

	March 31, 2019	December 31, 2018
Millions		
Assets		
Current Assets		
Cash and Cash Equivalents	$353.3	$69.1
Accounts Receivable (Less Allowance of $1.0 and $1.7)	98.9	144.4
Inventories – Net	73.8	86.7
Prepayments and Other	30.4	34.1
Total Current Assets	556.4	334.3
Property, Plant and Equipment – Net	3,940.5	3,904.4
Regulatory Assets	385.1	389.5
Equity Investments	154.8	161.1
Goodwill and Intangible Assets – Net	1.1	223.3
Other Non-Current Assets	180.9	152.4
Total Assets	$5,218.8	$5,165.0
Liabilities and Shareholders' Equity		
Liabilities		
Current Liabilities		
Accounts Payable	$134.4	$149.8
Accrued Taxes	60.3	51.4
Accrued Interest	14.9	17.9
Long-Term Debt Due Within One Year	14.3	57.5
Other	98.5	128.5
Total Current Liabilities	322.4	405.1
Long-Term Debt	1,525.0	1,428.5
Deferred Income Taxes	215.5	223.6
Regulatory Liabilities	504.1	512.1
Defined Benefit Pension and Other Postretirement Benefit Plans	165.2	177.3
Other Non-Current Liabilities	287.9	262.6
Total Liabilities	3,020.1	3,009.2
Commitments, Guarantees and Contingencies (Note 7)		
Shareholders' Equity		
Common Stock Without Par Value, 80.0 Shares Authorized, 51.6 and 51.5 Shares Issued and Outstanding	1,431.1	1,428.5
Accumulated Other Comprehensive Loss	(27.2)	(27.3)
Retained Earnings	794.8	754.6
Total Shareholders' Equity	2,198.7	2,155.8
Total Liabilities and Shareholders' Equity	$5,218.8	$5,165.0

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF INCOME
Unaudited

	Three Months Ended March 31,	
	2019	**2018**
Millions Except Per Share Amounts		
Operating Revenue		
Contracts with Customers – Utility	$282.2	$270.2
Contracts with Customers – Non-utility	72.1	82.0
Other – Non-utility	2.9	6.0
Total Operating Revenue	357.2	358.2
Operating Expenses		
Fuel, Purchased Power and Gas – Utility	109.8	100.9
Transmission Services – Utility	18.3	18.4
Cost of Sales – Non-utility	30.6	32.9
Operating and Maintenance	76.2	86.5
Depreciation and Amortization	51.9	45.8
Taxes Other than Income Taxes	13.6	16.3
Total Operating Expenses	300.4	300.8
Operating Income	56.8	57.4
Other Income (Expense)		
Interest Expense	(16.5)	(16.9)
Equity Earnings	5.6	4.7
Gain on Sale of U.S. Water Services	20.1	—
Other	7.4	2.1
Total Other Income (Expense)	16.6	(10.1)
Income Before Income Taxes	73.4	47.3
Income Tax Expense (Benefit)	2.9	(3.7)
Net Income	$70.5	$51.0
Average Shares of Common Stock		
Basic	51.6	51.2
Diluted	51.7	51.4
Basic Earnings Per Share of Common Stock	$1.37	$1.00
Diluted Earnings Per Share of Common Stock	$1.37	$0.99

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended March 31,	
	2019	**2018**
Millions		
Net Income	$70.5	$51.0
Other Comprehensive Income (Loss)		
Unrealized Gain (Loss) on Securities		
Net of Income Tax Expense of $– and $–	0.1	(0.1)
Defined Benefit Pension and Other Postretirement Benefit Plans		
Net of Income Tax Expense of $0.1 and $0.1	—	0.4
Total Other Comprehensive Income	0.1	0.3
Total Comprehensive Income	$70.6	$51.3

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

	Three Months Ended March 31,	
	2019	**2018**
Millions		
Operating Activities		
Net Income	$70.5	$51.0
AFUDC – Equity	(0.6)	(0.3)
Income from Equity Investments – Net of Dividends	(1.2)	(0.5)
Gain on Sales of Investments and Property, Plant and Equipment	(1.7)	(0.1)
Depreciation Expense	50.7	44.5
Amortization of PSAs	(2.9)	(6.0)
Amortization of Other Intangible Assets and Other Assets	1.9	2.8
Deferred Income Tax Expense (Benefit)	2.6	(4.4)
Share-Based and ESOP Compensation Expense	1.8	1.7
Defined Benefit Pension and Postretirement Benefit Expense	1.1	2.2
Provision for Interim Rate Refund	0.6	4.4
Payments / Provision for Tax Reform Refund	(10.2)	7.5
Bad Debt Expense	0.4	0.3
Gain on Sale of U.S. Water Services	(20.1)	—
Changes in Operating Assets and Liabilities		
Accounts Receivable	20.9	6.3
Inventories	(5.1)	(0.3)
Prepayments and Other	2.9	(1.2)
Accounts Payable	(5.5)	(0.1)
Other Current Liabilities	(9.9)	17.3
Cash Contributions to Defined Benefit Pension Plans	(10.4)	(15.0)
Changes in Regulatory and Other Non-Current Assets	0.3	3.8
Changes in Regulatory and Other Non-Current Liabilities	(7.0)	7.4
Cash from Operating Activities	79.1	121.3
Investing Activities		
Proceeds from Sale of Available-for-sale Securities	2.7	3.3
Payments for Purchase of Available-for-sale Securities	(2.6)	(5.3)
Payments for Equity Investments	(0.5)	(1.6)
Return of Capital from Equity Investments	8.3	—
Proceeds from Sale of U.S. Water Services – Net of Transaction Costs and Cash Retained	264.7	—
Additions to Property, Plant and Equipment	(89.3)	(88.1)
Other Investing Activities	1.8	2.7
Cash from (for) Investing Activities	185.1	(89.0)
Financing Activities		
Proceeds from Issuance of Common Stock	0.8	4.3
Proceeds from Issuance of Long-Term Debt	100.0	—
Repayments of Long-Term Debt	(43.8)	(1.9)
Acquisition-Related Contingent Consideration Payments	(3.8)	—
Dividends on Common Stock	(30.3)	(28.7)
Other Financing Activities	(0.9)	(0.2)
Cash from (for) Financing Activities	22.0	(26.5)
Change in Cash, Cash Equivalents and Restricted Cash	286.2	5.8
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	79.0	110.1
Cash, Cash Equivalents and Restricted Cash at End of Period	$365.2	$115.9

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Unaudited

	Three Months Ended March 31,	
	2019	**2018**
Millions Except Per Share Amounts		
Common Stock		
Balance, Beginning of Period	$1,428.5	$1,401.4
Common Stock Issued	2.6	6.0
Balance, End of Period	1,431.1	1,407.4
Accumulated Other Comprehensive Loss		
Balance, Beginning of Period	(27.3)	(28.2)
Other Comprehensive Income - Net of Income Taxes		
Unrealized Gain (Loss) on Debt Securities	0.1	(0.1)
Defined Benefit Pension and Other Postretirement Plans	—	0.4
Balance, End of Period	(27.2)	(27.9)
Retained Earnings		
Balance, Beginning of Period	754.6	695.5
Net Income	70.5	51.0
Common Stock Dividends	(30.3)	(28.7)
Balance, End of Period	794.8	717.8
Total Shareholders' Equity	$2,198.7	$2,097.3
Dividends Per Share of Common Stock	$0.5875	$0.56

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and do not include all of the information and notes required by GAAP for complete financial statements. Similarly, the December 31, 2018, Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. In management's opinion, these unaudited financial statements include all adjustments necessary for a fair statement of financial results. All adjustments are of a normal, recurring nature, except as otherwise disclosed. Operating results for the three months ended March 31, 2019, are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2019. For further information, refer to the Consolidated Financial Statements and notes included in our 2018 Form 10-K.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Cash, Cash Equivalents and Restricted Cash. We consider all investments purchased with original maturities of three months or less to be cash equivalents. As of March 31, 2019, restricted cash amounts included in Prepayments and Other on the Consolidated Balance Sheet include collateral deposits required under an ALLETE Clean Energy loan agreement. In prior periods presented, the amounts also include U.S. Water Service's standby letters of credit. The restricted cash amounts included in Other Non-Current Assets represent collateral deposits required under an ALLETE Clean Energy loan agreement and PSAs, and deposits from a SWL&P customer in aid of future capital expenditures. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheet that aggregate to the amounts presented in the Consolidated Statement of Cash Flows.

Cash, Cash Equivalents and Restricted Cash	March 31, 2019	December 31, 2018	March 31, 2018	December 31, 2017
Millions				
Cash and Cash Equivalents	$353.3	$69.1	$98.5	$98.9
Restricted Cash included in Prepayments and Other	7.2	1.3	8.8	2.6
Restricted Cash included in Other Non-Current Assets	4.7	8.6	8.6	8.6
Cash, Cash Equivalents and Restricted Cash on the Consolidated Statement of Cash Flows	$365.2	$79.0	$115.9	$110.1

Inventories – Net. Inventories are stated at the lower of cost or net realizable value. Inventories in our Regulated Operations segment are carried at an average cost or first-in, first-out basis. Inventories in our ALLETE Clean Energy segment and Corporate and Other businesses are carried at an average cost, first-in, first-out or specific identification basis.

Inventories – Net	March 31, 2019	December 31, 2018
Millions		
Fuel *(a)*	$29.4	$26.0
Materials and Supplies	44.4	44.2
Raw Materials *(b)*	—	2.8
Work in Progress *(b)*	—	6.1
Finished Goods *(b)*	—	8.4
Reserve for Obsolescence *(b)*	—	(0.8)
Total Inventories – Net	$73.8	$86.7

(a) Fuel consists primarily of coal inventory at Minnesota Power.
(b) On March 26, 2019, ALLETE completed the sale of U.S. Water Services which resulted in the removal of the related inventory items from the Consolidated Balance Sheet.

Other Non-Current Assets	March 31, 2019	December 31, 2018
Millions		
Contract Assets *(a)*	$29.8	$30.7
Finance Receivable	10.4	10.4
Operating Lease Right-of-use Assets *(b)*	34.0	—
ALLETE Properties	24.0	24.4
Other	82.7	86.9
Total Other Non-Current Assets	$180.9	$152.4

(a) Contract Assets include payments made to customers as an incentive to execute or extend service agreements. The contract payments are being amortized over the term of the respective agreements as a reduction to revenue.
(b) See Leases.

Other Current Liabilities	March 31, 2019	December 31, 2018
Millions		
Provision for Interim Rate Refund *(a)*	$40.6	$40.0
PSAs	12.4	12.6
Contract Liabilities *(b)*	0.4	7.6
Provision for Tax Reform Refund *(c)*	0.5	10.7
Contingent Consideration *(d)*	—	3.8
Operating Lease Liabilities *(e)*	8.4	—
Other	36.2	53.8
Total Other Current Liabilities	$98.5	$128.5

(a) Provision for Interim Rate Refund is expected to be refunded to Minnesota Power's regulated retail customers in the second quarter of 2019.
(b) Contract Liabilities include deposits received as a result of entering into contracts with our customers prior to completing our performance obligations.
(c) Provision for Tax Reform Refund related to the income tax benefits of the TCJA in 2018 was refunded to Minnesota Power customers in the first quarter of 2019 and will be refunded to SWL&P customers in 2019 and 2020.
(d) Contingent Consideration related to the earnings-based payment resulting from the U.S. Water Services acquisition was paid in the first quarter of 2019.
(e) See Leases.

Other Non-Current Liabilities	March 31, 2019	December 31, 2018
Millions		
Asset Retirement Obligation	$142.0	$138.6
PSAs	73.9	76.9
Operating Lease Liabilities *(a)*	25.6	—
Other	46.4	47.1
Total Other Non-Current Liabilities	$287.9	$262.6

(a) See Leases.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Supplemental Statement of Cash Flows Information.

Three Months Ended March 31,	2019	2018
Millions		
Cash Paid for Interest – Net of Amounts Capitalized	$19.7	$19.3
Noncash Investing and Financing Activities		
Decrease in Accounts Payable for Capital Additions to Property, Plant and Equipment	$(1.1)	$(48.1)
Reclassification of Property, Plant and Equipment to Inventory *(a)*	—	$46.9
Recognition of Right-of-use Assets and Lease Liabilities *(b)*	$34.0	—
Capitalized Asset Retirement Costs	$1.6	$0.8
AFUDC–Equity	$0.6	$0.3

(a) In February 2018, Montana-Dakota Utilities exercised its option to purchase the Thunder Spirit II wind energy facility upon completion, resulting in a reclassification from Property, Plant and Equipment – Net to Inventories – Net for project costs incurred in the prior year.
(b) See Leases.

New Accounting Pronouncements.

Recently Adopted Pronouncements

Disclosure Update and Simplification. In November 2018, the SEC adopted amendments to certain disclosure requirements. The amendments adopted include requirements that interim financial statements should include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the year-end balance sheet. It further includes a requirement analyzing the changes in each caption of shareholders' equity either separately in a note or on the face of the financial statement. These amendments were effective for ALLETE in the first quarter of 2019. We have included the presentation of our Statement of Shareholders' Equity to meet these requirements.

Leases. In 2016, the FASB issued an accounting standard update which revised the existing guidance for leases. Under the revised guidance, lessees will be required to recognize right-of-use assets and lease liabilities on the Consolidated Balance Sheet for leases with terms greater than 12 months. The new standard also requires additional qualitative and quantitative disclosures by lessees and lessors to enable users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The accounting for leases by lessors and the recognition, measurement and presentation of expenses and cash flows from leases is not expected to significantly change as a result of the new guidance. The Company adopted this guidance in the first quarter of 2019 using the optional transition method and the package of practical expedients, which allowed for the adoption of the standard as of January 1, 2019 without restating previously disclosed information. Management elected the optional transition method of adoption due to the overall immateriality of the balance sheet gross up in the period of adoption. The package of practical expedients allowed management to not reassess the lease classification for leases, including those that had expired during the periods presented or that still existed at the time of adoption. We have included additional disclosures in the notes to the consolidated financial statements including additional information about the Company's leases. (See *Leases*.)

Leases. We determine if a contract is or contains a lease at inception and recognize a right-of-use asset and lease liability for all leases with a term greater than 12 months. Our right-of-use assets and lease liabilities for operating leases are included in Other Non-Current Assets, Other Current Liabilities and Other Non-Current Liabilities, respectively, in our Consolidated Balance Sheet. We currently do not have any finance leases.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and lease liabilities are recognized at the commencement date based on the estimated present value of lease payments over the lease term. As our leases do not provide an explicit rate, we determine the present value of future lease payments based on our estimated incremental borrowing rate using information available at the lease commencement date. The operating lease right-of-use asset includes lease payments to be made during the lease term and any lease incentives, as applicable.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Leases (Continued)

Our leases may include options to extend or buy out the lease at certain points throughout the term, and if it is reasonably certain that we will exercise that option at lease commencement, we include those rental payments in our calculation of the right-of-use asset and lease liability. Lease and rent expense is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less are not recorded on the Consolidated Balance Sheet.

The majority of our operating leases are for heavy equipment, vehicles and land with fixed monthly payments which we group into two categories: Vehicles and Equipment; and Land and Other. Our largest operating lease is for the dragline at BNI Energy which includes a termination payment at the end of the lease term if we do not exercise our purchase option. The amount of this payment is $3 million and is included in our calculation of the right-of-use asset and lease liability recorded. None of our other leases contain residual value guarantees.

The components of lease cost were as follows:

Three Months Ended March 31,	**2019**
Millions	
Operating Lease Cost	$2.9
Other Information:	
Operating Cash Flows From Operating Leases	$2.9
Balance Sheet Information Related to Leases:	
Other Non-Current Assets	$34.0
Total Operating Lease Right-of-use Assets	$34.0
Other Current Liabilities	$8.4
Other Non-Current Liabilities	25.6
Total Operating Lease Liabilities	$34.0
Weighted Average Remaining Lease Term (Years):	
Operating Leases - Vehicles and Equipment	4
Operating Leases - Land and Other	29
Weighted Average Discount Rate:	
Operating Leases - Vehicles and Equipment	3.6%
Operating Leases - Land and Other	4.5%

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Leases (Continued)

Maturities of lease liabilities were as follows:

	March 31, 2019
	Millions
2019	$9.9
2020	7.9
2021	6.1
2022	4.9
2023	3.1
Thereafter	9.4
Total Lease Payments Due	41.3
Less: Imputed Interest	7.3
Total Lease Obligations	34.0
Less: Current Lease Obligations	8.4
Long-term Lease Obligations	$25.6

Subsequent Events. The Company performed an evaluation of subsequent events for potential recognition and disclosure through the date of the financial statements issuance.

Sale of U.S. Water Services. On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million. On March 26, 2019, ALLETE completed the sale and received approximately $265 million in cash at closing, net of transaction costs and cash retained. This amount is subject to adjustment for finalization of such items as estimated working capital. The Company recognized a gain on the sale of U.S. Water Services of approximately $10 million after-tax during the three months ended March 31, 2019.

NOTE 2. REGULATORY MATTERS

Regulatory matters are summarized in Note 4. Regulatory Matters to the Consolidated Financial Statements in our 2018 Form 10-K, with additional disclosure provided in the following paragraphs.

Electric Rates. Entities within our Regulated Operations segment file for periodic rate revisions with the MPUC, PSCW or FERC. As authorized by the MPUC, Minnesota Power also recognizes revenue under cost recovery riders for transmission, renewable, and environmental investments and expenditures. Revenue from cost recovery riders was $7.4 million for the three months ended March 31, 2019 ($24.1 million for three months ended March 31, 2018). With the implementation of final rates in Minnesota Power's general rate case, certain revenue previously recognized under cost recovery riders was incorporated into base rates. (See *2016 Minnesota General Rate Case*.)

2016 Minnesota General Rate Case. The MPUC issued an order dated March 12, 2018, in Minnesota Power's general rate case approving a return on common equity of 9.25 percent and a 53.81 percent equity ratio. Final rates went into effect on December 1, 2018, which is expected to result in additional revenue of approximately $13 million on an annualized basis. Interim rates were collected from January 1, 2017, through November 30, 2018, which were fully offset by the recognition of a corresponding reserve. Minnesota Power has recorded a reserve for an interim rate refund, net of discounts provided to EITE customers, of $40.6 million as of March 31, 2019 ($40.0 million as of December 31, 2018), which is expected to be refunded in the second quarter of 2019.

2018 Wisconsin General Rate Case. In an order dated December 20, 2018, the PSCW approved a rate increase for SWL&P including a return on equity of 10.4 percent and a 55.0 percent equity ratio. Final rates went into effect January 1, 2019, which is expected to result in additional revenue of approximately $1.3 million on an annualized basis.

NOTE 2. REGULATORY MATTERS (Continued)

Integrated Resource Plan. In a 2016 order, the MPUC approved Minnesota Power's 2015 IRP with modifications. The order accepted Minnesota Power's plans for the economic idling of Taconite Harbor Units 1 and 2 and the ceasing of coal-fired operations at Taconite Harbor in 2020, directed Minnesota Power to retire Boswell Units 1 and 2 no later than 2022, required an analysis of generation and demand response alternatives to be filed with a natural gas resource proposal, and required Minnesota Power to conduct request for proposals for additional wind, solar and demand response resource additions subject to further MPUC approvals. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. Minnesota Power's next IRP filing is due October 1, 2020.

In 2017, Minnesota Power submitted a resource package to the MPUC requesting approval of PPAs for the output of a 250 MW wind energy facility and a 10 MW solar energy facility as well as approval of a 250 MW natural gas capacity dedication agreement. These agreements were subject to MPUC approval of the construction of NTEC, a 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE. Minnesota Power would purchase approximately 50 percent of the facility's output starting in 2025. In an order dated January 24, 2019, the MPUC approved Minnesota Power's request for approval of the NTEC natural gas capacity dedication agreement. Separately, the MPUC required a baseload retirement evaluation in Minnesota Power's next IRP filing analyzing its existing fleet, including potential early retirement scenarios of Boswell Units 3 and 4, as well as a securitization plan. On January 8, 2019, an application for a certificate of public convenience and necessity for NTEC was submitted to the PSCW. A decision on the application is expected in 2020.

Regulatory Assets and Liabilities. Our regulated utility operations are subject to accounting guidance for the effect of certain types of regulation. Regulatory assets represent incurred costs that have been deferred as they are probable for recovery in customer rates. Regulatory liabilities represent obligations to make refunds to customers and amounts collected in rates for which the related costs have not yet been incurred. The Company assesses quarterly whether regulatory assets and liabilities meet the criteria for probability of future recovery or deferral. With the exception of the regulatory asset for Boswell Units 1 and 2 net plant and equipment, no other regulatory assets are currently earning a return. The recovery, refund or credit to rates for these regulatory assets and liabilities will occur over the periods either specified by the applicable regulatory authority or over the corresponding period related to the asset or liability.

NOTE 2. REGULATORY MATTERS (Continued)

Regulatory Assets and Liabilities	March 31, 2019	December 31, 2018
Millions		
Non-Current Regulatory Assets		
Defined Benefit Pension and Other Postretirement Benefit Plans	$218.0	$218.5
Income Taxes	103.2	105.5
Asset Retirement Obligations	32.4	32.6
Boswell 1 and 2 Net Plant and Equipment	14.8	16.3
Manufactured Gas Plant	8.1	8.0
PPACA Income Tax Deferral	4.9	5.0
Other	3.7	3.6
Total Non-Current Regulatory Assets	$385.1	$389.5
Current Regulatory Liabilities *(a)*		
Provision for Interim Rate Refund *(b)*	$40.6	$40.0
Transmission Formula Rates Refund	3.3	4.4
Provision for Tax Reform Refund *(c)*	0.5	10.7
Total Current Regulatory Liabilities	44.4	55.1
Non-Current Regulatory Liabilities		
Income Taxes	389.4	396.4
Wholesale and Retail Contra AFUDC	67.3	64.4
Plant Removal Obligations	26.8	25.1
North Dakota Investment Tax Credits	12.3	14.7
Conservation Improvement Program	5.2	1.5
Transmission Formula Rates Refund	1.6	1.6
Cost Recovery Riders	—	6.9
Other	1.5	1.5
Total Non-Current Regulatory Liabilities	504.1	512.1
Total Regulatory Liabilities	$548.5	$567.2

(a) Current regulatory liabilities are presented within Other Current Liabilities on the Consolidated Balance Sheet.
(b) This amount is expected to be refunded to Minnesota Power's regulated retail customers in the second quarter of 2019.
(c) Provision for Tax Reform Refund related to the income tax benefits of the TCJA in 2018 was refunded to Minnesota Power customers in the first quarter of 2019 and will be refunded to SWL&P customers in 2019 and 2020.

NOTE 3. EQUITY INVESTMENTS

Investment in ATC. Our wholly-owned subsidiary, ALLETE Transmission Holdings, owns approximately 8 percent of ATC, a Wisconsin-based utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. We account for our investment in ATC under the equity method of accounting. In the three months ended March 31, 2019, we invested $0.4 million in ATC, and on April 30, 2019, we invested an additional $2.3 million. We expect to make $5.8 million in additional investments in 2019.

ALLETE's Investment in ATC	
Millions	
Equity Investment Balance as of December 31, 2018	$128.1
Cash Investments	0.4
Equity in ATC Earnings	5.6
Distributed ATC Earnings	(4.4)
Amortization of the Remeasurement of Deferred Income Taxes	0.3
Equity Investment Balance as of March 31, 2019	$130.0

ATC's authorized return on equity is 10.32 percent, or 10.82 percent including an incentive adder for participation in a regional transmission organization.

NOTE 3. EQUITY INVESTMENTS (Continued)
Investment in ATC (Continued)

In 2016, a federal administrative law judge ruled on a complaint proposing a reduction in the base return on equity to 9.70 percent, or 10.20 percent including an incentive adder for participation in a regional transmission organization, subject to approval or adjustment by the FERC. A final decision from the FERC on the administrative law judge's recommendation is pending.

Investment in Nobles 2. Our wholly-owned subsidiary, ALLETE South Wind, owns 49 percent of Nobles 2, the entity that will own and operate a 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. We account for our investment in Nobles 2 under the equity method of accounting. As of March 31, 2019, our equity investment in Nobles 2 was $24.8 million ($33.0 million at December 31, 2018). In the first quarter of 2019, Nobles 2 returned capital of $8.3 million based on its cash needs.

NOTE 4. GOODWILL AND INTANGIBLE ASSETS

As a result of completing the sale of U.S. Water Services on March 26, 2019, there was no goodwill recorded as of March 31, 2019 ($148.5 million at December 31, 2018).

The balance of intangible assets, net, as of March 31, 2019, is as follows:

	December 31, 2018	Amortization	Other *(b)*	March 31, 2019
Millions				
Intangible Assets				
Definite-Lived Intangible Assets				
Customer Relationships	$50.7	$(1.1)	$(49.6)	—
Developed Technology and Other *(a)*	7.5	(0.3)	(6.1)	$1.1
Total Definite-Lived Intangible Assets	58.2	(1.4)	(55.7)	1.1
Indefinite-Lived Intangible Assets				
Trademarks and Trade Names	16.6	n/a	(16.6)	—
Total Intangible Assets	$74.8	$(1.4)	$(72.3)	$1.1

(a) Developed Technology and Other includes patents, non-compete agreements, land easements and trade names with finite lives.
(b) On March 26, 2019, ALLETE completed the sale of U.S. Water Services which resulted in the removal of the related intangible assets from the Consolidated Balance Sheet.

Amortization expense for intangible assets was $1.4 million for the three months ended March 31, 2019, and 2018. The remaining definite-lived intangible assets will continue to be amortized ratably through 2028.

NOTE 5. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs, which are used to measure fair value, are prioritized through the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Descriptions of the three levels of the fair value hierarchy are discussed in Note 9. Fair Value to the Consolidated Financial Statements in our 2018 Form 10-K.

NOTE 5. FAIR VALUE (Continued)

The following tables set forth, by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2019, and December 31, 2018. Each asset and liability is classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of these assets and liabilities and their placement within the fair value hierarchy levels. The estimated fair value of Cash and Cash Equivalents listed on the Consolidated Balance Sheet approximates the carrying amount and therefore is excluded from the recurring fair value measures in the following tables.

	Fair Value as of March 31, 2019			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets				
Investments *(a)*				
Available-for-sale – Equity Securities	$12.3	—	—	$12.3
Available-for-sale – Corporate and Governmental Debt Securities *(b)*	—	$8.3	—	8.3
Cash Equivalents	1.0	—	—	1.0
Total Fair Value of Assets	$13.3	$8.3	—	$21.6
Liabilities				
Deferred Compensation *(c)*	—	$21.6	—	$21.6
Total Fair Value of Liabilities	—	$21.6	—	$21.6
Total Net Fair Value of Assets (Liabilities)	$13.3	$(13.3)	—	—

	Fair Value as of December 31, 2018			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets				
Investments *(a)*				
Available-for-sale – Equity Securities	$12.2	—	—	$12.2
Available-for-sale – Corporate and Governmental Debt Securities	—	$8.0	—	8.0
Cash Equivalents	1.0	—	—	1.0
Total Fair Value of Assets	$13.2	$8.0	—	$21.2
Liabilities				
Deferred Compensation *(c)*	—	$19.8	—	$19.8
U.S. Water Services Contingent Consideration *(d)*	—	—	$3.8	3.8
Total Fair Value of Liabilities	—	$19.8	$3.8	$23.6
Total Net Fair Value of Assets (Liabilities)	$13.2	$(11.8)	$(3.8)	$(2.4)

(a) Included in Other Investments on the Consolidated Balance Sheet.
(b) As of March 31, 2019, the aggregate amount of available-for-sale corporate and governmental debt securities maturing in one year or less was $1.7 million, in one year to less than three years was $4.0 million, in three years to less than five years was $1.8 million and in five or more years was $0.8 million.
(c) Included in Other Non-Current Liabilities on the Consolidated Balance Sheet.
(d) Included in Other Current Liabilities on the Consolidated Balance Sheet.

The Level 3 liability in the preceding table is related to the contingent consideration liability that resulted from the 2015 acquisition of U.S. Water Services. Based on the terms and conditions of the acquisition agreement, a final payout of $3.8 million was made in the first quarter of 2019 for the remaining outstanding shares.

NOTE 5. FAIR VALUE (Continued)

Fair Value of Financial Instruments. With the exception of the item listed in the following table, the estimated fair value of all financial instruments approximates the carrying amount. The fair value for the item listed in the following table was based on quoted market prices for the same or similar instruments (Level 2).

Financial Instruments	Carrying Amount	Fair Value
Millions		
Long-Term Debt, Including Long-Term Debt Due Within One Year		
March 31, 2019	$1,549.0	$1,639.5
December 31, 2018	$1,495.2	$1,534.6

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis. Non-financial assets such as equity method investments, land inventory, and property, plant and equipment are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized. For the three months ended March 31, 2019, and the year ended December 31, 2018, there were no triggering events or indicators of impairment for these non-financial assets.

NOTE 6. SHORT-TERM AND LONG-TERM DEBT

The following tables present the Company's short-term and long-term debt as of March 31, 2019, and December 31, 2018:

March 31, 2019	Principal	Unamortized Debt Issuance Costs	Total
Millions			
Short-Term Debt	$14.7	$(0.4)	$14.3
Long-Term Debt	1,534.3	(9.3)	1,525.0
Total Debt	$1,549.0	$(9.7)	$1,539.3

December 31, 2018	Principal	Unamortized Debt Issuance Costs	Total
Millions			
Short-Term Debt	$57.9	$(0.4)	$57.5
Long-Term Debt	1,437.3	(8.8)	1,428.5
Total Debt	$1,495.2	$(9.2)	$1,486.0

On January 10, 2019, ALLETE entered into an amended and restated $400 million credit agreement (Credit Agreement). The Credit Agreement is unsecured, has a variable interest rate and will expire in January 2024. At ALLETE's request and subject to certain conditions, the Credit Agreement may be increased by up to $150 million and ALLETE may make two requests to extend the maturity date, each for a one-year extension. Advances may be used by ALLETE for general corporate purposes, to provide liquidity in support of ALLETE's commercial paper program and to issue up to $60 million in letters of credit.

On March 1, 2019, ALLETE issued and sold the following First Mortgage Bonds (the Bonds):

Maturity Date	Principal Amount	Interest Rate
March 1, 2029	$70 Million	4.08%
March 1, 2049	$30 Million	4.47%

ALLETE has the option to prepay all or a portion of the Bonds at its discretion, subject to a make-whole provision. The Bonds are subject to additional terms and conditions which are customary for these types of transactions. ALLETE intends to use the proceeds from the sale of the Bonds to fund utility capital investment and for general corporate purposes. The Bonds were sold in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, to institutional accredited investors.

NOTE 6. SHORT-TERM AND LONG-TERM DEBT (Continued)

Financial Covenants. Our long-term debt arrangements contain customary covenants. In addition, our lines of credit and letters of credit supporting certain long-term debt arrangements contain financial covenants. Our compliance with financial covenants is not dependent on debt ratings. The most restrictive financial covenant requires ALLETE to maintain a ratio of indebtedness to total capitalization (as the amounts are calculated in accordance with the respective long-term debt arrangements) of less than or equal to 0.65 to 1.00, measured quarterly. As of March 31, 2019, our ratio was approximately 0.41 to 1.00. Failure to meet this covenant would give rise to an event of default if not cured after notice from the lender, in which event ALLETE may need to pursue alternative sources of funding. Some of ALLETE's debt arrangements contain "cross-default" provisions that would result in an event of default if there is a failure under other financing arrangements to meet payment terms or to observe other covenants that would result in an acceleration of payments due. ALLETE has no significant restrictions on its ability to pay dividends from retained earnings or net income. As of March 31, 2019, ALLETE was in compliance with its financial covenants.

NOTE 7. COMMITMENTS, GUARANTEES AND CONTINGENCIES

Power Purchase Agreements. Our long-term PPAs have been evaluated under the accounting guidance for variable interest entities. We have determined that either we have no variable interest in the PPAs or, where we do have variable interests, we are not the primary beneficiary; therefore, consolidation is not required. These conclusions are based on the fact that we do not have both control over activities that are most significant to the entity and an obligation to absorb losses or receive benefits from the entity's performance. Our financial exposure relating to these PPAs is limited to our capacity and energy payments.

Our PPAs are summarized in Note 11. Commitments, Guarantees and Contingencies to the Consolidated Financial Statements in our 2018 Form 10-K, with additional disclosure provided in the following paragraphs.

Square Butte PPA. As of March 31, 2019, Square Butte had total debt outstanding of $302.6 million. Fuel expenses are recoverable through Minnesota Power's fuel adjustment clause and include the cost of coal purchased from BNI Energy under a long-term contract. Minnesota Power's cost of power purchased from Square Butte during the three months ended March 31, 2019, was $20.5 million ($17.3 million for the three months ended March 31, 2018). This reflects Minnesota Power's pro rata share of total Square Butte costs based on the 50 percent output entitlement. Included in this amount was Minnesota Power's pro rata share of interest expense of $2.1 million ($2.3 million for the same period in 2018). Minnesota Power's payments to Square Butte are approved as a purchased power expense for ratemaking purposes by both the MPUC and the FERC.

Minnkota Power PSA. Minnesota Power has a PSA with Minnkota Power, which commenced in 2014. Under the PSA, Minnesota Power is selling a portion of its entitlement from Square Butte to Minnkota Power, resulting in Minnkota Power's net entitlement increasing and Minnesota Power's net entitlement decreasing until Minnesota Power's share is eliminated at the end of 2025. Of Minnesota Power's 50 percent output entitlement, it sold to Minnkota Power approximately 28 percent in 2019 and in 2018.

Coal, Rail and Shipping Contracts. Minnesota Power has coal supply agreements providing for the purchase of a significant portion of its coal requirements through December 2019 and a portion of its coal requirements through December 2021. Minnesota Power also has coal transportation agreements in place for the delivery of a significant portion of its coal requirements through December 2021. The estimated minimum payments under these supply and transportation agreements is $5.7 million for the remainder of 2019, $9.0 million in 2020, $7.5 million in 2021 and none thereafter. The costs of fuel and related transportation costs for Minnesota Power's generation are recoverable from Minnesota Power's utility customers through the fuel adjustment clause.

Transmission. We continue to make investments in transmission opportunities that strengthen or enhance the transmission grid or take advantage of our geographical location between sources of renewable energy and end users. These include the GNTL, investments to enhance our own transmission facilities, investments in other transmission assets (individually or in combination with others) and our investment in ATC.

Great Northern Transmission Line. As a condition of the 250-MW long-term PPA entered into with Manitoba Hydro, construction of additional transmission capacity is required. As a result, Minnesota Power is constructing the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro in order to strengthen the electric grid, enhance regional reliability and promote a greater exchange of sustainable energy.

NOTE 7. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Transmission (Continued)

In a 2016 order, the MPUC approved the route permit for the GNTL, and in 2016, the U.S. Department of Energy issued a presidential permit to cross the U.S.-Canadian border, which was the final major regulatory approval needed before construction in the U.S. could begin. Site clearing and pre-construction activities commenced in the first quarter of 2017 with construction expected to be completed in 2020. To date, most of the right-of-way has been cleared while foundation installation and transmission tower construction have commenced. The total project cost in the U.S., including substation work, is estimated to be between $560 million and $710 million, of which Minnesota Power's portion is expected to be between $300 million and $350 million; the difference will be recovered from a subsidiary of Manitoba Hydro as non-shareholder contributions to capital. Total project costs of $458.2 million have been incurred through March 31, 2019, of which $245.0 million has been recovered from a subsidiary of Manitoba Hydro.

Manitoba Hydro must obtain regulatory and governmental approvals related to the MMTP, a new transmission line in Canada that will connect with the GNTL. In 2015, Manitoba Hydro submitted the final preferred route and EIS for the MMTP to the Manitoba Conservation and Water Stewardship for siting and environmental approval, which was received on April 4, 2019. In 2016, Manitoba Hydro filed an application with the Canadian National Energy Board (NEB) requesting authorization to construct and operate the MMTP, which was recommended for approval on November 15, 2018. Approval of the Canadian federal cabinet is also required.

The MMTP is subject to legal and regulatory challenges which Minnesota Power is actively monitoring. Manitoba Hydro has informed Minnesota Power that it continues to work towards completing the MMTP on schedule. In order to meet the transmission in-service requirements in PPAs with Minnesota Power, Manitoba Hydro has indicated that it would need to start construction of the MMTP by September 2019. We are unable to predict the outcome of the Canadian regulatory review process, including the timing thereof or whether any onerous conditions may be imposed, or the timing of the completion of the MMTP, including the impact of any delays that may result in construction schedule adjustments. Any significant delays in the MMTP construction schedule may result in Minnesota Power adjusting the GNTL construction schedule and impact the timing of capital expenditures and associated cost recovery under our transmission cost recovery rider.

Construction of Manitoba Hydro's Keeyask hydroelectric generation facility, which will provide the power to be sold under PPAs with Minnesota Power and transmitted on the MMTP and the GNTL, commenced in 2014 and is anticipated to be in service by early 2021.

Environmental Matters.

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation.

We consider our businesses to be in substantial compliance with currently applicable environmental regulations and believe all necessary permits have been obtained. We anticipate that with many state and federal environmental regulations and requirements finalized, or to be finalized in the near future, potential expenditures for future environmental matters may be material and require significant capital investments. Minnesota Power has evaluated various environmental compliance scenarios using possible outcomes of environmental regulations to project power supply trends and impacts on customers.

We review environmental matters on a quarterly basis. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Accruals are adjusted as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheet at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Costs related to environmental contamination treatment and cleanup are expensed unless recoverable in rates from customers.

NOTE 7. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

Air. The electric utility industry is regulated both at the federal and state level to address air emissions. Minnesota Power's generating facilities mainly burn low-sulfur western sub-bituminous coal. All of Minnesota Power's coal-fired generating facilities are equipped with pollution control equipment such as scrubbers, baghouses and low NO_X technologies. Under currently applicable environmental regulations, these facilities are substantially compliant with emission requirements.

Cross-State Air Pollution Rule (CSAPR). The CSAPR requires certain states in the eastern half of the U.S., including Minnesota, to reduce power plant emissions that contribute to ozone or fine particulate pollution in other states. The CSAPR does not require installation of controls but does require facilities have sufficient allowances to cover their emissions on an annual basis. These allowances are allocated to facilities from each state's annual budget, and can be bought and sold. Based on our review of the NO_x and SO_2 allowances issued and pending issuance, we currently expect generation levels and emission rates will result in continued compliance with the CSAPR.

National Ambient Air Quality Standards (NAAQS). The EPA is required to review the NAAQS every five years. If the EPA determines that a state's air quality is not in compliance with the NAAQS, the state is required to adopt plans describing how it will reduce emissions to attain the NAAQS. None of the compliance costs for proposed or current NAAQS revisions are expected to be material.

Climate Change. The scientific community generally accepts that emissions of GHG are linked to global climate change which creates physical and financial risks. Physical risks could include, but are not limited to: increased or decreased precipitation and water levels in lakes and rivers; increased temperatures; and changes in the intensity and frequency of extreme weather events. These all have the potential to affect the Company's business and operations. We are addressing climate change by taking the following steps that also ensure reliable and environmentally compliant generation resources to meet our customers' requirements:

- Expanding renewable power supply for both our operations and the operations of others;
- Providing energy conservation initiatives for our customers and engaging in other demand side management efforts;
- Improving efficiency of our generating facilities;
- Supporting research of technologies to reduce carbon emissions from generating facilities and carbon sequestration efforts;
- Evaluating and developing less carbon intensive future generating assets such as efficient and flexible natural gas-fired generating facilities;
- Managing vegetation on right-of-way corridors to reduce potential wildfire or storm damage risks; and
- Practicing sound forestry management in our service territories to create landscapes more resilient to disruption from climate-related changes, including planting and managing long-lived conifer species.

EPA Regulation of GHG Emissions. In 2014, the EPA announced a proposed rule under Section 111(d) of the Clean Air Act for existing power plants entitled "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Generating Units", also referred to as the Clean Power Plan (CPP). The EPA issued the final CPP in 2015, together with a proposed federal implementation plan and a model rule for emissions trading. In 2016, the U.S. Supreme Court issued an order staying the effectiveness of the rule until after the appellate court process is complete. In 2016, the U.S. Court of Appeals for the District of Columbia Circuit heard oral arguments and is currently deliberating. If the CPP is upheld at the completion of the appellate process, all of the CPP regulatory deadlines are expected to be reset based on the length of time that the appeals process takes. The EPA is precluded from enforcing the CPP while the U.S. Supreme Court stay is in force.

If upheld, the CPP would establish uniform CO_2 emission performance rates for existing fossil fuel-fired and natural gas-fired combined cycle generating units, setting state-specific goals for CO_2 emissions from the power sector. State goals were determined based on CPP source-specific performance emission rates and each state's mix of power plants. The EPA filed a motion with the U.S. Court of Appeals for the District of Columbia Circuit to hold CPP-related litigation in suspension while the EPA is reviewing the rule. In 2017, an Advanced Notice of Proposed Rulemaking for a CPP replacement rule was published in the Federal Register.

In August 2018, the EPA published the proposed Affordable Clean Energy Rule in the Federal Register, which is intended to replace the CPP with revised emission guidelines that inform the development, submittal, and implementation of State Implementation Plans (SIP) to reduce GHG emissions for existing steam generating units. If a state does not submit a SIP or submits a plan that is unacceptable to the EPA, the EPA would develop a Federal Implementation Plan (FIP). Minnesota Power generating facilities affected by this proposal include Boswell, Laskin, Taconite Harbor and Hibbard.

NOTE 7. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

The proposed Affordable Clean Energy Rule seeks to reduce carbon intensity at existing steam generation units by prescribing Best System of Emission Reduction (BSER), primarily through Heat Rate Improvement (HRI) technologies. Under the proposal, states will have up to three years to develop a SIP, which is subject to EPA approval. While many of the HRIs proposed by the EPA in the proposed rule have already been installed in Minnesota Power's largest coal-fired generating units, compliance specifics would be detailed in either Minnesota's SIP or a FIP.

Minnesota has already initiated several measures consistent with those called for under the CPP and proposed Affordable Clean Energy Rule. Minnesota Power is implementing its *EnergyForward* strategic plan that provides for significant emission reductions and diversifying its electricity generation mix to include more renewable and natural gas energy. (See Note 2. Regulatory Matters.) We are unable to predict the GHG emission compliance costs we might incur; however, the costs could be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Water. The Clean Water Act requires NPDES permits be obtained from the EPA (or, when delegated, from individual state pollution control agencies) for any wastewater discharged into navigable waters. We have obtained all necessary NPDES permits, including NPDES storm water permits for applicable facilities, to conduct our operations.

Steam Electric Power Generating Effluent Limitations Guidelines. In 2015, the EPA issued revised federal effluent limitation guidelines (ELG) for steam electric power generating stations under the Clean Water Act. It set effluent limits and prescribed BACT for several wastewater streams, including flue gas desulphurization (FGD) water, bottom ash transport water and coal combustion landfill leachate. In 2017, the EPA announced a two-year postponement of the ELG compliance date of November 1, 2018, to November 1, 2020, while the agency reconsiders the bottom ash transport water and FGD wastewater provisions.

The final ELG rule's potential impact on Minnesota Power operations is primarily at Boswell. Boswell currently discharges bottom ash contact water through its NPDES permit, and also has a closed-loop FGD system that does not discharge to surface waters, but may do so in the future. Under the existing ELG rule, bottom ash transport water discharge to surface waters must cease no later than December 31, 2023. Bottom ash contact water will either need to be re-used in a closed-loop process, routed to a FGD scrubber, or the bottom ash handling system will need to be converted to a dry process. If FGD wastewater is discharged in the future, it will require additional wastewater treatment. The ELG rule provision regarding these two waste-streams are being reconsidered and may change prior to November 1, 2020. Efforts have been underway at Boswell to reduce the amount of water discharged and evaluate potential re-use options in its plant processes.

At this time, we cannot estimate what compliance costs we might incur related to these or other potential future water discharge regulations; however, the costs could be material, including costs associated with retrofits for bottom ash handling, pond dewatering, pond closure, and wastewater treatment and re-use. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Solid and Hazardous Waste. The Resource Conservation and Recovery Act of 1976 regulates the management and disposal of solid and hazardous wastes. We are required to notify the EPA of hazardous waste activity and, consequently, routinely submit reports to the EPA.

Coal Ash Management Facilities. Minnesota Power stores or disposes coal ash at four of its electric generating facilities by the following methods: storing ash in lined onsite impoundments (ash ponds), disposing of dry ash in a lined dry ash landfill, applying ash to land as an approved beneficial use and trucking ash to state permitted landfills.

Coal Combustion Residuals from Electric Utilities (CCR). In 2015, the EPA published the final rule regulating CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act (RCRA) in the Federal Register. The rule includes additional requirements for new landfill and impoundment construction as well as closure activities related to certain existing impoundments. Costs of compliance for Boswell and Laskin are expected to occur primarily over the next 15 years and be between approximately $65 million and $120 million. The EPA has indicated to Minnesota Power that the landfill at Taconite Harbor, which has been idled and has a temporary landfill cover in place, is a CCR unit based on the EPA's interpretation of the CCR rule language. Minnesota Power has agreed to post the required CCR information for the Taconite Harbor landfill on Minnesota Power's website while the CCR issue is resolved. Compliance costs for CCR at Taconite Harbor are not expected to be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

NOTE 7. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

Minnesota Power continues to work on minimizing costs through evaluation of beneficial re-use and recycling of CCR and CCR-related waters. In 2017, the EPA announced its intention to formally reconsider the CCR rule under Subtitle D of the RCRA and in March 2018, published the first phase of the proposed rule revisions in the Federal Register. In July 2018, the EPA finalized revisions to elements of the CCR rule, including extending certain deadlines by two years, the establishment of alternative groundwater protection standards for certain constituents and the potential for risk-based management options at facilities based on site characteristics. In August 2018, a U.S. District Court for the District of Columbia decision vacated specific provisions of the CCR rule. The court decision changes the status of three existing impoundments at Boswell that must now be considered unlined. Compliance costs at Boswell due to the court decision are unknown at this time. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Other Environmental Matters

Manufactured Gas Plant Site. We are reviewing and addressing environmental conditions at a former manufactured gas plant site located in Superior, Wisconsin, and formerly operated by SWL&P. SWL&P has been working with the Wisconsin Department of Natural Resources (WDNR) in determining the extent and location of contamination at the site and surrounding properties. In December 2017, the WDNR authorized SWL&P to transition from site investigation into the remedial design process. As of March 31, 2019, we have recorded a liability of approximately $7 million for remediation costs at this site (approximately $7 million as of December 31, 2018), and an associated regulatory asset as we expect recovery of these remediation costs to be allowed by the PSCW. We expect to incur some or all of these costs over the next four years.

Other Matters.

ALLETE Clean Energy. ALLETE Clean Energy's wind energy facilities have PSAs in place for their entire output and expire in various years between 2019 and 2032. As of March 31, 2019, ALLETE Clean Energy has $21.6 million outstanding in standby letters of credit.

BNI Energy. As of March 31, 2019, BNI Energy had surety bonds outstanding of $49.9 million and a letter of credit for an additional $0.6 million related to the reclamation liability for closing costs associated with its mine and mine facilities. Although its coal supply agreements obligate the customers to provide for the closing costs, additional assurance is required by federal and state regulations. BNI Energy's total reclamation liability is currently estimated at $47.5 million. BNI Energy does not believe it is likely that any of these outstanding surety bonds or the letter of credit will be drawn upon.

ALLETE Properties. As of March 31, 2019, ALLETE Properties had surety bonds outstanding and letters of credit to governmental entities totaling $8.6 million primarily related to development and maintenance obligations for various projects. The estimated cost of the remaining development work is $6.1 million. ALLETE Properties does not believe it is likely that any of these outstanding surety bonds or letters of credit will be drawn upon.

Community Development District Obligations. As of March 31, 2019, we owned 68 percent of the assessable land in the Town Center District (68 percent as of December 31, 2018) and 12 percent of the assessable land in the Palm Coast Park District (19 percent as of December 31, 2018). As of March 31, 2019, ownership levels, our annual assessments related to capital improvement and special assessment bonds for the ALLETE Properties projects within these districts are approximately $1.4 million for Town Center at Palm Coast and $0.6 million for Palm Coast Park. As we sell property at these projects, the obligation to pay special assessments will pass to the new landowners. In accordance with accounting guidance, these bonds are not reflected as debt on our Consolidated Balance Sheet.

Legal Proceedings.

We are involved in litigation arising in the normal course of business. Also in the normal course of business, we are involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, and compliance with regulations, rate base and cost of service issues, among other things. We do not expect the outcome of these matters to have a material effect on our financial position, results of operations or cash flows.

NOTE 8. EARNINGS PER SHARE AND COMMON STOCK

We compute basic earnings per share using the weighted average number of shares of common stock outstanding during each period. The difference between basic and diluted earnings per share, if any, arises from non-vested restricted stock units and performance share awards granted under our Executive Long-Term Incentive Compensation Plan.

Reconciliation of Basic and Diluted Earnings Per Share	2019			2018		
	Basic	Dilutive Securities	Diluted	Basic	Dilutive Securities	Diluted
Millions Except Per Share Amounts						
Three Months Ended March 31,						
Net Income	$70.5		$70.5	$51.0		$51.0
Average Common Shares	51.6	0.1	51.7	51.2	0.2	51.4
Earnings Per Share	$1.37		$1.37	$1.00		$0.99

NOTE 9. INCOME TAX EXPENSE

	Three Months Ended March 31,	
	2019	2018
Millions		
Current Income Tax Expense *(a)*		
Federal	—	—
State	$0.3	$0.7
Total Current Income Tax Expense	$0.3	$0.7
Deferred Income Tax Expense (Benefit)		
Federal *(b)*	$(9.7)	$(6.8)
State *(c)*	12.5	2.6
Investment Tax Credit Amortization	(0.2)	(0.2)
Total Deferred Income Tax Expense (Benefit)	$2.6	$(4.4)
Total Income Tax Expense (Benefit)	$2.9	$(3.7)

(a) For each of the three months ended March 31, 2019, and 2018, the federal and state current tax expense was minimal due to NOLs which resulted from the bonus depreciation provisions of the Protecting Americans from Tax Hikes Act of 2015, the Tax Increase Prevention Act of 2014 and the American Taxpayer Relief Act of 2012. Federal and state NOLs are being carried forward to offset current and future taxable income.

(b) For each of the three months ended March 31, 2019, and 2018, the federal income tax benefit is primarily due to production tax credits.

(c) For the three months ended March 31, 2019, the state income tax expense is primarily due to the sale of U.S. Water Services.

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the Company updates its estimate of the annual effective tax rate and if the estimated annual effective tax rate changes, the Company would make a cumulative adjustment in that quarter.

NOTE 9. INCOME TAX EXPENSE (Continued)

Reconciliation of Taxes from Federal Statutory Rate to Total Income Tax Expense	Three Months Ended March 31, 2019	2018
Millions		
Income Before Income Taxes	$73.4	$47.3
Statutory Federal Income Tax Rate	21%	21%
Income Taxes Computed at Statutory Federal Rate	$15.4	$9.9
Increase (Decrease) in Income Tax Due to:		
State Income Taxes – Net of Federal Income Tax Benefit	10.1	2.6
Production Tax Credits	(16.3)	(14.4)
Regulatory Differences – Excess Deferred Tax	(3.2)	(2.2)
U.S. Water Services Sale of Stock Basis Difference	2.4	—
Share-Based Compensation	(0.9)	(0.5)
Other	(4.6)	0.9
Total Income Tax Expense (Benefit)	$2.9	$(3.7)

For the three months ended March 31, 2019, the effective tax rate was an expense of 4.0 percent (benefit of 7.8 percent for the three months ended March 31, 2018). The effective tax rate included income tax expense of $10.2 million on the sale of U.S. Water Services.

Uncertain Tax Positions. As of March 31, 2019, we had gross unrecognized tax benefits of $1.3 million ($1.6 million as of December 31, 2018). Of the total gross unrecognized tax benefits, $0.6 million represents the amount of unrecognized tax benefits included on the Consolidated Balance Sheet that, if recognized, would favorably impact the effective income tax rate. The unrecognized tax benefit amounts have been presented as reductions to the tax benefits associated with NOL and tax credit carryforwards on the Consolidated Balance Sheet.

ALLETE and its subsidiaries file a consolidated federal income tax return as well as combined and separate state income tax returns in various jurisdictions. ALLETE has no open federal or state audits, and is no longer subject to federal examination for years before 2015, or state examination for years before 2014.

NOTE 10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Components of Net Periodic Benefit Cost	Pension 2019	Pension 2018	Other Postretirement 2019	Other Postretirement 2018
Millions				
Three Months Ended March 31,				
Service Cost	$2.3	$2.7	$1.0	$1.2
Non-Service Cost Components *(a)*				
Interest Cost	8.0	7.4	1.9	1.8
Expected Return on Plan Assets	(11.0)	(11.0)	(2.6)	(2.7)
Amortization of Prior Service Credits	—	—	(0.4)	(0.4)
Amortization of Net Loss	1.8	3.0	0.1	0.2
Net Periodic Benefit Cost	$1.1	$2.1	—	$0.1

(a) These components of net periodic benefit cost are included in the line item "Other" under Other Income (Expense) on the Consolidated Statement of Income.

Employer Contributions. For the three months ended March 31, 2019, we contributed $10.4 million in cash to the defined benefit pension plans ($15.0 million for the three months ended March 31, 2018); we do not expect to make additional contributions to our defined benefit pension plans in 2019. For the three months ended March 31, 2019, and 2018, we made no contributions to our other postretirement benefit plans; we do not expect to make any contributions to our other postretirement benefit plans in 2019.

NOTE 11. BUSINESS SEGMENTS

We present three reportable segments: Regulated Operations, ALLETE Clean Energy and U.S. Water Services. We measure performance of our operations through budgeting and monitoring of contributions to consolidated net income by each business segment.

Regulated Operations includes three operating segments which consist of our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC. ALLETE Clean Energy is our business focused on developing, acquiring and operating clean and renewable energy projects. U.S. Water Services was our integrated water management company, which reflects operating results until the closing date of its sale on March 26, 2019. The ALLETE Clean Energy and U.S. Water Services reportable segments comprise our Energy Infrastructure and Related Services businesses. We also present Corporate and Other which includes two operating segments, BNI Energy, our coal mining operations in North Dakota, and ALLETE Properties, our legacy Florida real estate investment, along with our investment in Nobles 2, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

	Three Months Ended March 31,	
	2019	**2018**
Millions		
Operating Revenue		
Regulated Operations		
Residential	$45.2	$40.7
Commercial	38.9	36.6
Municipal	15.4	14.0
Industrial	121.6	114.9
Other Power Suppliers	39.4	43.7
Other	21.7	20.3
Total Regulated Operations	282.2	270.2
Energy Infrastructure and Related Services		
ALLETE Clean Energy		
Long-term PSA	14.6	18.6
Other	2.9	6.0
Total ALLETE Clean Energy	17.5	24.6
U.S. Water Services *(a)*		
Point-in-Time	19.0	22.3
Contract	9.2	9.5
Capital Project	5.2	6.4
Total U.S. Water Services	33.4	38.2
Corporate and Other		
Long-term Contract	20.2	20.0
Other	3.9	5.2
Total Corporate and Other	24.1	25.2
Total Operating Revenue	$357.2	$358.2
Net Income (Loss)		
Regulated Operations	$51.5	$43.9
Energy Infrastructure and Related Services		
ALLETE Clean Energy	5.8	8.1
U.S. Water Services *(a)*	(1.1)	(1.4)
Corporate and Other *(a)*	14.3	0.4
Total Net Income	$70.5	$51.0

(a) On March 26, 2019, ALLETE completed the sale of U.S. Water Services. The Company recognized a gain on the sale of approximately $10 million after-tax reflected in Corporate and Other in 2019. (See Note 1. Operations and Significant Accounting Policies.)

NOTE 11. BUSINESS SEGMENTS (Continued)

	March 31, 2019	December 31, 2018
Millions		
Assets		
Regulated Operations	$3,962.7	$3,952.5
Energy Infrastructure and Related Services		
ALLETE Clean Energy	643.8	606.6
U.S. Water Services *(a)*	—	295.8
Corporate and Other	612.3	310.1
Total Assets	$5,218.8	$5,165.0

(a) On March 26, 2019, ALLETE completed the sale of U.S. Water Services. (See Note 1. Operations and Significant Accounting Policies.)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following discussion should be read in conjunction with our Consolidated Financial Statements and notes to those statements, Management's Discussion and Analysis of Financial Condition and Results of Operations from our 2018 Form 10-K, and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this Form 10-Q contain forward-looking information that involves risks and uncertainties. Readers are cautioned that forward-looking statements should be read in conjunction with our disclosures in this Form 10-Q and our 2018 Form 10-K under the headings: "Forward-Looking Statements" located on page 6 and "Risk Factors" located in Part I, Item 1A, beginning on page 23 of our 2018 Form 10-K. The risks and uncertainties described in this Form 10-Q and our 2018 Form 10-K are not the only risks facing our Company. Additional risks and uncertainties that we are not presently aware of, or that we currently consider immaterial, may also affect our business operations. Our business, financial condition or results of operations could suffer if the risks are realized.

Regulated Operations includes our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC, a Wisconsin-based regulated utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. Minnesota Power provides regulated utility electric service in northeastern Minnesota to approximately 145,000 retail customers. Minnesota Power also has 16 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. SWL&P provides regulated utility electric, natural gas and water service in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. Our regulated utility operations include retail and wholesale activities under the jurisdiction of state and federal regulatory authorities. (See Note 2. Regulatory Matters.)

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in four states, approximately 555 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

U.S. Water Services provided integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency. On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million. On March 26, 2019, ALLETE completed the sale and received approximately $265 million in cash at closing, net of transaction costs and cash retained. This amount is subject to adjustment for finalization of such items as estimated working capital.

Corporate and Other is comprised of BNI Energy, our coal mining operations in North Dakota, ALLETE Properties, our legacy Florida real estate investment, our investment in Nobles 2, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

ALLETE is incorporated under the laws of Minnesota. Our corporate headquarters are in Duluth, Minnesota. Statistical information is presented as of March 31, 2019, unless otherwise indicated. All subsidiaries are wholly-owned unless otherwise specifically indicated. References in this report to "we," "us" and "our" are to ALLETE and its subsidiaries, collectively.

Financial Overview

The following net income discussion summarizes a comparison of the three months ended March 31, 2019, to the three months ended March 31, 2018.

Net income for the three months ended March 31, 2019, was $70.5 million, or $1.37 per diluted share, compared to $51.0 million, or $0.99 per diluted share, for the same period in 2018. Net income in 2019 included the gain on sale of U.S. Water Services of approximately $10 million after-tax, or $0.19 per share.

Regulated Operations net income was $51.5 million for the three months ended March 31, 2019, compared to $43.9 million for the same period in 2018. Net income at Minnesota Power was higher than in 2018 primarily due to lower operating and maintenance expenses, increased cost recovery rider revenue, lower property tax expense, and higher sales to residential customers resulting from cooler weather conditions in 2019. These increases were partially offset by lower industrial sales and the timing of fuel adjustment clause recoveries. Net income at SWL&P was higher than 2018 primarily due to higher rates effective January 1, 2019, and lower operating and maintenance expenses. Our after-tax equity earnings in ATC were higher than in 2018 primarily due to additional investments in ATC.

ALLETE Clean Energy net income was $5.8 million for the three months ended March 31, 2019, compared to $8.1 million for the same period in 2018. Net income in 2019 included lower revenue resulting from lower wind resources and availability due to weather as well as the renewal of PSAs at lower prices. These decreases were partially offset by $1.8 million of additional production tax credits generated as ALLETE Clean Energy continues to execute its refurbishment strategy.

U.S. Water Services net loss was $1.1 million for the three months ended March 31, 2019, compared to a net loss of $1.4 million for the same period in 2018.

Corporate and Other net income was $14.3 million for the three months ended March 31, 2019, compared to net income of $0.4 million for the same period in 2018. Net income in 2019 included the gain on sale of U.S. Water Services of approximately $10 million after-tax. Net income in 2019 included additional income tax benefit as GAAP requires the recognition of income tax expense at the estimated annual effective tax rate.

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(See Note 11. Business Segments for financial results by segment.)

Regulated Operations

Three Months Ended March 31,	2019	2018
Millions		
Operating Revenue – Utility	$282.2	$270.2
Fuel, Purchased Power and Gas – Utility	109.8	100.9
Transmission Services – Utility	18.3	18.4
Operating and Maintenance	47.7	55.5
Depreciation and Amortization	39.8	34.3
Taxes Other than Income Taxes	12.3	15.1
Operating Income	54.3	46.0
Interest Expense	(15.5)	(14.9)
Equity Earnings in ATC	5.6	4.7
Other Income	4.3	1.6
Income Before Income Taxes	48.7	37.4
Income Tax Benefit	(2.8)	(6.5)
Net Income	$51.5	$43.9

Operating Revenue – Utility increased $12.0 million, or 4 percent, from 2018 reflecting increased cost recovery rider revenue, higher fuel adjustment clause recoveries, and the timing of the provision for tax reform refund in 2018 related to income tax changes resulting from the TCJA, partially offset by lower revenue from kWh sales.

Cost recovery rider revenue contributed an incremental $7.3 million over current base rates compared to 2018 primarily due to higher expenditures related to the construction of the GNTL and fewer production tax credits recognized by Minnesota Power. (See Note 2. Regulatory Matters.) If production tax credits are recognized at a level below those assumed in Minnesota Power's base rates, an increase in cost recovery rider revenue is recognized to offset the impact of lower production tax credits on income tax expense.

Fuel adjustment clause recoveries increased $6.8 million due to higher fuel and purchased power costs attributable to retail and municipal customers.

Revenue was $4.7 million higher than 2018 reflecting the timing of Minnesota Power's provision for tax reform refund in 2018. In the first quarter of 2018, Minnesota Power reserved for income tax benefits resulting from the reduction of the federal income tax rate enacted as part of the TCJA. In the second quarter of 2018, the MPUC allowed Minnesota Power to retain these income tax benefits to mostly offset an increase in depreciation expense resulting from the reconsideration of its decision in Minnesota Power's general rate case to reduce the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2035. (See *Operating Expenses - Depreciation and Amortization*.)

Revenue from kWh sales decreased $7.3 million from 2018 reflecting lower sales to Other Power Suppliers, Industrial customers and Municipal customers. These decreases were partially offset by higher sales to Residential customers. Sales to Residential customers increased in 2019 primarily due to cooler weather conditions in 2019 compared to 2018. Sales to Industrial customers decreased from 2018 reflecting in part lower sales to Husky Energy due to an April 2018 fire at its refinery in Superior, Wisconsin. Sales to Municipal customers decreased in 2019 as a result of additional customer self-generation in 2019. Sales to Other Power Suppliers decreased from 2018 primarily due to fewer market sales, partially offset by the commencement of Minnesota Power's PSA with Oconto Electric Cooperative in January 2019. Sales to Other Power Suppliers are sold at market-based prices into the MISO market on a daily basis or through PSAs of various durations.

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (Continued)
Regulated Operations (Continued)

Kilowatt-hours Sold Three Months Ended March 31,	2019	2018	Quantity Variance	% Variance
Millions				
Regulated Utility				
Retail and Municipal				
Residential	349	342	7	2.0 %
Commercial	366	367	(1)	(0.3)%
Industrial	1,814	1,843	(29)	(1.6)%
Municipal	203	219	(16)	(7.3)%
Total Retail and Municipal	2,732	2,771	(39)	(1.4)%
Other Power Suppliers	822	1,003	(181)	(18.0)%
Total Regulated Utility Kilowatt-hours Sold	3,554	3,774	(220)	(5.8)%

Revenue from electric sales to taconite and iron concentrate customers accounted for 22 percent of consolidated operating revenue in 2019 (21 percent in 2018). Revenue from electric sales to paper, pulp and secondary wood product customers accounted for 5 percent of consolidated operating revenue in 2019 (4 percent in 2018). Revenue from electric sales to pipelines and other industrial customers accounted for 7 percent of consolidated operating revenue in 2019 (7 percent in 2018).

Operating Expenses increased $3.7 million, or 2 percent, from 2018.

Fuel, Purchased Power and Gas – Utility expense increased $8.9 million, or 9 percent, from 2018 primarily due to less generation and more purchased power, partially offset by lower kWh sales. Fuel and purchased power expense related to our retail and municipal customers is recovered through the fuel adjustment clause.

Operating and Maintenance expense decreased $7.8 million, or 14 percent, from 2018 primarily due to lower salary and benefit expenses, and lower materials purchased for generation facilities.

Depreciation and Amortization expense increased $5.5 million, or 16 percent, from 2018 primarily due to the timing of modifications of the depreciable lives for Boswell as part of Minnesota Power's general rate case. As part of its decision in Minnesota Power's general rate case in 2018, the MPUC extended the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2050, and shortened the depreciable lives of Boswell Unit 1 and Unit 2 to 2022, resulting in a net decrease to depreciation expense in the first quarter of 2018. In the second quarter of 2018, as part of the reconsideration of its decision in Minnesota Power's general rate case, the MPUC reduced the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2035, resulting in higher depreciation expense beginning in the second quarter of 2018. (See *Operating Revenue*.)

Taxes Other than Income Taxes decreased $2.8 million, or 19 percent, from 2018 primarily due to lower property tax expenses resulting from lower estimated taxable market values.

Equity Earnings in ATC increased $0.9 million, or 19 percent, from 2018 primarily due to additional investments in ATC.

Other Income increased $2.7 million from 2018 due to various individually immaterial items.

Income Tax Benefit decreased $3.7 million from 2018 primarily due to higher pre-tax income. We expect our annual effective tax rate in 2019 to be a lower income tax benefit than in 2018 primarily due to higher pre-tax income.

ALLETE Clean Energy

Three Months Ended March 31,	2019	2018
Millions		
Operating Revenue	$17.5	$24.6
Net Income	$5.8	$8.1

Operating Revenue decreased $7.1 million, or 29 percent, from 2018 primarily due to lower kWh sales resulting from lower wind resources and availability due to weather, and the renewal of PSAs at lower prices.

	Three Months Ended March 31,			
	2019		2018	
Production and Operating Revenue	**kWh**	**Revenue**	**kWh**	**Revenue**
Millions				
Wind Energy Facilities				
Armenia Mountain	80.4	$7.4	91.5	$8.3
Chanarambie/Viking	65.2	3.2	78.7	3.9
Condon	13.4	1.1	34.3	2.8
Lake Benton	52.6	2.9	70.4	3.4
Storm Lake I	53.4	1.1	62.5	3.3
Storm Lake II	34.8	1.6	47.9	2.9
Other	6.9	0.2	—	—
Total Production and Operating Revenue	306.7	$17.5	385.3	$24.6

Net Income decreased $2.3 million, or 28 percent, from 2018. Net income in 2019 included lower revenue resulting from lower wind resources and availability due to weather as well as the renewal of PSAs at lower prices. These decreases were partially offset by $1.8 million of additional production tax credits generated as ALLETE Clean Energy continues to execute on its refurbishment strategy.

U.S. Water Services

Three Months Ended March 31,	**2019**	**2018**
Millions		
Operating Revenue	$33.4	$38.2
Net Loss	$(1.1)	$(1.4)

Operating Revenue decreased $4.8 million, or 13 percent, from 2018. Revenue from chemical sales and related services was $28.2 million in 2019 compared to $31.8 million in 2018. Revenue from capital projects was $5.2 million for 2019 compared to $6.4 million in 2018.

Net Loss decreased $0.3 million from 2018. The net loss in 2019 was similar to 2018.

Corporate and Other

Operating Revenue decreased $1.1 million, or 4 percent, from 2018 due to various individually insignificant items.

Net Income was $14.3 million in 2018 compared to net income of $0.4 million in 2018. Net income in 2019 included the gain on sale of U.S. Water Services of approximately $10 million after-tax. Net income in 2019 also included additional income tax benefit as GAAP requires the recognition of income tax expense at the estimated annual effective tax rate. Net income at BNI Energy was $1.9 million in 2019 compared to net income of $1.8 million in 2018. The net loss at ALLETE Properties was $0.6 million in 2019 compared to a net loss of $0.5 million in 2018.

Income Taxes – Consolidated

For the three months ended March 31, 2019, the effective tax rate was an expense of 4.0 percent (benefit of 7.8 percent for the three months ended March 31, 2018). The effective tax rate for 2019 included income tax expense of $10.2 million on the sale of U.S. Water Services.

We expect our annual effective tax rate in 2019 to be similar to 2018 reflecting the sale of U.S. Water Services and higher production tax credits generated by ALLETE Clean Energy. The effective rate deviated from the combined statutory rate of approximately 28 percent primarily due to production tax credits. (See Note 9. Income Tax Expense.)

CRITICAL ACCOUNTING POLICIES

Certain accounting measurements under GAAP involve management's judgment about subjective factors and estimates, the effects of which are inherently uncertain. Accounting measurements that we believe are most critical to our reported results of operations and financial condition include: regulatory accounting, pension and postretirement health and life actuarial assumptions, impairment of long-lived assets, and taxation. These policies are reviewed with the Audit Committee of our Board of Directors on a regular basis and summarized in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2018 Form 10-K.

OUTLOOK

For additional information see our 2018 Form 10-K.

ALLETE is an energy company committed to earning a financial return that rewards our shareholders, allows for reinvestment in our businesses and sustains growth. The Company has long-term objectives of achieving average annual earnings per share growth of 5 percent to 7 percent, and providing a dividend payout competitive with our industry. Regulated Operations is projected to have average annual earnings growth of 4 percent to 5 percent and our Energy Infrastructure and Related Services businesses are projected to have average annual earnings growth of at least 15 percent over the long-term.

ALLETE is predominately a regulated utility through Minnesota Power, SWL&P and an investment in ATC. ALLETE's strategy is to remain predominately a regulated utility while investing in its Energy Infrastructure and Related Services and other businesses to complement its regulated businesses, balance exposure to the utility's industrial customers and provide potential long-term earnings growth. ALLETE expects net income from Regulated Operations to be approximately 80 percent of total consolidated net income in 2019. Over the next several years, the contribution of the Energy Infrastructure and Related Services and other businesses to net income is expected to increase as ALLETE grows these operations. ALLETE expects its businesses to provide regulated, contracted or recurring revenues, and to support sustained growth in net income and cash flow.

Regulated Operations. Minnesota Power's long-term strategy is to be the leading electric energy provider in northeastern Minnesota by providing safe, reliable and cost-competitive electric energy, while complying with environmental permit conditions and renewable energy requirements. Keeping the cost of energy production competitive enables Minnesota Power to effectively compete in the wholesale power markets and minimizes retail rate increases to help maintain customer viability. As part of maintaining cost competitiveness, Minnesota Power intends to reduce its exposure to possible future carbon and GHG legislation by reshaping its generation portfolio, over time, to reduce its reliance on coal. (See *EnergyForward.*) We will monitor and review proposed environmental regulations and may challenge those that add considerable cost with limited environmental benefit. Minnesota Power will continue to pursue customer growth opportunities and cost recovery rider approvals for transmission, renewable and environmental investments, as well as work with regulators to earn a fair rate of return. Minnesota Power anticipates filing a rate case in the fourth quarter of 2019 with a 2020 test year.

Regulatory Matters. Entities within our Regulated Operations segment are under the jurisdiction of the MPUC, FERC, PSCW and NDPSC. See Note 2. Regulatory Matters for discussion of regulatory matters within these jurisdictions.

2016 Minnesota General Rate Case. The MPUC issued an order dated March 12, 2018, in Minnesota Power's general rate case approving a return on common equity of 9.25 percent and a 53.81 percent equity ratio. Final rates went into effect on December 1, 2018, which is expected to result in additional revenue of approximately $13 million on an annualized basis. Interim rates were collected from January 1, 2017, through November 30, 2018, which were fully offset by the recognition of a corresponding reserve. Minnesota Power has recorded a reserve for an interim rate refund, net of discounts provided to EITE customers, of $40.6 million as of March 31, 2019 ($40.0 million as of December 31, 2018), which is expected to be refunded in the second quarter of 2019.

2018 Wisconsin General Rate Case. In an order dated December 20, 2018, the PSCW approved a rate increase for SWL&P including a return on equity of 10.4 percent and a 55.0 percent equity ratio. Final rates went into effect January 1, 2019, which is expected to result in additional revenue of approximately $1.3 million on an annualized basis.

OUTLOOK (Continued)

Industrial Customers and Prospective Additional Load.

Industrial Customers. Electric power is one of several key inputs in the taconite mining, iron concentrate, paper, pulp and secondary wood products, pipeline and other industries. Approximately 51 percent of our regulated utility kWh sales in the three months ended March 31, 2019, were made to our industrial customers (49 percent in the three months ended March 31, 2018).

Taconite and Iron Concentrate. Minnesota Power's taconite customers are capable of producing up to approximately 41 million tons of taconite pellets annually. Taconite pellets produced in Minnesota are primarily shipped to North American steel making facilities that are part of the integrated steel industry. Steel produced from these North American facilities is used primarily in the manufacture of automobiles, appliances, pipe and tube products for the gas and oil industry, and in the construction industry. Historically, less than 10 percent of Minnesota taconite production has been exported outside of North America. Minnesota Power also has provided electric service to three iron concentrate facilities capable of producing up to approximately 4 million tons of iron concentrate per year. Iron concentrate is used in the production of taconite pellets. These facilities have been idled since at least 2016. In July 2018, ERP Iron Ore announced it would no longer seek to restart its operations.

There has been a general historical correlation between U.S. steel production and Minnesota taconite production. The American Iron and Steel Institute, an association of North American steel producers, reported that U.S. raw steel production operated at approximately 82 percent of capacity during the first three months of 2019 compared to 75 percent in the first three months of 2018. The World Steel Association, an association of over 160 steel producers, national and regional steel industry associations, and steel research institutes representing approximately 85 percent of world steel production, projected U.S. steel consumption in 2019 will increase by approximately one percent compared to 2018.

Minnesota Power's taconite customers may experience annual variations in production levels due to such factors as economic conditions, short-term demand changes or maintenance outages. We estimate that a one million ton change in Minnesota Power's taconite customers' production would impact our annual earnings per share by approximately $0.04, net of expected power marketing sales at current prices. Changes in wholesale electric prices or customer contractual demand nominations could impact this estimate. Minnesota Power proactively sells power in the wholesale power markets that is temporarily not required by industrial customers to optimize the value of its generating facilities. Long-term reductions in taconite production or a permanent shut down of a taconite customer may lead Minnesota Power to file a general rate case to recover lost revenue.

Northshore Mining. Cliffs has announced that it is investing further in its Minnesota ore operations, specifically it plans to invest approximately $90 million through 2020 to expand capacity for producing direct reduced-grade pellets at Northshore Mining. The additional direct reduced-grade pellets could be sold commercially or used to supply Cliff's planned hot briquetted iron production plant in Toledo, Ohio. Cliffs has announced plans to begin shipping direct reduced-grade pellets to the Toledo plant later in 2019 in anticipation of the planned start of operations in 2020. Minnesota Power has a PSA through 2031 with Silver Bay Power, which provides the majority of the electric service requirements for Northshore Mining. (See *Silver Bay Power*.)

Silver Bay Power. In 2016, Minnesota Power and Silver Bay Power entered into a PSA through 2031. Silver Bay Power supplies approximately 90 MW of load to Northshore Mining, an affiliate of Silver Bay Power, which has been served predominately through self-generation by Silver Bay Power. Through 2019, Minnesota Power will supply Silver Bay Power with at least 50 MW of energy and Silver Bay Power has the option to purchase additional energy from Minnesota Power as it transitions away from self-generation. By December 31, 2019, Silver Bay Power is expected to cease self-generation and Minnesota Power is expected to supply the energy requirements for Silver Bay Power.

Paper, Pulp and Secondary Wood Products. We expect operating levels in 2019 at the four major paper and pulp mills we serve to be similar to 2018.

Pipeline and Other Industries.

Husky Energy. In April 2018, a fire at Husky Energy's refinery in Superior, Wisconsin disrupted operations at the facility. Under normal operating conditions, SWL&P provides approximately 14 MW of average monthly demand to Husky Energy in addition to water service. The facility remains at minimal operations, and the refinery is not expected to resume normal operations until 2020.

Prospective Additional Load. Minnesota Power is pursuing new wholesale and retail loads in and around its service territory. Currently, several companies in northeastern Minnesota continue to progress in the development of natural resource-based projects that represent long-term growth potential and load diversity for Minnesota Power. We cannot predict the outcome of these projects.

OUTLOOK (Continued)
Industrial Customers and Prospective Additional Load (Continued)

PolyMet. PolyMet is planning to start a new copper-nickel and precious metal (non-ferrous) mining operation in northeastern Minnesota. In 2015, PolyMet announced the completion of the final EIS by state and federal agencies, which was subsequently published in the Federal Register and Minnesota Environmental Quality Board Monitor. The Minnesota Department of Natural Resources (DNR) and the U.S. Army Corps of Engineers have both issued final Records of Decision, finding the final EIS adequate.

In 2016, PolyMet submitted applications for water-related permits with the DNR and MPCA, an air quality permit with the MPCA, and a state permit to mine application with the DNR detailing its operational plans for the mine. In November 2018, the DNR issued PolyMet's permit to mine and certain water-related permits. In December 2018, the MPCA issued PolyMet's final state water and air quality permits. On March 21, 2019, the U.S. Army Corps of Engineers issued PolyMet's final federal permit. PolyMet now holds all necessary permits to construct and operate its mining operation. In June 2018, the U.S. Forest Service and PolyMet closed on a land exchange, which resulted in PolyMet obtaining surface rights to land needed to develop its mining operation. Minnesota Power could supply between 45 MW and 50 MW of load under a 10-year power supply contract with PolyMet that would begin upon start-up of operations.

EnergyForward. Minnesota Power is executing *EnergyForward*, a strategic plan for assuring reliability, protecting affordability and further improving environmental performance. The plan includes completed and planned investments in wind, solar, natural gas and hydroelectric power, construction of additional transmission capacity, the installation of emissions control technology and the idling of certain coal-fired generating facilities.

In 2017, Minnesota Power submitted a resource package to the MPUC requesting approval of PPAs for the output of a 250 MW wind energy facility (see *Nobles 2 PPA*) and a 10 MW solar energy facility (see *Solar Energy*) as well as approval of a 250 MW natural gas capacity dedication agreement. These agreements were subject to MPUC approval of the construction of NTEC, a 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE. Minnesota Power would purchase approximately 50 percent of the facility's output starting in 2025. In an order dated January 24, 2019, the MPUC approved Minnesota Power's request for approval of the NTEC natural gas capacity dedication agreement. Separately, the MPUC required a baseload retirement evaluation in Minnesota Power's next IRP filing analyzing its existing fleet including potential early retirement scenarios of Boswell Units 3 and 4, as well as a securitization plan. On January 8, 2019, an application for a certificate of public convenience and necessity for NTEC was submitted to the PSCW. A decision on the application is expected in 2020.

Integrated Resource Plan. In a 2016 order, the MPUC approved Minnesota Power's 2015 IRP with modifications. The order accepted Minnesota Power's plans for the economic idling of Taconite Harbor Units 1 and 2 and the ceasing of coal-fired operations at Taconite Harbor in 2020, directed Minnesota Power to retire Boswell Units 1 and 2 no later than 2022, required an analysis of generation and demand response alternatives to be filed with a natural gas resource proposal, and required Minnesota Power to conduct request for proposals for additional wind, solar and demand response resource additions subject to further MPUC approvals. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. Minnesota Power's next IRP filing is due October 1, 2020. (See Note 2. Regulatory Matters.)

Renewable Energy. Minnesota Power's 2015 IRP includes an update on its plans and progress in meeting the Minnesota renewable energy milestones through 2025. Minnesota Power continues to execute its renewable energy strategy through renewable projects that will ensure it meets the identified state mandate at the lowest cost for customers. Minnesota Power has exceeded the interim milestone requirements to date and expects between 25 percent and 30 percent of its applicable retail and municipal energy sales will be supplied by renewable energy sources in 2019.

Solar Energy. Minnesota Power's solar energy supply consists of Camp Ripley, a 10 MW solar energy facility at the Camp Ripley Minnesota Army National Guard base and training facility near Little Falls, Minnesota, and a community solar garden project in northeastern Minnesota, which is comprised of a 1 MW solar array owned and operated by a third party with the output purchased by Minnesota Power and a 40 kW solar array that is owned and operated by Minnesota Power. In an October 2018 order, the MPUC approved a PPA for the output of the 10 MW Blanchard solar energy facility to be located in central Minnesota.

Minnesota Power has approval for current cost recovery of investments and expenditures related to compliance with the Minnesota Solar Energy Standard. Currently, there is no approved customer billing rate for solar costs.

OUTLOOK (Continued)
EnergyForward (Continued)

Wind Energy. Minnesota Power's wind energy facilities consist of Bison (497 MW) located in North Dakota, and Taconite Ridge (25 MW) located in northeastern Minnesota. Minnesota Power also has two long-term wind energy PPAs with an affiliate of NextEra Energy, Inc. to purchase the output from Oliver Wind I (50 MW) and Oliver Wind II (48 MW) located in North Dakota.

Minnesota Power uses the 465-mile, 250-kV DC transmission line that runs from Center, North Dakota, to Duluth, Minnesota, to transport increasing amounts of wind energy from North Dakota while gradually phasing out coal-based electricity delivered to its system over this transmission line from Square Butte's lignite coal-fired generating unit. The DC transmission line capacity can be increased if renewable energy or transmission needs justify investments to upgrade the line.

Minnesota Power has an approved cost recovery rider for certain renewable investments and expenditures. The cost recovery rider allows Minnesota Power to charge retail customers on a current basis for the costs of certain renewable investments plus a return on the capital invested. Updated customer billing rates for the renewable cost recovery rider were provisionally approved by the MPUC in a November 2018 order.

Nobles 2 PPA. In the third quarter of 2018, Minnesota Power and Nobles 2 signed an amended long-term PPA that provides for Minnesota Power to purchase the energy and associated capacity from a 250 MW wind energy facility in southwestern Minnesota for a 20-year period beginning in 2020. The agreement provides for the purchase of output from the facility at fixed energy prices. There are no fixed capacity charges, and Minnesota Power will only pay for energy as it is delivered. This agreement is subject to construction of the wind energy facility. (See Note 3. Equity Investments.)

Manitoba Hydro. Minnesota Power has five long-term PPAs with Manitoba Hydro. The first PPA expires in May 2020. Under this agreement, Minnesota Power is purchasing 50 MW of capacity and the energy associated with that capacity. Both the capacity price and the energy price are adjusted annually by the change in a governmental inflationary index. Under the second PPA, Minnesota Power is purchasing surplus energy through April 2022. This energy-only agreement primarily consists of surplus hydro energy on Manitoba Hydro's system that is delivered to Minnesota Power on a non-firm basis. The pricing is based on forward market prices. Under this agreement, Minnesota Power will purchase at least one million MWh of energy over the contract term.

The third PPA provides for Minnesota Power to purchase 250 MW of capacity and energy from Manitoba Hydro for 15 years beginning in 2020. The PPA is subject to the construction of the GNTL and MMTP. (See Note 7. Commitments, Guarantees and Contingencies.) The capacity price is adjusted annually until 2020 by the change in a governmental inflationary index. The energy price is based on a formula that includes an annual fixed price component adjusted for the change in a governmental inflationary index and a natural gas index, as well as market prices.

The fourth PPA provides for Minnesota Power to purchase up to 133 MW of energy from Manitoba Hydro for 20 years beginning in 2020. The pricing under this PPA is based on forward market prices. The PPA is subject to the construction of the GNTL and MMTP. (See Note 7. Commitments, Guarantees and Contingencies.)

The fifth PPA provides for Minnesota Power to purchase 50 MW of capacity from Manitoba Hydro at fixed prices. The PPA began in June 2017 and expires in May 2020.

Transmission. We continue to make investments in transmission opportunities that strengthen or enhance the transmission grid or take advantage of our geographical location between sources of renewable energy and end users. These include the GNTL, investments to enhance our own transmission facilities, investments in other transmission assets (individually or in combination with others) and our investment in ATC.

Great Northern Transmission Line. As a condition of the 250-MW long-term PPA entered into with Manitoba Hydro, construction of additional transmission capacity is required. As a result, Minnesota Power is constructing the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro in order to strengthen the electric grid, enhance regional reliability and promote a greater exchange of sustainable energy.

OUTLOOK (Continued)
Transmission (Continued)

In a 2016 order, the MPUC approved the route permit for the GNTL, and in 2016, the U.S. Department of Energy issued a presidential permit to cross the U.S.-Canadian border, which was the final major regulatory approval needed before construction in the U.S. could begin. Site clearing and pre-construction activities commenced in the first quarter of 2017 with construction expected to be completed in 2020. To date, most of the right-of-way has been cleared while foundation installation and transmission tower construction have commenced. The total project cost in the U.S., including substation work, is estimated to be between $560 million and $710 million, of which Minnesota Power's portion is expected to be between $300 million and $350 million; the difference will be recovered from a subsidiary of Manitoba Hydro as non-shareholder contributions to capital. Total project costs of $458.2 million have been incurred through March 31, 2019, of which $245.0 million has been recovered from a subsidiary of Manitoba Hydro.

Manitoba Hydro must obtain regulatory and governmental approvals related to the MMTP, a new transmission line in Canada that will connect with the GNTL. (See Note 7. Commitments, Guarantees and Contingencies.)

Investment in ATC. Our wholly-owned subsidiary, ALLETE Transmission Holdings, owns approximately 8 percent of ATC, a Wisconsin-based utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. As of March 31, 2019, our equity investment in ATC was $130.0 million ($128.1 million as of December 31, 2018). In the first three months of 2019, we invested $0.4 million in ATC, and on April 30, 2019, we invested an additional $2.3 million. We expect to make $5.8 million of additional investments in 2019. (See Note 3. Equity Investments.)

ATC's authorized return on equity is 10.32 percent, or 10.82 percent including an incentive adder for participation in a regional transmission organization. In 2016, a federal administrative law judge ruled on a complaint proposing a reduction in the base return on equity to 9.70 percent, or 10.20 percent including an incentive adder for participation in a regional transmission organization, subject to approval or adjustment by the FERC. A final decision from the FERC on the administrative law judge's recommendation is pending.

ATC's 10-year transmission assessment, which covers the years 2018 through 2027, identifies a need for between $2.8 billion and $3.4 billion in transmission system investments. These investments by ATC, if undertaken, are expected to be funded through a combination of internally generated cash, debt and investor contributions. As opportunities arise, we plan to make additional investments in ATC through general capital calls based upon our pro rata ownership interest in ATC.

Energy Infrastructure and Related Services.

ALLETE Clean Energy.

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in four states, approximately 555 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

ALLETE Clean Energy believes the market for renewable energy in North America is robust, driven by several factors including environmental regulation, tax incentives, societal expectations and continual technology advances. State renewable portfolio standards and state or federal regulations to limit GHG emissions are examples of environmental regulation or public policy that we believe will drive renewable energy development.

ALLETE Clean Energy's strategy includes the safe, reliable, optimal and profitable operation of its existing facilities. This includes a strong safety culture, the continuous pursuit of operational efficiencies at existing facilities and cost controls. ALLETE Clean Energy generally acquires facilities in liquid power markets and its strategy includes the exploration of PSA extensions upon expiration of existing contracts and production tax credit requalification of existing facilities.

ALLETE Clean Energy will pursue growth through acquisitions or project development. ALLETE Clean Energy is targeting acquisitions of existing facilities up to 200 MW each, which have long-term PSAs in place for the facilities' output. At this time, ALLETE Clean Energy expects acquisitions or development of new facilities will be primarily wind or solar facilities in North America. ALLETE Clean Energy is also targeting the development of new facilities up to 200 MW each, which will have long-term PSAs in place for the output or may be sold upon completion.

OUTLOOK (Continued)
ALLETE Clean Energy (Continued)

Federal production tax credit qualification is important to the economics of project development, and in 2016, 2017 and 2018 ALLETE Clean Energy invested in equipment to meet production tax credit safe harbor provisions which provides an opportunity to seek development of up to approximately 1,500 MW of production tax credit qualified wind projects through 2022. ALLETE Clean Energy will also invest approximately $80 million through 2020 for production tax credit requalification of up to 468 WTGs at its Storm Lake I, Storm Lake II, Lake Benton and Condon wind energy facilities. We anticipate annual production tax credits relating to these projects of approximately $14 million in 2019, $17 million to $22 million annually in 2020 through 2027 and decreasing thereafter through 2030.

In March 2017, ALLETE Clean Energy announced it will build, own and operate a 100 MW wind energy facility pursuant to a 20-year PSA with Northern States Power; construction is expected to be completed in late 2019. In March 2018, ALLETE Clean Energy announced that it will build, own and operate an 80 MW wind energy facility pursuant to a 15-year PSA with NorthWestern Corporation; construction is expected to be completed in 2019.

ALLETE Clean Energy manages risk by having a diverse portfolio of assets, which includes PSA expiration, technology and geographic diversity. The current portfolio of approximately 555 MW is subject to typical variations in seasonal wind with higher wind resources typically available in the winter months. The majority of its planned maintenance leverages this seasonality and is performed during lower wind periods. The current mix of PSA expiration and geographic location for existing facilities is as follows:

Wind Energy Facility	Location	Capacity MW	PSA MW %	PSA Expiration
Armenia Mountain	Pennsylvania	101	100%	2024
Chanarambie/Viking	Minnesota	98		
PSA 1 *(a)*			12%	2023
PSA 2			88%	2023
Condon	Oregon	50	100%	2022
Lake Benton	Minnesota	104	100%	2028
Storm Lake I	Iowa	108	100%	2019
Storm Lake II	Iowa	77		
PSA 1			90%	2020
PSA 2			10%	2032
Other	Minnesota	17	100%	2028

(a) The PSA expiration assumes the exercise of four one-year renewal options that ALLETE Clean Energy has the sole right to exercise.

U.S. Water Services.

On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million. On March 26, 2019, ALLETE completed the sale and received approximately $265 million in cash at closing, net of transaction costs and cash retained. This amount is subject to adjustment for finalization of such items as estimated working capital. ALLETE plans to use the proceeds from the sale primarily to reinvest in growth initiatives at our Regulated Operations and ALLETE Clean Energy.

Corporate and Other.

BNI Energy. BNI Energy anticipates selling 4.4 million tons of lignite coal in 2019 (4.3 million tons were sold in 2018) and has sold 1.1 million tons for the three months ended March 31, 2019 (1.2 million tons were sold for the three months ended March 31, 2018). BNI Energy operates under cost-plus fixed fee agreements extending through December 31, 2037.

Investment in Nobles 2. Our wholly-owned subsidiary, ALLETE South Wind, owns 49 percent of Nobles 2, the entity that will own and operate a 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. The wind energy facility will be built in Nobles County, Minnesota and is expected to be completed in late 2020, with an estimated total project cost of approximately $350 million to $400 million, of which our portion is expected to be approximately $170 million to $200 million. We expect to utilize tax equity to finance a portion of our project costs. We account for our investment in Nobles 2 under the equity method of accounting. As of March 31, 2019, our equity investment in Nobles 2 was $24.8 million ($33.0 million at December 31, 2018). In the first quarter of 2019, Nobles 2 returned capital of $8.3 million based on its cash needs.

OUTLOOK (Continued)
Corporate and Other (Continued)

ALLETE Properties. ALLETE Properties represents our legacy Florida real estate investment. ALLETE Properties' major projects in Florida are Town Center at Palm Coast and Palm Coast Park, with approximately 1,500 acres combined of land available for sale. In addition to these two projects, ALLETE Properties has approximately 600 acres of other land available for sale. Market conditions can impact land sales and could result in our inability to cover our cost basis and operating expenses including fixed carrying costs such as community development district assessments and property taxes.

Our strategy incorporates the possibility of a bulk sale of the entire ALLETE Properties portfolio. Proceeds from a bulk sale would be strategically deployed to support growth initiatives at our Regulated Operations and ALLETE Clean Energy. ALLETE Properties also continues to pursue sales of individual parcels over time and will continue to maintain key entitlements and infrastructure.

Income Taxes.

ALLETE's aggregate federal and multi-state statutory tax rate is approximately 28 percent for 2019. ALLETE also has tax credits and other tax adjustments that reduce the combined statutory rate to the effective tax rate. These tax credits and adjustments historically have included items such as investment tax credits, production tax credits, AFUDC-Equity, depletion, as well as other items. The annual effective rate can also be impacted by such items as changes in income before income taxes, state and federal tax law changes that become effective during the year, business combinations, tax planning initiatives and resolution of prior years' tax matters. We expect our effective tax rate to be a benefit of approximately 10 percent for 2019 primarily due to federal production tax credits as a result of wind energy generation. We also expect that our effective tax rate will be lower than the combined statutory rate over the next 10 years due to production tax credits attributable to our wind energy generation.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Position. ALLETE is well-positioned to meet the Company's liquidity needs. As of March 31, 2019, we had cash and cash equivalents of $353.3 million, $387.0 million in available consolidated lines of credit and a debt-to-capital ratio of 41 percent.

Capital Structure. ALLETE's capital structure is as follows:

	March 31, 2019	%	December 31, 2018	%
Millions				
Shareholders' Equity	$2,198.7	59	$2,155.8	59
Long-Term Debt (Including Long-Term Debt Due Within One Year)	1,549.0	41	1,495.2	41
	$3,747.7	100	$3,651.0	100

Cash Flows. Selected information from the Consolidated Statement of Cash Flows is as follows:

For the Three Months Ended March 31,	2019	2018
Millions		
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	$79.0	$110.1
Cash Flows from (used for)		
Operating Activities	79.1	121.3
Investing Activities	185.1	(89.0)
Financing Activities	22.0	(26.5)
Change in Cash, Cash Equivalents and Restricted Cash	286.2	5.8
Cash, Cash Equivalents and Restricted Cash at End of Period	$365.2	$115.9

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Operating Activities. Cash from operating activities was lower in 2019 compared to 2018 primarily due to the refund of Minnesota Power's provision for tax reform to customers, fewer customer deposits received and lower recoveries from customers under cost recovery riders in 2019. These decreases were partially offset by the timing of collections of accounts receivable.

Investing Activities. Cash from investing activities was higher in 2019 compared to 2018 primarily due to proceeds received from the sale of U.S. Water Services.

Financing Activities. Cash from financing activities was higher in 2019 primarily due to proceeds from the issuance of long-term debt. This increase was partially offset by higher repayments of long-term debt.

Working Capital. Additional working capital, if and when needed, generally is provided by consolidated bank lines of credit and the issuance of securities, including long-term debt, common stock and commercial paper. As of March 31, 2019, we had consolidated bank lines of credit aggregating $407.0 million ($407.0 million as of December 31, 2018), the majority of which expire in January 2024. We had $20.0 million outstanding in standby letters of credit and no outstanding draws under our lines of credit as of March 31, 2019 ($18.4 million in standby letters of credit and no outstanding draws as of December 31, 2018). In addition, as of March 31, 2019, we had 2.8 million original issue shares of our common stock available for issuance through Invest Direct, our direct stock purchase and dividend reinvestment plan, and 2.9 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets, Inc. (See *Securities.*) The amount and timing of future sales of our securities will depend upon market conditions and our specific needs.

Securities. During the three months ended March 31, 2019, we issued 0.1 million shares of common stock through Invest Direct, the Employee Stock Purchase Plan, and the Retirement Savings and Stock Ownership Plan, resulting in net proceeds of $0.8 million (0.2 million shares were issued for the three months ended March 31, 2018, resulting in net proceeds of $4.3 million). These shares of common stock were registered under Registration Statement Nos. 333-211075, 333-183051 and 333-162890.

On January 10, 2019, ALLETE entered into an amended and restated $400 million credit agreement (Credit Agreement). The Credit Agreement is unsecured, has a variable interest rate and will expire in January 2024. At ALLETE's request and subject to certain conditions, the Credit Agreement may be increased by up to $150 million and ALLETE may make two requests to extend the maturity date, each for a one-year extension. Advances may be used by ALLETE for general corporate purposes, to provide liquidity in support of ALLETE's commercial paper program and to issue up to $60 million in letters of credit. (See Note 6. Short-Term and Long-Term Debt.)

Financial Covenants. See Note 6. Short-Term and Long-Term Debt for information regarding our financial covenants.

Pension and Other Postretirement Benefit Plans. Management considers various factors when making funding decisions, such as regulatory requirements, actuarially determined minimum contribution requirements and contributions required to avoid benefit restrictions for the defined benefit pension plans. (See Note 10. Pension and Other Postretirement Benefit Plans.)

Off-Balance Sheet Arrangements. Off-balance sheet arrangements are summarized in our 2018 Form 10-K, with additional disclosure in Note 7. Commitments, Guarantees and Contingencies.

Credit Ratings. Access to reasonably priced capital markets is dependent in part on credit and ratings. Our securities have been rated by S&P Global Ratings and by Moody's. Rating agencies use both quantitative and qualitative measures in determining a company's credit rating. These measures include business risk, liquidity risk, competitive position, capital mix, financial condition, predictability of cash flows, management strength and future direction. Some of the quantitative measures can be analyzed through a few key financial ratios, while the qualitative ones are more subjective. Our current credit ratings are listed in the following table:

Credit Ratings	S&P Global Ratings	Moody's
Issuer Credit Rating	BBB+	Baa1
Commercial Paper	A-2	P-2
First Mortgage Bonds	*(a)*	A2

(a) Not rated by S&P Global Ratings.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

On March 26, 2019, Moody's downgraded the long-term ratings of ALLETE, including its issuer rating to Baa1 from A3, and changed its credit rating outlook to stable from negative. Moody's noted the combined impact of the 2018 adverse general rate case outcome at Minnesota Power as well as its debt coverage ratios going forward as its rationale for the downgrade.

The disclosure of these credit ratings is not a recommendation to buy, sell or hold our securities. Ratings are subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Capital Requirements. Our capital expenditures for 2019 are expected to be approximately $530 million. For the three months ended March 31, 2019, capital expenditures totaled $85.1 million ($52.6 million for the three months ended March 31, 2018). The expenditures were primarily made in the Regulated Operations and ALLETE Clean Energy segments.

OTHER

Environmental Matters.

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation. (See Note 7. Commitments, Guarantees and Contingencies.)

Employees.

As of March 31, 2019, ALLETE had 1,354 employees, of which 1,336 were full-time.

Minnesota Power and SWL&P have an aggregate of 449 employees who are members of International Brotherhood of Electrical Workers (IBEW) Local 31. The current labor agreements with IBEW Local 31 expire on April 30, 2020, for Minnesota Power and February 1, 2021, for SWL&P.

BNI Energy has 182 employees, of which 136 are subject to a labor agreement with IBEW Local 1593. The labor agreement with IBEW Local 1593 expired on March 31, 2019. Negotiations are proceeding and we believe a ratified agreement will be agreed upon with no disruption to operations.

NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are discussed in Note 1. Operations and Significant Accounting Policies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

SECURITIES INVESTMENTS

Available-for-Sale Securities. As of March 31, 2019, our available-for-sale securities portfolio consisted primarily of securities held in other postretirement plans to fund employee benefits.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

COMMODITY PRICE RISK

Our regulated utility operations incur costs for power and fuel (primarily coal and related transportation) in Minnesota, and power and natural gas purchased for resale in our regulated service territory in Wisconsin. Minnesota Power's exposure to price risk for these commodities is significantly mitigated by the current ratemaking process and regulatory framework, which allows recovery of fuel costs in excess of those included in base rates or distribution of savings in fuel costs to ratepayers. SWL&P's exposure to price risk for natural gas is significantly mitigated by the current ratemaking process and regulatory framework, which allows the commodity cost to be passed through to customers. We seek to prudently manage our customers' exposure to price risk by entering into contracts of various durations and terms for the purchase of power and coal and related transportation costs (Minnesota Power), and natural gas (SWL&P).

POWER MARKETING

Minnesota Power's power marketing activities consist of: (1) purchasing energy in the wholesale market to serve its regulated service territory when energy requirements exceed generation output; and (2) selling excess available energy and purchased power. From time to time, Minnesota Power may have excess energy that is temporarily not required by retail and municipal customers in our regulated service territory. Minnesota Power actively sells any excess energy to the wholesale market to optimize the value of its generating facilities.

We are exposed to credit risk primarily through our power marketing activities. We use credit policies to manage credit risk, which includes utilizing an established credit approval process and monitoring counterparty limits.

INTEREST RATE RISK

We are exposed to risks resulting from changes in interest rates as a result of our issuance of variable rate debt. We manage our interest rate risk by varying the issuance and maturity dates of our fixed rate debt, limiting the amount of variable rate debt, and continually monitoring the effects of market changes in interest rates. We may also enter into derivative financial instruments, such as interest rate swaps, to mitigate interest rate exposure. Interest rates on variable rate long-term debt are reset on a periodic basis reflecting prevailing market conditions. Based on the variable rate debt outstanding as of March 31, 2019, an increase of 100 basis points in interest rates would impact the amount of pre-tax interest expense by $0.5 million. This amount was determined by considering the impact of a hypothetical 100 basis point increase to the average variable interest rate on the variable rate debt outstanding as of March 31, 2019.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As of March 31, 2019, evaluations were performed, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, on the effectiveness of the design and operation of ALLETE's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act)). Based upon those evaluations, our principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are effective to provide assurance that information required to be disclosed in ALLETE's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Controls. There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding material legal and regulatory proceedings, see Note 4. Regulatory Matters and Note 11. Commitments, Guarantees and Contingencies to the Consolidated Financial Statements in our 2018 Form 10-K and Note 2. Regulatory Matters and Note 7. Commitments, Guarantees and Contingencies herein. Such information is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part I, Item 1A. Risk Factors of our 2018 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Federal Mine Safety and Health Act of 1977 (Mine Safety Act). Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and this Item are included in Exhibit 95 to this Form 10-Q.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	
2	Stock Purchase Agreement dated as of February 8, 2019, by and among Global Water Services Holding Company, Inc., ALLETE Enterprises, Inc. and Kurita America Holdings Inc.*
4(a)	Fortieth Supplemental Indenture, dated as of March 1, 2019, between ALLETE, Inc. and The Bank of New York Mellon, as corporate trustee, and Andres Serrano, as co-trustee.
4(b)	Amended and Restated Credit Agreement dated as of January 10, 2019, among ALLETE, as Borrower, the lenders party hereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Chase Bank, N.A., Sole Lead Arranger and Sole Book Runner (Filed as Exhibit 10(b)(2) to 2018 Form 10-K, File No. 1-3548).
31(a)	Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Section 1350 Certification of Periodic Report by the Chief Executive Officer and the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	Mine Safety.
99	**ALLETE News Release dated May 2, 2019, announcing 2019 first quarter earnings. (This exhibit has been furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.)**
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Schema
101.CAL	XBRL Calculation
101.DEF	XBRL Definition
101.LAB	XBRL Label
101.PRE	XBRL Presentation

* *Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. ALLETE will furnish the omitted schedules to the SEC upon request.*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLETE, INC.

May 2, 2019

/s/ Robert J. Adams

Robert J. Adams
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

May 2, 2019

/s/ Steven W. Morris

Steven W. Morris
Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

STOCK PURCHASE AGREEMENT

by and among

GLOBAL WATER SERVICES HOLDING COMPANY, INC.,

ALLETE ENTERPRISES, INC.

and

KURITA AMERICA HOLDINGS INC.

Dated as of February 8, 2019

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STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "**Agreement**"), dated as of February 8, 2019, is made and entered into by and among GLOBAL WATER SERVICES HOLDING COMPANY, INC., a Delaware corporation (the "**Company**"), ALLETE Enterprises, Inc., a Minnesota corporation (the "**Seller**"), and Kurita America Holdings Inc., a Delaware corporation (the "**Purchaser**"). The Company, the Seller and the Purchaser are individually referred to herein as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. The Seller currently owns 97% of the issued and outstanding shares of the capital stock of the Company.

B. As of the Closing (as defined below), taking into account the redemption transactions contemplated by **Section 6.15** of this Agreement, the Seller will own all of the issued and outstanding shares of capital stock of the Company (the "**Stock**").

C. The Company owns all of the issued and outstanding shares of capital stock of U.S. Water Services, Inc., a Minnesota corporation ("**USW**").

D. The Parties desire to enter into this Agreement pursuant to which the Purchaser will acquire the Stock from the Seller (the "**Transaction**").

E. As a condition and inducement to the willingness of the Seller and the Company to enter into this Agreement, the Purchaser Parent, concurrently with the execution and delivery of this Agreement, executed and delivered that certain Guaranty, a copy of which is attached hereto as **Exhibit A** (the "**Purchaser Parent Guaranty**").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, each of which is incorporated by reference herein as an essential term of this Agreement, the representations, warranties, covenants and agreements contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, intending to be legally bound hereby, the Parties hereby agree as follows:

Article 1

CONSTRUCTION; DEFINITIONS

Section 1.1 Definitions

. The following terms, as used herein, have the following meanings:

"**Affiliate**" of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person.

"**Affiliated Group**" means any group that files a Tax Return or pays a Tax as an affiliated group, consolidated group, combined group, unitary group or any other group of taxpayers.

"**Ancillary Agreements**" means the Purchaser Parent Guaranty, the Stock Powers, the Restrictive Covenant Agreement, the Estoppel Certificates, the Owner's Affidavit, the Non-Imputation Affidavit and Indemnification, and any other agreements, documents or certificates executed and delivered by the parties hereto in connection with the consummation of the transactions contemplated hereby.

"**Anti-Corruption Laws**" means (a) the U.S. Foreign Corrupt Practices Act of 1977, or any rules or regulations thereunder; (b) the U.K. Bribery Act 2010; and (c) any other applicable anti-corruption and/or anti-bribery Laws of

any jurisdiction, in each case as applicable to the Seller, the Company or any of its Subsidiaries (whether by virtue of jurisdiction or organization or conduct of business).

"**Antitrust Laws**" means any antitrust, competition or trade regulation Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger or acquisition, including the HSR Act.

"**Arbitrator**" means Ernst & Young or, if such firm is unable or unwilling to act, or has previously represented any of the Parties, such independent national accounting firm that is mutually agreed upon by the Purchaser and the Seller.

"**Balance Sheet Date**" means December 31, 2018.

"**Books and Records**" means all resolutions, books, ledgers, files, reports, plans, records, manuals and other materials (in any form or medium) of, or maintained for the Company and its Subsidiaries.

"**Business Day**" means any day except Saturday, Sunday or any day on which banks are generally not open for business in the cities of Minneapolis, Minnesota or Tokyo, Japan.

"**Cash**" means the aggregate amount of cash (including (a) checks and drafts deposited for the account of the Company, net of uncleared checks and drafts so deposited, and (b) cash used to collateralize letters of credit), cash equivalents and marketable securities of the Company but excluding any cash or cash equivalents that are subject to restrictions, limitations, or taxes on use or distribution or otherwise restricted for a particular use, purpose, or event and not available for general corporate use, as of the Effective Time, calculated in accordance with GAAP as applied in the most recent consolidated balance sheet included in the Financial Statements.

"**CERCLIS**" means the Comprehensive Environmental Response, Compensation, and Liability Information System.

"**Closing Cash**" means the Cash as of the Effective Time.

"**Closing Date Indebtedness**" means all Indebtedness of the Company and any of its Subsidiaries, as of the Effective Time.

"**Closing Date Net Working Capital**" means, without duplication, the current assets and current liabilities set forth in **Exhibit D**, determined as of the Effective Time and calculated in each case in accordance with GAAP, consistently applied, and in accordance with the accounting methods, policies, principles, practices, procedures, classifications and estimation methodologies used to prepare the Financial Statements.

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Company Affiliated Group**" means any Affiliated Group that includes the Company or its Subsidiaries.

"**Company Benefit Plan**" means each Employee Benefit Plan sponsored, maintained, or contributed to by the Company or any of its Subsidiaries, or for which the Company of any of its Subsidiaries would reasonably be expected to have any material liability.

"**Company Disclosure Schedule**" means the disclosure schedule delivered by the Company to the Purchaser simultaneously with the execution of this Agreement.

"**Confidentiality Agreement**" means that certain Confidentiality Agreement, dated November 7, 2018, by and between the Purchaser Parent and the Seller Parent.

"**Contract**" means any written contract, agreement, arrangement, note, bond, mortgage, lease or other legally binding agreement.

"**Control**" means, when used with respect to any specified Person, the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"**Customers**" means the top thirty (30) core chemical customers, the top ten (10) equipment/consumable customers, the top ten (10) ethanol process technologies customers, and the top ten (10) energy services customers, in each case, of the Company and its Subsidiaries, as determined by the amount of net revenue received during the Company's last fiscal years ended December 31, 2017 and December 31, 2018.

"**Damages**" means any actual damage, loss, assessment, levy, fine, charge, claim, direct liability, demand, payment, causes of action, judgment, settlement, assessment, penalty, cost or expense (including reasonable attorneys' fees and disbursements of counsel with respect to any matter for which a Person is entitled to indemnification hereunder as finally determined in accordance with **Article 9**) that any Person may at any time actually suffer, sustain, incur or become subject to, but shall not include special, multiple-based or punitive damages (in each case except to the extent any such damages are actually awarded to a Person other than the Parties or their Affiliates in a Third Party Claim).

"**Employee Benefit Plan**" means (a) any "employee benefit plan" (within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA), and any other plan, fund, or agreement, including each plan, fund, or agreement maintained or required to be maintained under the Laws of any jurisdiction pursuant to which a Person provides compensation or benefits (other than base salary or base hourly wages) for services rendered to such Person by current or former employees and directors, (b) any bonus, stock option, restricted security, equity purchase, equity appreciation, phantom stock, profit participation, profit sharing, deferred compensation, general severance, retention, pension, retirement, disability insurance, medical insurance, dental insurance, or life insurance, death benefit, incentive, welfare and/or other benefit, and/or compensation plan, policy, arrangement, and/or contract maintained, sponsored, or participated in by the Company, and (c) any agreements or other arrangements which provide benefits upon a termination of employment with such Person or upon a change in control of such Person.

"**Enforceability Exceptions**" means (a) any applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally or (b) any general principles of equity.

"**Environmental Laws**" means all applicable Laws, in effect on or prior to the Closing Date, relating to (a) remediation, generation, management, recycling, production, installation, use, presence, storage, treatment, transportation, Release, threatened Release or disposal of Hazardous Materials, (b) the protection of human health, safety (with respect to exposure to Hazardous Materials), or natural resources and (c) preservation, protection or conservation of the environment.

"**ERISA**" means the United States Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"**ERISA Affiliate**" means any trade or business, whether or not incorporated, under common control with the Seller or any of its Subsidiaries and that, together with the Seller or any of its Subsidiaries, is treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"**Existing Surveys**" means the ALTA/ACSM Surveys for the Owned Real Property that are identified on **Schedule B** of the Company Disclosure Schedule.

"**Existing Title Policy**" means the title policy for the Owned Real Property that is identified on **Schedule C** of the Company Disclosure Schedule.

"**Financial Statements**" means (a) the audited consolidated balance sheets of the Company and its Subsidiaries as of December 31, 2016 and December 31, 2017, and the related consolidated statements of operations, stockholders' equity and cash flows of the Company and its Subsidiaries for the respective twelve (12)-month periods then ended and (b) the unaudited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 2018, and

the related consolidated statements of operations, stockholders' equity and cash flows of the Company and its Subsidiaries for the twelve (12)-month period then ended.

"**Fraud**" means, with respect to any Person, intentional fraud with respect to the making of representations and warranties expressly set forth in **Article 3**, **Article 4** or **Article 5** of this Agreement.

"**Fundamental Representations**" means (1) with respect to the Company, the representations and warranties of the Company contained in **Section 3.1** (Organization), **Section 3.2** (Authorization), **Section 3.3** (Capitalization), **Section 3.4** (Subsidiaries), the first sentence of **Section 3.7** (Title to Assets), **Section 3.16** (Tax Returns; Taxes) (the "**Tax Representations**"), **Section 3.17** (Company Benefit Plans, but only with respect to claims arising under the Code) (the "**Company Benefit Plan Representations**"), **Section 3.24** (Brokers, Finders and Investment Bankers) and **Section 3.27** (Absence of Certain Business Practices); (2) with respect to the Seller, the representations and warranties of the Seller contained in **Section 4.1** (Organization), **Section 4.2** (Authorization), **Section 4.3** (Ownership) and **Section 4.7** (Brokers, Finders and Investment Bankers); and (3) with respect to the Purchaser, the representations and warranties of the Purchaser contained in **Section 5.1** (Organization), **Section 5.2** (Authorization), **Section 5.6** (Brokers, Finders and Investment Bankers) and **Section 5.8** (Acknowledgement Regarding Future Prospects).

"**GAAP**" means generally accepted accounting principles as applied in the United States of America.

"**Government Contract**" means (a) any Contract, bid on, solicited or entered into by or on behalf of the Company or any of its Subsidiaries with a Governmental Entity, or (b) any Contract or subcontract bid on, solicited or entered into by or on behalf of the Company or any of its Subsidiaries, which, by its terms, relates to a Contract to which a Governmental Entity is a party.

"**Governmental Entity**" means any federal, national, supranational, state, provincial, local, foreign or similar governmental or quasi-governmental authority or any political subdivision thereof, or any court, tribunal or arbitral or judicial body, administrative or regulatory agency, department, instrumentality, body or commission or other governmental authority or agency, domestic or foreign, including any securities exchange.

"**Governmental Official**" means (a) any Person who is an agent, representative, official, officer, director or employee of any Governmental Entity or any department, agency or instrumentality thereof (including officers, directors and employees of state-owned, operated or controlled entities) or of a public international organization, (b) any Person acting in an official capacity for or on behalf of any such Governmental Entity, department, agency, instrumentality or public international organization, (c) any political party or official thereof, or (d) any candidate for political or political party office.

"**Hazardous Materials**" means any wastes, chemicals, substances, radiation, or materials (whether solids, liquids or gases) for which liability or standards of conduct may be imposed by Environmental Law, including any and all (a) dangerous, toxic or hazardous pollutants, contaminants, chemicals, mixtures, pesticides, wastes, materials or substances now or hereafter listed or identified in, or in any way regulated by, any Environmental Law, and (b) any of the following, whether or not included in the foregoing: polychlorinated biphenyls, asbestos in any form or condition, urea-formaldehyde, petroleum (including crude oil or any fraction thereof), natural gas, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel or mixtures thereof, nuclear fuels or materials, chemical substances, mold, radioactive materials, explosives and carcinogens.

"**HSR Act**" means the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"**Indebtedness**" means any and all of the Company's and its Subsidiaries', without duplication, (a) indebtedness for borrowed money, which shall include financial instruments of indenture or security interests (typically interest-bearing) such as notes, mortgages, loans and lines of credit (but not including letters of credit), and capital lease obligations, (b) all other obligations evidenced by notes, bonds, debentures or similar instruments, (c) direct or indirect guaranty, endorsement (other than for collection or deposit in the Ordinary Course), co-making, discounting with recourse, or sale with recourse by a Person of the obligation of another Person, and (d) any accrued

fees, interest, prepayment premiums or penalties, breakage costs or yield maintenance payments related to any of the foregoing.

"**Intercompany Indebtedness**" means all intercompany Indebtedness, including those set forth in **Schedule A** of the Company Disclosure Schedule.

"**IRS**" means the United States Internal Revenue Service.

"**Knowledge**" means with respect to an individual who is a natural being, an individual's (a) actual knowledge and (b) knowledge that would reasonably be expected to be obtained following reasonable internal inquiry, in each case of the employees of the Company and its Subsidiaries or the Purchaser and its Subsidiaries, as applicable, who have responsibility with respect to the subject matter so qualified. With respect to an entity that is a Party to this Agreement, and with respect to such Party including its Subsidiaries, "Knowledge" shall be solely attributed to the Knowledge of the Persons listed on **Schedule 1.0**.

"**Labor Laws**" means all Laws governing or concerning employment of labor and employment practices, including all Laws relating to labor relations, fair employment practices, reasonable accommodation, disability rights or benefits, immigration, including the Immigration Reform and Control Act, unions and collective bargaining, conditions of employment, employment discrimination, harassment, retaliation, wages, hours, over time compensation, wage statements, payment of wages equitably based on gender, race and ethnicity, working during rest days, child labor, hiring, promotion and termination of employees, worker classification (including the proper classification of workers as independent contractors), meal and break periods, privacy, health and safety, workers' compensation, leaves of absence, unemployment insurance, equal opportunity or occupational safety and health, in all such cases, to the extent applicable to the Company or any of its Subsidiaries.

"**Laws**" means all statutes, rules, codes, regulations, restrictions, ordinances, orders, decrees, approvals, directives, judgments, injunctions, writs, awards and decrees of, or issued by, any Governmental Entity.

"**Leased Real Property**" means those parcels of real property or portions thereof which the Company or any of its Subsidiaries is the lessee, sublessee or licensee (together with those fixtures and improvements thereon which are included in the terms of the Leases therefor).

"**Leases**" means the Contracts pursuant to which the Company or any of its Subsidiaries occupy the Leased Real Property.

"**Licenses**" means all licenses, permits (including environmental, construction and operation permits), franchises, certificates, approvals, exemptions, classifications, registrations and other similar documents and authorizations issued by any Governmental Entity, and applications therefor.

"**Liens**" means all mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever.

"**Material Adverse Effect**" means with respect to any Party, an effect, event, development or change that is materially adverse to (x) the assets, business, results of operations or financial condition of such Party and its Subsidiaries or (y) the ability of such Party to consummate the transactions contemplated hereby, in each case taken as a whole, other than any effect, event, development or change arising out of or resulting from: (a) changes in conditions in the U.S. or global economy, capital or financial markets generally, including changes in interest or exchange rates, or to the industry in which such Party and its Subsidiaries operate in general and, in each case, not disproportionately affecting such Party and its Subsidiaries, (b) changes in general legal, tax, regulatory, political or business conditions that, in each case, generally affect the geographic regions or industries in which such Party and its Subsidiaries conduct their business and, in each case, not disproportionately affecting such Party and its Subsidiaries, (c) if relating to the Company or any of its Subsidiaries, the failure by the Company or its Subsidiaries to meet its internal financial projections, (d) changes or proposed changes in GAAP, (e) the negotiation, execution, announcement, pendency or performance of this Agreement or the transactions contemplated hereby or the consummation of the transactions

contemplated by this Agreement, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, landlords, tenants, lenders, investors or employees, (f) acts of war, armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war, armed hostilities, sabotage or terrorism threatened or underway as of the time in question, (g) earthquakes, hurricanes or other natural disasters, or (h) any action taken by the Purchaser at the request or with the consent of the Company or its Subsidiaries or any action taken by the Company or any of its Subsidiaries or the Seller, at the request or with the consent of the Purchaser, as applicable.

"**Ordinary Course**" means the ordinary course of business consistent with past practice of the Company and its Subsidiaries.

"**Owned Real Property**" means all real property, and all buildings, improvements and fixtures located thereon, owned by the Company or any of its Subsidiaries.

"**Permitted Liens**" means (a) Liens for Taxes not yet due and payable, (b) statutory Liens of landlords with respect to Leased Real Property, (c) Liens of carriers, warehousemen, mechanics, materialmen, and repairmen incurred in the Ordinary Course and not yet delinquent or being contested in good faith and for which an adequate reserve has been established and reflected in accordance with GAAP on the most recent balance sheet included in the Financial Statements, (d) Liens incurred in connection with worker's compensation, unemployment compensation and other types of social security or in connection with surety bonds, bids, performance bonds and similar obligations for sums not yet delinquent or being contested in good faith and for which an adequate reserve has been established and reflected in accordance with GAAP on the most recent balance sheet included in the Financial Statements, (e) in the case of the Real Property, in addition to items (a), (b), (c) and (d), (i) zoning, entitlement, environmental or conservation restrictions and other land use and environmental regulations imposed by a Governmental Entity (but not violations thereof), none of which, individually or in the aggregate, interfere in any material respect with the present use of or occupancy of the affected parcel by the Company or any of its Subsidiaries and (ii) recorded or unrecorded Liens, easements, restrictions, covenants, licenses and other similar matters affecting real property, none of which, individually or in the aggregate, interfere in any material respect with the present use of or occupancy of the affected parcel by the Company or any of its Subsidiaries, (f) Liens securing the Closing Date Indebtedness as disclosed in **Schedule 3.7** of the Company Disclosure Schedule (which Liens shall be terminated on the Closing Date upon payment in full of the Closing Date Indebtedness), (g) in the case of Proprietary Rights owned or used by the Company or its Subsidiaries, non-exclusive third party license agreements entered into in the Ordinary Course, (h) Liens incurred in connection with capital lease obligations of the Company or any of its Subsidiaries entered into in the Ordinary Course (**provided**, that such Liens shall not extend to any property or assets other than the ones under such capital lease), (i) Liens that constitute purchase money security interests on any property securing debt incurred for the purpose of financing all or any part of the cost of acquiring such property in the Ordinary Course, (j) attachments, appeal bonds, judgments and other similar Liens for sums individually not exceeding $100,000 arising in connection with any Proceedings and (k) the replacement, extension or renewal of any of the foregoing (**provided**, that such replacement, extension or renewal shall not increase the indebtedness or obligations secured by the original Liens and shall not subject any additional asset or property to the Liens).

"**Person**" means, any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organization, other entity or Governmental Entity.

"**Phytout Costs**" means any cost, fee, expense (including attorney's fees and disbursements), damage, loss, fine, charge, payment, judgment or penalty in connection with the Phytout Litigation.

"**Phytout Litigation**" means the litigation matter entitled "U.S. Water Services, Inc. v. Novozymes A/S & Novozymes North America, Inc." currently before the Federal Court in the Western District of Wisconsin with case No. 13-cv-864-bbc (the "**Current Phytout Litigation**"), including any appeals, remands, claims or counterclaims arising out of the Current Phytout Litigation, and subsequent claims and litigations related to the foregoing.

"**Phytout Patents**" means U.S Patent Nos. 8,415,137 and/or 8,609,399.

"**Post-Closing Tax Period**" means any Tax period (or portion thereof) beginning on or after the day after the Closing Date including the portion of a Straddle Period beginning on the day after the Closing Date.

"**Pre-Closing Period**" means the period prior to the earlier to occur of the Closing Date and the termination of this Agreement pursuant to and in accordance with **Section 8.1**.

"**Pre-Closing Tax Period**" means any Tax period (or portion thereof) ending on or prior to the Closing Date, including the portion of a Straddle Period ending on the Closing Date.

"**Proprietary Rights**" means all intellectual property rights, including (a) inventions (whether patentable or unpatentable and whether or not reduced to practice) and all improvements thereto, (b) patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations in part, revisions, extensions and reexaminations thereof, (c) trademarks, service marks, trade names, assumed names, corporate names, trade dress, logos, slogans, and designs, together with all translations, adaptations, derivations and combinations thereof, and the goodwill symbolized by the foregoing, (d) copyrightable works, copyrights, and all registrations and renewals in connection therewith, (e) domain names, (f) Software, (g) proprietary processes and proprietary knowledge (including trade secrets, confidential business information and know-how, including research and development, technology, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), to the extent protectable as a trade secret under applicable Law, (h) other similar intellectual property and proprietary rights of any kind, nature or description, including websites, domain names and other e-commerce assets and (i) copies of tangible embodiments thereof (in whatever form or medium) rights, and each case, (x) all rights received under any license or other arrangement with respect to the foregoing, (y) all rights or causes of action for infringement or misappropriation (past, present or future) of any of the foregoing and (z) all rights to apply for or register any of the foregoing rights.

"**Purchaser Closing Date Transaction**" means any transaction outside the Ordinary Course engaged in by the Company or its Subsidiaries on the Closing Date, but after, in connection with or to facilitate the Closing, which transaction occurs at the direction of the Purchaser, including any transaction engaged in by the Company or its Subsidiaries in connection with financing any obligation of the Purchaser or the Company or its Subsidiaries to make payment under this Agreement.

"**Purchaser Disclosure Schedule**" means the disclosure schedule delivered by the Purchaser to the Seller and the Company simultaneously with the execution of this Agreement.

"**Purchaser Parent**" means Kurita Water Industries LTD., a Japanese joint stock company (*kabushiki kaisha*).

"**R&W Policy**" means the buy side representation and warranty insurance policy related to this Agreement that Purchaser will purchase at its own cost and expense.

"**Real Property**" means Leased Real Property and the Owned Real Property

"**Real Property Agreements**" means, collectively, the easements, Leases and all option agreements granting the Company or any of its Subsidiaries the option to lease or buy real property or enter into easement agreements.

"**Reference Date**" means February 10, 2015.

"**Release**" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, migration, movement or disposing into any surface or ground water, drinking water supply, soil, surface or subsurface strata or medium, the ambient air or the environment (including the abandonment or discarding of barrels, containers and other closed receptacles containing any hazardous substance, pollutant or contaminant).

"**Representatives**" means a Person's directors, officers, employees, agents, consultants, counsel, advisors or Persons acting in a similar capacity.

"**Restrictive Covenant Agreement**" means the Restrictive Covenant Agreement to be entered into at the Closing by and between the Purchaser and the Seller, substantially in the form attached to this Agreement as **Exhibit C**.

"**Rights**" means any and all outstanding subscriptions, warrants, options, or other arrangements or commitments obligating, or which may obligate, (with or without notice or passage of time or both) a Person to issue or dispose of any equity interests in or to a Person, including convertible securities and debt securities.

"**Seller Disclosure Schedule**" means the disclosure schedule delivered by the Seller to the Purchaser simultaneously with the execution of this Agreement.

"**Seller Indemnified Taxes**" means any Tax of the Company or its Subsidiaries for or attributable to any Pre-Closing Tax Period (or portion of a Straddle Period ending on the Closing Date) and Transfer Taxes allocated to the Seller under **Section 6.10(d)**. Notwithstanding the foregoing, Seller Indemnified Taxes shall exclude the following Taxes: (a) Taxes to the extent specified as a current liability on the Closing Date Net Working Capital; (b) any Transfer Taxes allocated to Purchaser under **Section 6.10(d)**; (c) Taxes to the extent resulting from a breach by the Purchaser of any covenant or other agreement in **Section 6.10**; (d) Taxes to the extent resulting from a Purchaser Closing Date Transaction; and (e) Taxes to the extent arising in a Post-Closing Tax Period (other than Taxes attributable to a breach of **Section 3.16(g)**).

"Seller Tax Matter" means (a) amending a Tax Return of the Company or its Subsidiaries for a Pre-Closing Tax Period or Straddle Period; (b) extending or waiving the applicable statute of limitations with respect to a Tax of the Company or its Subsidiaries for a Pre-Closing Tax Period or Straddle Period; (c) filing any ruling request with any Governmental Entity that relates to Taxes or Tax Returns of the Company or its Subsidiaries for a Pre-Closing Tax Period or Straddle Period; or (d) any voluntary initiation of disclosure to or discussions with any Governmental Entity regarding any Tax or Tax Returns of the Company or its Subsidiaries for a Pre-Closing Tax Period or Straddle Period, including voluntary initiation of disclosure to or discussions with a Governmental Entity with respect to filing Tax Returns or paying Taxes for a Pre-Closing Tax Period or Straddle Period in jurisdictions that the Company or its Subsidiaries do not file a Tax Return (or pay Taxes) for such periods.

"**Seller Parent**" means ALLETE, Inc.

"**Software**" means all computer software programs, together with any error corrections, updates, modifications, or enhancements thereto, in both machine-readable form and human-readable form.

"**Subsidiary**" means any Person of which the Company (or other specified Person) shall own directly or indirectly through a subsidiary, a nominee or other similar arrangement, or otherwise at least a majority of the outstanding capital stock (or other equity interests) entitled to vote generally or otherwise have the power to elect a majority of the board of directors or similar governing body or the legal power to direct the business or policies of such Person.

"**Target Net Working Capital**" means $21,500,000.

"**Tax Benefit**" means any reduction in cash Taxes otherwise payable to a Governmental Entity or any increase in any cash Tax refund otherwise receivable (including any related interest) from a Governmental Entity, but net of any Taxes imposed or reasonable expenses incurred with respect to such refund.

"**Tax Return**" means any report, return, declaration, election, notice, claim for refund or other information supplied or required to be supplied to a Governmental Entity in connection with Taxes (including estimated returns with respect to Taxes), and all amendments thereof and schedules and attachments thereto.

"**Taxes**" means (a) all taxes, assessments, charges, duties, fees, levies and other governmental charges, including income, franchise, capital stock, real property, personal property, tangible, withholding, employment, payroll, social security, social contribution, unemployment compensation, disability, transfer, sales, use, excise, gross receipts,

value-added and all other taxes for which the Company or any of its Subsidiaries have any liability imposed by any Governmental Entity, and any charges, interest, additions to tax, or penalties imposed by any Governmental Entity; (b) any liability for payment of amounts described in clause (a) whether as a result of transferee liability, of being a member of an affiliated, consolidated, combined or similar group for any period or otherwise through operation of Law; or (c) any liability for the payment of amounts described in clauses (a) or (b) as a result of any tax sharing, tax indemnity or tax allocation agreement or other agreement to indemnify any Person.

"**Title Company**" means the Stewart Title Guaranty Company, or such other title company as the Purchaser may select in its sole discretion.

"**Transaction Expenses**" means, to the extent not paid prior to the Closing, (a) any sale bonuses, stay bonuses, change of control payments, severance payments, retention payments, the Vested Equity Awards or other similar payments (and related employment Taxes) paid or payable (and not otherwise irrevocably waived or forfeited) to any Person by the Company or any of its Subsidiaries solely as a result of the consummation of the transactions contemplated by this Agreement (including for purposes of settling outstanding unvested performance shares and performance units pursuant to **Section 6.8(c)**, redeeming certain Stock pursuant to **Section 6.15**, and obtaining a new title policy for the Owned Real Property pursuant to **Section 6.19**) and any related social security, Medicare, unemployment or other employment, withholding or payroll Tax or similar amounts owed by or imposed on the Company or any of its Subsidiaries, or for which any of the Company or any of its Subsidiaries may otherwise be liable; (b) any legal, accounting, financial advisory and other third party advisory or consulting fees and other expenses incurred by the Seller, the Company or any of its Subsidiaries on or prior to the Closing in connection with the transactions contemplated by this Agreement, and (c) the cost and expense of the D&O Tail Premium. By way of clarification, Transaction Expenses (i) are costs and expenses incurred by the Seller, the Company, the Company's Subsidiaries, or their respective representatives prior to the consummation of the transactions contemplated hereby, and (ii) shall not include any fees or expenses incurred by the Company or its Subsidiaries in connection with the Purchaser's financing for the transaction contemplated hereby or any fees or expenses of or incurred at the direction of the Purchaser, or its Representatives; **provided**, **however**, Transaction Expenses shall include fees, costs, penalties, and other charges associated with the discharge of Indebtedness of the Company and its Subsidiaries in connection with the Closing, including all bank lines and other such Indebtedness incurred by the Company for financing purposes.

"**Transaction Tax Deductions**" means the amount of U.S. federal income tax deductions that are allowable under the Code with respect to the following items: (a) the Transaction Expenses, and (b) the payment of interest (whether cash or original issue discount) and any premium or unamortized fees on Closing Date Indebtedness which arise as a consequence of the Closing of the transactions contemplated by this Agreement.

"**Vendor**" means the top ten (10) vendors for materials and services used in the products and services offered by the Company or its Subsidiaries to their respective customers (excluding vendors that provide administrative services for the day-to-day operation of Company and its Subsidiaries, such as health insurance and IT services) of the Company and its Subsidiaries in terms of amounts paid to such vendors during the Company's fiscal years ended December 31, 2017 and December 31, 2018.

"**WARN Act**" means the Worker Adjustment and Retraining Notification Act of 1988 (29 USC § 2101), as amended.

Section 1.2 Construction

. Unless the context of this Agreement otherwise clearly requires, (a) references to the plural include the singular, and references to the singular include the plural, (b) references to one gender include the other gender, (c) the words "include," "includes" and "including" do not limit the preceding terms or words and shall be deemed to be followed by the words "without limitation," (d) the word "or" will not be limiting or exclusive, (e) the word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase shall not mean simply "if," (f) the terms "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, (g) the terms "day" and "days" mean and refer to calendar day(s) (**provided**, that any action otherwise required to be taken on a day that is not a Business

Day will instead be taken on the next Business Day), (h) the terms “year” and “years” mean and refer to calendar year(s) and (i) “$” refers to U.S. Dollars. Unless otherwise set forth herein, references in this Agreement to (i) any document, instrument or agreement (including this Agreement) (A) includes and incorporates all exhibits, schedules and other attachments thereto, (B) includes all documents, instruments or agreements issued or executed in replacement thereof and (C) means such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified or supplemented from time to time in accordance with its terms and in effect at any given time and (ii) a particular Law means such Law as amended, modified, supplemented or succeeded, from time to time and in effect at any given time. No Party is relying upon any representation, warranty, covenant, agreement or understanding of any kind except as expressly set forth herein. All Article, Section, Exhibit, and Schedule references herein are to Articles, Sections, Exhibits and Schedules of this Agreement, unless otherwise specified. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if all Parties had prepared it.

Section 1.3 Other Definitions

. Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
2015 Permitted Costs	6.13(b)(i)
2015 SPA	6.13(b)(iv)
AAA	10.5
AAA Commercial Rules	10.5
Agreement	Preamble
Antitrust Division	6.2(a)
Bids	3.15(c)(i)
Cap	9.1(b)(iii)
Claim	4.5(b)
Claim Notice	9.3(a)
Closing	7.4
Closing Cash Deficit	2.6(e)(v)
Closing Cash Excess	2.6(e)(iv)
Closing Date	7.4
Closing Payment	2.4
Closing Statement	2.6(a)
Company	Preamble
Company Benefit Plan Representations	1.1
Company IP	3.21(b)
Company Registered IP	3.21(a)
Continuing Employees	6.8(a)
Covered Claims	6.18
Current Government Contracts	3.15(c)(i)
Current Phytout Litigation	1.1
D&O Tail Premium	6.9(c)
De Minimis Threshold	9.1(b)(i)
Debt	4.5(b)
Deductible	9.1(b)(ii)
Designated Insurance Policy	6.18
Direct Claim	9.3(a)
Dispute Period	9.3(b)
Downward Adjustment Amount	2.6(f)(ii)
Effective Time	7.4
Engagement	10.14(a)
Estimated Closing Cash	2.3(a)
Estimated Closing Date Net Working Capital	2.3(a)

Estimated Closing Statement 2.3(a)
Estoppel Certificates 7.5(i)
Export Approvals 3.5(f)
Export Laws 3.5(f)
Final Closing Cash 2.6(d)(ii)
Final Closing Date Net Working Capital 2.6(d)(i)
Foreign Plan 3.17(l)
FTC 6.2(a)
HSR Approval 7.1(b)
Indebtedness Payoff Letters 2.3(b)(i)
Indemnification Claims 9.3(a)
Indemnified Party 9.3
Indemnifying Party 9.3
Investments 3.10
Material Contracts 3.15(a)
Non-Imputation Affidavit and Indemnification 7.5(k)
Notice of Disagreement 2.6(b)
Owner's Affidavit 7.5(j)
Overall Cap 9.1(c)(i)
Party Preamble
Parties Preamble
Phytout Past Damages 6.13(b)
Post-Closing Covered Costs 6.13(a)
Pre-Closing Covered Costs 6.13(b)(i)
Preliminary Purchase Price 2.2
Present Fair Salable Value 4.5(b)
Prior Company Counsel 10.14(a)
Proceeding 9.3(a)
Purchase Price 2.2
Purchase Price Cap 9.1(c)(ii)
Purchaser Preamble
Purchaser Parent Guaranty Preamble
Purchaser Indemnitees 9.1(a)
Purchaser Prepared Tax Returns 6.10(a)(ii)
Redemption 6.15
Redemption Documents 6.15
Related Party 3.22
Review Period 2.6(b)
Seller Preamble
Seller 401(k) Plan 6.8(b)
Seller Indemnitees 9.2
Service Provider Payoff Letters 2.3(b)(ii)
Settlement 9.3(b)
Solvent 4.5(b)
St. Michael Property 6.21
Stock Recitals
Stock Powers 7.5(c)
Straddle Period 6.10(b)
Tax Contest 6.10(e)(ii)
Tax Dispute Notice 6.10(a)(ii)
Tax Representations 1.1
Termination Date 8.1(b)
Third Party Claim 9.3(a)

Transaction Recitals
Transfer Taxes 6.10(d)
Upward Adjustment Amount 2.6(f)(i)
USW Recitals
Vested Equity Awards 6.8(c)
Warranty Breaches 9.1(a)(i)
Working Capital Deficit 2.6(e)(ii)
Working Capital Excess 2.6(e)(i)

Section 1.4 Accounting Terms

. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

Article 2

SALE AND PURCHASE OF STOCK

Section 2.1 Transfer of Stock

. Upon the terms and subject to the conditions of this Agreement, at the Closing, the Purchaser shall purchase and acquire from the Seller, and the Seller shall sell, assign, transfer, convey and deliver to the Purchaser, all of the Stock, free and clear of all Liens other than restrictions on transfer generally imposed under applicable federal and state securities laws.

Section 2.2 Purchase Price

. The purchase price for the Stock payable by the Purchaser pursuant to the terms of this Agreement shall be an amount equal to Two Hundred Seventy Million Dollars ($270,000,000) (the "**Preliminary Purchase Price**"), subject to adjustment as provided in **Section 2.6** below (as so adjusted, the "**Purchase Price**").

Section 2.3 Estimated Closing Statement

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(a) At least five (5) Business Days prior to the Closing Date, the Seller will cause to be prepared and delivered to the Purchaser a statement (the "**Estimated Closing Statement**"), which shall set forth (i) the Seller's good faith estimates of the Closing Date Net Working Capital and the Closing Cash (the "**Estimated Closing Date Net Working Capital**" and the "**Estimated Closing Cash**," respectively), together with supporting documentation and work papers describing in reasonable detail how such estimates were derived (**provided**, that the Seller shall reasonably consider revising any estimated item to which the Purchaser has delivered comments to the Seller), (ii) the Closing Date Indebtedness and unpaid portion of Transaction Expenses and (iii) in light of the foregoing, the Closing Payment. For the avoidance of doubt, the parties acknowledge and agree that the Estimated Closing Statement (x) shall be prepared in accordance with the definitions contained in this Agreement and (y) to the extent related to the Closing Date Net Working Capital, shall identify the current assets and current liabilities set forth in **Exhibit D** and shall be prepared in accordance with GAAP, consistently applied, and in accordance with the accounting methods, policies, principles, practices, procedures, classifications and estimation methodologies used to prepare the Financial Statements.

(b) Together with the Estimated Closing Statement, the Seller will cause to be delivered to the Purchaser:

(i) a payoff, termination and discharge letter, in form and substance reasonably satisfactory to the Purchaser, from each holder of Closing Date Indebtedness, which letters (A) will specify the amount of Indebtedness owed to each such holder as of the Closing Date; (B) will provide

for the release and termination of all applicable liens and/or guaranties, if any, upon receipt of the amount so specified; and (C) will specify the wire transfer instructions for each such holder (collectively, the "**Indebtedness Payoff Letters**"); and

(ii) a payoff letter, in form and substance reasonably satisfactory to the Purchaser, from each payee owed a portion of any unpaid Transaction Expenses as of immediately prior to the Closing, which payoff letters (A) will specify the amount payable to each such payee as of the Closing Date; (B) will provide that, upon payment of the amount specified in such payoff letter, all amounts due to such payee for services rendered through the Closing Date in connection with this Agreement and the transactions contemplated hereby will be paid in full; and (C) will specify the wire transfer instructions for each such payee (collectively, the "**Service Provider Payoff Letters**").

Section 2.4 Payment of the Closing Payment

. At the Closing, the Purchaser shall pay to the Seller, by wire transfer of immediately available funds to a bank account of the Seller specified in writing at least five (5) Business Days prior to the Closing Date, an amount in cash equal to (the "**Closing Payment**"):

(a) the Preliminary Purchase Price, **minus**

(b) the amount of the Closing Date Indebtedness (based on the Indebtedness Payoff Letters delivered in connection with the Closing pursuant to **Section 2.3(b)(i)**), **minus**

(c) the aggregate amount of the Transaction Expenses, to the extent not paid prior to the Closing Date (based on the Service Provider Payoff Letters delivered in connection with the Closing pursuant to **Section 2.3(b)(ii)**), **plus**

(d) the amount, if any, by which the Estimated Closing Date Net Working Capital exceeds the Target Net Working Capital, **minus**

(e) the absolute amount, if any, by which the Estimated Closing Date Net Working Capital is less than Target Net Working Capital, **plus**

(f) the amount of the Estimated Closing Cash determined in accordance with **Section 2.3(a)**.

Section 2.5 Payment of Closing Date Indebtedness and Transaction Expenses

. At the Closing, the Purchaser shall pay or cause to be paid, on behalf of the Company and its Subsidiaries and the Seller the following amounts: (a) the Closing Date Indebtedness, in the aggregate amount and in accordance with the instructions set forth in the Indebtedness Payoff Letters; and (b) the unpaid Transaction Expenses to the Persons, in the amounts and in accordance with the instructions set forth in the Service Provider Payoff Letters (with the exception of Transaction Expenses owing to employees of the Company or any of its Subsidiaries, which will be funded by the Purchaser to the Company at the Closing for immediate payment to such employees, less applicable payroll and tax withholdings). All such amounts so paid shall nevertheless be deemed paid to the Seller for all purposes of this Agreement.

Section 2.6 Purchase Price Adjustment

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(a) Closing Statement

. Within ninety (90) days after the Closing Date, the Purchaser (with the assistance of the Seller, to the extent reasonably requested by the Purchaser) will cause to be prepared and delivered to the Seller a statement (the "**Closing Statement**") setting forth in reasonable detail the Purchaser's good faith calculations of (i) the Closing

Date Net Working Capital, (ii) the Closing Cash and (iii) the amount of any adjustment to the Preliminary Purchase Price pursuant to **Section 2.6(f)**. The Closing Statement (A) shall be prepared in accordance with the definitions contained in this Agreement and (B) to the extent related to the Closing Date Net Working Capital, shall be prepared in accordance with the accounting-related principles, policies, procedures and methodologies set forth in **Exhibit D**. Notwithstanding anything contained in this Agreement to the contrary, the Parties hereby acknowledge and agree that under no circumstances shall any current liability be accrued in the Closing Statement to the extent such liability or obligation was (1) taken into account as a reduction to the Preliminary Purchase Price in calculating the Closing Payment (including with respect to any Closing Date Indebtedness or Transaction Expenses) or (2) otherwise paid by the Company, any of its Subsidiaries or the Seller prior to the Closing.

(b) Review Period

. The Seller shall have thirty (30) days following receipt of the Closing Statement (the "**Review Period**") during which to notify the Purchaser in writing of any dispute of any item contained in the Closing Statement, together with supporting documentation and work papers describing in reasonable detail how such specific items were derived (a "**Notice of Disagreement**"), which notice shall set forth in reasonable detail the basis for such dispute. If the Seller does not deliver a Notice of Disagreement within the Review Period, then the Seller will be deemed to have agreed to the Closing Statement and the computation of the amounts contained therein will be final, conclusive and binding on the Parties for all purposes hereunder. Any determination set forth on the Closing Statement which is not specifically objected to in Notice of Disagreement from the Seller shall be deemed acceptable and shall be final and binding upon the Parties, absent fraud or manifest error.

(c) Dispute Resolution

. If the Seller delivers a Notice of Disagreement to the Purchaser prior to the expiration of the Review Period, then the Closing Statement shall be resolved as follows:

(i) The Purchaser and the Seller shall cooperate in good faith to resolve any such dispute in writing as promptly as possible.

(ii) In the event the Purchaser and the Seller are unable to resolve any such dispute within thirty (30) days (or such longer period as the Purchaser and the Seller may mutually agree in writing) following the Purchaser's receipt of the Notice of Disagreement, such dispute and each Party's work papers related thereto shall be submitted to, and all issues having a bearing on such dispute shall be resolved by the Arbitrator. The Arbitrator's resolution shall be final and binding on the Parties absent fraud. The Purchaser and the Seller shall use commercially reasonable efforts to cause the Arbitrator to complete its work within thirty (30) days following its engagement. The fees, costs and expenses of the Arbitrator shall be allocated to and borne by the Purchaser and the Seller in inverse proportion as they may prevail on the items in dispute, which proportionate allocations shall be calculated on an aggregate basis based on the relative dollar values of all items in dispute and shall be determined by the Arbitrator and included in its written decision. For example, if the items in dispute total $1,000 and the Arbitrator awards $600 in favor of the Purchaser's position and $400 in favor of the Seller's position, 60% (i.e., 600 ÷ 1,000) of the fees, costs and expenses of the Arbitrator would be borne by the Seller and 40% (i.e., 400 ÷ 1,000) would be borne by the Purchaser.

(iii) The Purchaser and the Seller each shall provide the Arbitrator with their respective determinations of the Closing Statement and the adjustments. The Arbitrator will consider only those items in dispute as to which the Parties have disagreed within the time periods and on the terms specified above and the Arbitrator shall resolve such dispute in accordance with the terms of this Agreement. In submitting such dispute to the Arbitrator, each of the Parties shall furnish, at its own respective expense, to the Arbitrator and the other Party such documents and information as the Arbitrator may reasonably request. Each Party may also furnish to the Arbitrator such other information and documents as it deems relevant, with copies of each such submission and all such documents and

information being concurrently given to the other Party. Neither Party shall have or conduct any communication, either written or oral, with the Arbitrator without the other Party, respectively, either being present or receiving a concurrent copy of any written communication. The Arbitrator shall conduct one or more conferences concerning the subject matter of the allowed objections and disagreements between the Parties, at which conference(s) each Party shall have the right to (A) present its documents, materials and other evidence (consistent with the requirements herein), and (B) have present its or their advisors, accountants, counsel and other Representatives. Such conference shall take place either telephonically and/or at the offices selected by the Arbitrator. Such conferences shall not exceed more than three (3) days, eight (8) hours each day of hearings, or such other amount of time reasonably determined by the Arbitrator. The Arbitrator shall resolve each item of disagreement based solely on the presentations of supporting material provided by the Parties and the terms of this Agreement, including the instructions of the Parties as set forth in **Exhibit D**. The Purchaser and the Seller shall cooperate fully with the Arbitrator and respond on a timely basis to all reasonable requests for information or access to documents or personnel.

(d) Final Amounts.

(i) As used herein, the term "**Final Closing Date Net Working Capital**" means, (A) if the Seller does not notify the Purchaser of any such dispute during the Review Period, or notifies the Purchaser of its agreement with the adjustments in the Closing Statement prior to the expiration of the Review Period, then the Closing Date Net Working Capital as set forth in the Closing Statement or (B) if the Seller delivers a Notice of Disagreement relating to the Purchaser's calculation of the Closing Date Net Working Capital as reflected in the Closing Statement prior to the expiration of the Review Period, then the Closing Date Net Working Capital is (1) as agreed to in writing by the Purchaser and the Seller pursuant to **Section 2.6(c)(i)** or (2) in the absence of such agreement, as determined by the Arbitrator pursuant to **Section 2.6(c)(ii)**.

(ii) As used herein, the term "**Final Closing Cash**" means, (A) if the Seller does not notify the Purchaser of any such dispute during the Review Period, or notifies the Purchaser of its agreement with the adjustments in the Closing Statement prior to the expiration of the thirty (30)-day period, then the Closing Cash as set forth in the Closing Statement or (B) if the Seller delivers a Notice of Disagreement relating to the Purchaser's calculation of the Closing Cash as reflected in the Closing Statement prior to the expiration of the Review Period, then the Closing Cash is (1) as agreed to in writing by the Purchaser and the Seller pursuant to **Section 2.6(c)(i)** or (2) in the absence of such agreement, as determined by the Arbitrator pursuant to **Section 2.6(c)(ii)**.

(e) Adjustments to the Purchase Price.

(i) If the Final Closing Date Net Working Capital exceeds the Estimated Closing Date Net Working Capital (such excess, the "**Working Capital Excess**"), then the Preliminary Purchase Price shall be increased by the Working Capital Excess;

(ii) If the Final Closing Date Net Working Capital is less than the Estimated Closing Date Net Working Capital (the absolute amount of such shortfall, the "**Working Capital Deficit**"), then the Preliminary Purchase Price shall be decreased by the Working Capital Deficit;

(iii) If the Final Closing Date Net Working Capital is equal to the Estimated Closing Date Net Working Capital, then there shall be no adjustment to the Preliminary Purchase Price pursuant to this **Section 2.6** with respect to the Final Closing Date Net Working Capital;

(iv) If the Final Closing Cash exceeds the Estimated Closing Cash (such excess, the "**Closing Cash Excess**"), then the Preliminary Purchase Price shall be increased by the Closing Cash Excess;

(v) If the Final Closing Cash is less than the Estimated Closing Cash (the absolute amount of such shortfall, the "**Closing Cash Deficit**"), then the Preliminary Purchase Price shall be decreased by the Closing Cash Deficit; and

(vi) If the Final Closing Cash is equal to the Estimated Closing Cash, then there shall be no adjustment to the Preliminary Purchase Price pursuant to this **Section 2.6** with respect to the Final Closing Cash.

(f) Net Adjustment to Purchase Price

. As promptly as practicable (but in no event later than five (5) Business Days) after the determination of the Final Closing Date Net Working Capital and the Final Closing Cash, the Preliminary Purchase Price shall be adjusted as follows:

(i) If the adjustments to the Preliminary Purchase Price contemplated by **Section 2.6(e)** above result in an amount due to the Seller (such amount, the "**Upward Adjustment Amount**"), then the Purchaser shall pay or cause to be paid to the Seller, by wire transfer of immediately available funds to a bank account designated in writing by the Seller, the Upward Adjustment Amount;

(ii) If the adjustments to the Preliminary Purchase Price contemplated by **Section 2.6(e)** above result in an amount due to the Purchaser (such amount, the "**Downward Adjustment Amount**"), then the Seller shall pay or cause to be paid to the Purchaser, by wire transfer of immediately available funds to a bank account designated in writing by the Purchaser, the Downward Adjustment Amount; and

(iii) If the adjustments to the Preliminary Purchase Price contemplated by **Section 2.6(e)** above result in no amount being due to the Seller or the Purchaser, then there shall be no adjustment to the Preliminary Purchase Price pursuant to this **Section 2.6**.

(g) Access to Information

. During the period from and after the Purchaser's delivery of the Closing Statement through the final resolution of any matters contemplated by this **Section 2.6**, the Purchaser shall afford the Seller, on a confidential basis, access to the books and records of the Purchaser, the Company, its Subsidiaries and their respective Affiliates to the extent related to any item, matter or calculation included in or relating to the Closing Statement.

Section 2.7 Withholding

. The Purchaser may deduct and withhold from consideration otherwise paid or deliverable to any Person in connection with the transactions contemplated hereby such amounts that the Purchaser is required to deduct and withhold under applicable Tax Law. Notwithstanding the foregoing, as long as the Seller provides the certificate required by **Section 7.5(h)**, the Purchaser shall not withhold any U.S. federal income taxes with respect to any payment of the Purchase Price to the Seller in connection with the transactions contemplated hereby. Amounts that are so deducted and withheld and timely remitted to the appropriate Governmental Entity shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

Article 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

As an inducement to the Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby, the Company represents and warrants to the Purchaser, except as set forth in the Company Disclosure Schedule, that all of the following representations and warranties are true and correct as of the date of this Agreement and as of the Closing (or, if made as of a specified date, as of such date). The Company Disclosure Schedule

is arranged in paragraphs corresponding to the sections and subsections contained in this **Article 3**. The Parties acknowledge and agree that (i) the Company Disclosure Schedule is qualified in its entirety by reference to specific provisions of this Agreement and does not constitute, and shall not be deemed as constituting representations, warranties, or covenants of the Company or any of its Subsidiaries (except as expressly provided in this Agreement), (ii) any fact or item which is disclosed on any Schedule of the Company Disclosure Schedule shall be deemed disclosed on such other Schedule or Schedules of the Company Disclosure Schedule to the extent that its relevance or applicability to information called for by such other Schedule or Schedules is reasonably apparent, notwithstanding the omission of a reference or cross-reference thereto, and (iii) the mere inclusion of an item in the Company Disclosure Schedule as an exception or modification to a representation or warranty shall not be deemed an admission that such item represents an exception or a material fact, event or circumstance or an admission of liability to any Person or that such item has or would reasonably be expected to have a Material Adverse Effect.

Section 3.1 Organization

.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has all requisite entity power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except as would not reasonably be expected to result in a Material Adverse Effect. The Company is duly qualified to transact business as a foreign corporation and is in good standing in each other jurisdiction in which the ownership or leasing of its properties or assets or the conduct of its business requires such qualification, except where the failure to so qualify or to be in good standing would not reasonably be expected to result in a Material Adverse Effect. The Company has previously made available to the Purchaser complete copies of the Articles of Incorporation and bylaws (or equivalent documents) of the Company and each of its Subsidiaries as currently in effect.

(b) Each of the Company's Subsidiaries is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, registration or formation, as the case may be. Each of the Company's Subsidiaries has all requisite entity power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except as would not reasonably be expected to result in a Material Adverse Effect. Each of the Company's Subsidiaries is duly qualified to do business as a foreign corporation, branch, partnership or other entity in all jurisdictions where the nature of its business requires such qualification, except where the failure to so qualify would not reasonably be expected to result in a Material Adverse Effect. The Company has delivered to the Purchaser true, correct and complete copies of each of the Company's Subsidiaries respective articles of incorporation and their bylaws (or similar governing documents) as in effect on the date hereof and as proposed to be in effect immediately prior to the Closing Date.

Section 3.2 Authorization

. The Company has all necessary corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which the Company is a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Company of this Agreement, each Ancillary Agreement to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, have been duly and validly authorized and approved by all necessary action on the part of the Company. This Agreement has been, and each Ancillary Agreement to be executed and delivered by the Company at the Closing will be, duly and validly executed and delivered by the Company and assuming due authorization, execution and delivery thereof by the other Parties hereto, will constitute the valid and binding agreement of the Company, enforceable against the Company in accordance with their respective terms, subject in the case of enforceability to the Enforceability Exceptions.

Section 3.3 Capitalization

. **Schedule 3.3** of the Company Disclosure Schedule sets forth for the Company and each of its Subsidiaries, as of the date hereof, all of (a) the equity interests of the Company and its Subsidiaries that are issued and outstanding and (b) all of the Rights with respect to the Company and each of its Subsidiaries that are issued and outstanding (indicating in each case the owner of such equity interests or Rights). All of the issued and outstanding equity interests of the Company and each of its Subsidiaries are duly authorized and validly issued, and no such issuance of interest has violated the rights of any Person. Except as disclosed in **Schedule 3.3** of the Company Disclosure Schedule, (a) there are no outstanding Rights, contingent or otherwise, relating to the equity interests of the Company or any of its Subsidiaries, and (b) there are no outstanding warrants, options, purchase rights, subscription rights, rights of first refusal, calls, convertible or exchangeable securities or other commitments, Contracts or other agreements of the Seller, the Company, its Subsidiaries or any of their respective Affiliates to issue, sell, purchase, return or redeem any shares of capital stock or other equity interests of the Company or any of its Subsidiaries, or securities or obligations of any kind convertible into any shares of the capital stock or other equity interests of the Company or any of its Subsidiaries. There are no proxies, voting agreements, profit participation features, equity appreciation rights, phantom equity options or other Contracts or arrangements to which the Seller or any of its Affiliates is a party or is otherwise obligated relating to the equity interests of the Company or any of its Subsidiaries.

Section 3.4 Subsidiaries

. **Schedule 3.4** of the Company Disclosure Schedule lists each Subsidiary of the Company. The Company owns, directly or indirectly, all of the issued and outstanding capital stock or other equity interests of each of its Subsidiaries (including USW), free and clear of all Liens, other than limitations imposed by federal, state and foreign securities Laws. Except as set forth in **Schedule 3.4** of the Company Disclosure Schedule, none of the Company's Subsidiaries owns, directly or indirectly, any capital stock or other equity, securities or interests in any corporation, limited liability company, partnership, joint venture or other entity.

Section 3.5 Absence of Restrictions and Conflicts

.

(a) Except as set forth in **Schedule 3.5(a)** of the Company Disclosure Schedule, the execution and delivery by the Company of this Agreement and each Ancillary Agreement to which the Company is a party, do not, and the performance of its obligations hereunder will not, (i) conflict with or violate (A) the Articles of Incorporation or the bylaws of the Company, (B) the certificate or articles of incorporation, bylaws or equivalent organizational documents of any Subsidiary of the Company, in each case, as amended or supplemented, (ii) assuming that all consents, approvals, authorizations and other actions described in **Section 3.5(b)** have been obtained and all filings and obligations described in **Section 3.5(b)** have been made, materially conflict with or materially violate any Law applicable to the Company or any Subsidiary, or by which any material property or asset of the Company or any of its Subsidiaries, is bound, or (iii) require any material consent or result in any material violation or material breach of or constitute (with or without notice or lapse of time or both) a material default (or give to others any right of termination, amendment, acceleration or cancellation) under, or result in the triggering of any material payments or result in the creation of a Lien or other encumbrance on any material property of the Company or any of its Subsidiaries, in all cases, pursuant to, any of the terms, conditions or provisions of any Material Contract.

(b) Except as set forth in **Schedule 3.5(b)** of the Company Disclosure Schedule, the execution and delivery by the Company of this Agreement or any Ancillary Agreement, does not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (i) for the notification requirements of the HSR Act and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not prevent or materially delay consummation of the Transaction and the other transactions contemplated by this Agreement or any Ancillary Agreement or reasonably be expected to be material to the business of the Company and its Subsidiaries.

(c) Except as disclosed on **Schedule 3.5(c)**, to the Knowledge of the Company, none of the Company or any of its Subsidiaries produce, design, test, manufacture, fabricate or develop items that are classified as other than EAR99 in accordance with the Commerce Control List under the U.S. Export Administration Regulations. Neither the Company nor any of its Subsidiaries produces, designs, tests, manufactures, fabricates or develops a critical technology that is (i) utilized in connection with the Company's or any of its Subsidiaries' activity in one or more pilot program industries, or (ii) to the Knowledge of the Company, designed specifically for use in one or more pilot program industries, as these terms are defined at 31 CFR Parts 800 and 801.

(d) None of the Company or any of its Subsidiaries is performing or has performed any Government Contract that requires that the Company or any of its Subsidiaries possess a facility security clearance or that any of its employees possess an individual security clearance under the National Industrial Security Program Operating Manual (DOD 5220.22M) or any equivalent authorization.

(e) **Schedule 3.5(e)** of the Company Disclosure Schedule lists the physical address of each facility of the Company and its Subsidiaries

. To the Knowledge of the Company, no such facility abuts or has line of sight access to U.S. Department of Defense facilities or properties.

(f) The Company and its Subsidiaries have for the past three (3) years conducted their export transactions in compliance in all material respects with applicable provisions of all U.S. import and export Laws (including those Laws under the authority of U.S. Departments of Commerce (Bureau of Industry and Security) codified at 15 CFR, Parts 700-799; Homeland Security (Customs and Border Protection) codified at 19 CFR, Parts 1-199; State (Directorate of Defense Trade Controls) codified at 22 CFR, Parts 103, 120-130; and Treasury (Office of Foreign Assets Control) codified at 31 CFR, Parts 500-599) and all comparable applicable export and import Laws outside the United States for each country where the Company and its Subsidiaries conduct business ("collectively, "**Export Laws**"). Without limiting the foregoing: (i) each of the Company and its Subsidiaries has obtained all export and import licenses, registrations, and other approvals required (collectively "**Export Approvals**") for their respective exports or imports of products, software and technologies from or to the United States or any other country and re-exports of products, software and technologies subject to Export Laws; (ii) the Company and its Subsidiaries are in compliance in all material respects with the terms of all Export Approvals; (iii) as of the date hereof, there are no pending or, to the Knowledge of the Company, threatened claims against the Company or any of its Subsidiaries with respect to such Export Approvals or Export Laws and to the Knowledge of the Company, there are no actions, conditions or circumstances pertaining to the Company or any of its Subsidiaries with respect to export or import transactions that would reasonably be expected to give rise to any material future claims; and (iv) the Company and its Subsidiaries have established, implemented, and maintained internal controls and procedures reasonably designed to promote compliance with all applicable Export Laws and Export Approvals. **Schedule 3.5(f)** of the Company Disclosure Schedule sets forth, to the Knowledge of the Company, the applicable export control classification number under the Commerce Control List (codified at 15 CFR Part 774) for the products and technologies of the Company and its Subsidiaries, indicating the basis for each such classification. None of the Company or any of its Subsidiaries is engaged in activities pertaining to hardware, software, or technologies subject to the U.S. Munitions List (codified at 22 CFR Part 121).

Section 3.6 Real Property

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(a) **Schedule 3.6(a)(i)** of the Company Disclosure Schedule contains a true, correct and complete list of all Owned Real Property, including the address, tax parcel number(s) and legal description for each Owned Real Property (or reference to Existing Title Policy with the legal description). **Schedule 3.6(a)(ii)** of the Company Disclosure Schedule contains a true, correct and complete list of each Real Property Agreement, including the address for each Leased Real Property. The Company has delivered to the Purchaser a true,

correct and complete copy of each document listed on **Schedule 3.6(a)(ii)** of the Company Disclosure Schedule. The Real Property Agreements have not been amended, modified or supplemented, except as described in **Schedule 3.6(a)(ii)** of the Company Disclosure Schedule. Except as set forth on **Schedule 3.6(a)(ii)** of the Company Disclosure Schedule, none of the Company or its Subsidiaries has any other rights or interests in any real property or is a party to any other Real Property Agreement.

(b) The Company and/or one of its Subsidiaries has a valid leasehold interest in the Leased Real Property.

(c) The Real Property Agreements that individually or in the aggregate are material to the business operations of the Company or any of its Subsidiaries are valid and subsisting and are in full force and effect in all respects. Neither the Company nor any Subsidiary is in default under any Lease and, to the Knowledge of the Company, no event has occurred which, through the passage of time or the giving of notice, or both, would constitute a default by the Company or any of the Subsidiaries or give rise to a right of termination or cancellation of any lease of Leased Real Property by another Person or cause the acceleration or increase in lease rental paid due to a default thereunder.

(d) No amounts have accrued or are due under any hold-over provisions of any one or more of the leases of Leased Real Property.

(e) There are no (i) subleases, assignments (collateral or otherwise), occupancy agreements or other agreements granting to any Person (other than the Company or its Subsidiaries) the right of use or occupancy of any Real Property, and (ii) no outstanding options, rights of first offer or rights of first refusal to purchase or lease any Real Property or any portion thereof or interest therein.

(f) With respect to the Owned Real Property: (i) none of the Company or any of its Subsidiaries has received any written notice from a Governmental Entity of any pending or threatened appropriation, condemnation or like proceedings relating to such real property, and (ii) none of the Company or any of its Subsidiaries has received any written notice from a Governmental Entity of any violation of any applicable zoning law, regulation or other Law relating to or affecting any such Real Property.

(g) To the Knowledge of the Company, no portion of the Leased Real Property, or any building or improvement located thereon, violates any Law, including those Laws relating to zoning, building, land use, fire, air, sanitation and noise control.

(h) To the Knowledge of the Company, except for the Permitted Liens, no Leased Real Property is subject to (i) any decree or order of any Governmental Entity or any threatened or proposed order or (ii) any rights of way, building use restrictions, exceptions, variances, reservations or limitations.

(i) To the Knowledge of the Company, the improvements and fixtures on the Leased Real Property are, in all material respects, in operating condition, ordinary wear and tear excepted, and are capable of being used for their intended purposes. The Lease Real Property constitutes all of the real property utilized by the Company and its Subsidiaries in the operation of the business.

(j) In the reasonable opinion of the Company, the Real Property constitutes all of the real property utilized for, or necessary to, conduct the business operations of the Company and its Subsidiaries as of the date of this Agreement. To the Knowledge of the Company, the Company or its Subsidiaries have all necessary easements in and to the Real Property necessary and sufficient to conduct the business operations of the Company and its Subsidiaries as of the date of this Agreement. The Real Property is sufficient to provide the Company and its Subsidiaries with continuous, uninterrupted and, together with public roads, contiguous access thereto sufficient for the operation and maintenance of the Real Property as conducted by the Company and its Subsidiaries as of the date of this Agreement. Since January 1, 2016, none of the Company or any of its Subsidiaries has received written notice of any adverse claim to such access. Public and private utilities

servicing the Real Property have adequate capacity to meet the utility requirements for the current use of the Real Property.

(k) The Owned Real Property constitutes a separately subdivided parcel, is assessed separately from all other adjacent real property for purposes of real estate Taxes, and is not treated as part of any other real property for title, zoning or building purposes. No portion of the Real Property is situated in a flood hazard as defined by the Federal Insurance Administration, or consists of filled-in land.

(l) The consummation of the transactions contemplated by this Agreement will not require the consent or approval of any Person under any of the Leases, except as set forth in **Schedule 3.5(a)** of the Company Disclosure Schedule.

Section 3.7 Title to Assets; Related Matters

. Except as set forth in **Schedule 3.7** of the Company Disclosure Schedule, the Company and its Subsidiaries have good, valid, and marketable title to, or a valid and enforceable leasehold interest in, all of their respective real and personal property and assets, free and clear of all Liens, except Permitted Liens. Except as set forth in **Schedule 3.7** of the Company Disclosure Schedule, all equipment and other items of tangible personal property and assets of the Company and its Subsidiaries (a) are in all material respects in operating condition and capable of being used for their intended purposes, ordinary wear and tear excepted, and (b) are all the equipment and other items of tangible personal property and assets used to operate, and necessary to operate, the business as presently conducted.

Section 3.8 Financial Statements

. The Company has made available to the Purchaser true, correct, and complete copies of the Financial Statements. Except as set forth in **Schedule 3.8** of the Company Disclosure Schedule, the Financial Statements (including the related notes and schedules) have been prepared in accordance with GAAP (except as may be indicated in the related notes and schedules) and fairly present in all material respects the financial position of the Company and its Subsidiaries, as applicable, as of the date of such financial statements (subject, in the case of unaudited financial statements, to normal year end, quarter end and month end adjustments consistent with past practice and the absence of notes to such statements), and each statement of cash flows, shareholders' equity and income included in the Financial Statements (including the related notes and schedules) fairly presents in all material respects the results of operations and changes in cash flows, as the case may be, of the Company and its Subsidiaries, as applicable, for the periods set forth therein, in each case in accordance with GAAP, consistently applied during the periods involved (except as expressly noted therein or in **Schedule 3.8** of the Company Disclosure Schedule and subject, in the case of unaudited financial statements, to normal year end and quarter end adjustments and the absence of notes to such statements).

Section 3.9 No Undisclosed Liabilities

. Except as set forth in the Financial Statements (including the related notes and schedules) or in **Schedule 3.9** of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries has any liabilities or obligations, except for (a) liabilities and obligations incurred since the Balance Sheet Date in the Ordinary Course, (b) liabilities and obligations incurred since the Balance Sheet Date pursuant to or in connection with this Agreement or the transactions contemplated hereby, (c) executory liabilities and obligations under Contracts that were incurred in the Ordinary Course and are to be performed after the Closing (none of which relates to any failure to perform, improper performance, warranty or other breach, default or violation by the Company or any of its Subsidiaries occurring prior to or as of the Closing), or (d) liabilities and obligations disclosed in this Agreement (or its exhibits, schedules or the Company Disclosure Schedule).

Section 3.10 Bank Accounts

. (a) **Schedule 3.10(a)** of the Company Disclosure Schedule is a true and correct list of the name and location of each bank or other instruction in which the Company or any of its Subsidiaries has any deposit account or safe deposit box, all account numbers and the names of all Persons authorized to act in connection therewith and

(b) **Schedule 3.10(b)** of the Company Disclosure Schedule is a true and correct list of all certificates of deposit, debt, equity and other investments owned, beneficially or of record, by the Company or its Subsidiaries (collectively, the "**Investments**"). Each of the Company and its Subsidiaries has full legal and beneficial interest in all of the Investments, free and clear of all Liens other than Permitted Liens. The Investments are (x) properly valued in the Books and Records and the Financial Statements at the lower of cost or market, (y) readily marketable and (z) fully paid and not subject to assessment or other claims upon the holder thereof. All of the Company and its Subsidiaries' Cash is in the bank accounts described above, and the Company and its Subsidiaries have full legal and beneficial interest in all Cash deposited in such accounts, free and clear of any Liens.

Section 3.11 Books and Records

. The Books and Records of the Company and its Subsidiaries are complete and correct in all material respects. At the Closing, all Books and Records of the Company and its Subsidiaries will be in the possession of the Company or any of its Subsidiaries.

Section 3.12 Absence of Certain Changes

. Except as set forth in **Schedule 3.12** of the Company Disclosure Schedule, since the Balance Sheet Date, (i) the Company and each of its Subsidiaries has conducted its business in the Ordinary Course, and (ii) neither the Company nor any of its Subsidiaries has taken any action which, if taken after the date hereof, would require the consent of the Purchaser pursuant to **Section 6.3**. Since the Balance Sheet Date, there has not been any event, development or change that has had or would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect. Except as set forth in **Schedule 3.12** of the Company Disclosure Schedule, since the Balance Sheet Date, the Company and its Subsidiaries have not:

(a) Sold, leased, assigned or otherwise transferred any material properties or assets, or disposed of or permitted to lapse any rights in any License or Proprietary Rights owned or used by the Company and/or any of the Subsidiaries, in any case, other than in the Ordinary Course, or organized any new business entity or acquired any equity securities, assets, properties, or business of any Person or any equity interest in any business or merged with or into or consolidated with any other Person other than in the Ordinary Course;

(b) Waived or released any material right or claim, whether or not in the Ordinary Course;

(c) Suffered, sustained or incurred any material damage, destruction or casualty loss to any material properties or assets, whether or not covered by insurance;

(d) Made any capital expenditure (or series of related capital expenditures) exceeding $150,000;

(e) Other than Permitted Liens, subjected any of its properties or assets to any Lien, whether or not in the Ordinary Course;

(f) Issued any note, bond or other debt security, created, incurred, increased or assumed any Indebtedness for borrowed money or capitalized lease obligation, caused or permitted the issuance or extension of any letters of credit or otherwise incurred or increased any material liability, except current liabilities incurred in the Ordinary Course not exceeding $200,000 in the aggregate;

(g) Discharged or satisfied any Lien, or incurred or suffered any additional Liens;

(h) Managed the working capital of the Company and its Subsidiaries outside the Ordinary Course in any material respect;

(i) Loaned money to any Person or guaranteed any loan to or liability of any Person, whether or not in the Ordinary Course;

(j) Except as described in the Company Disclosure Schedule, amended or terminated any Material Contracts, other than in the Ordinary Course;

(k) Changed accounting methods or practices of the Company or any Subsidiary (including any change in reserves, depreciation, amortization or cost accounting policies or rates);

(l) Received notice from any customer, supplier, vendor, Governmental Entity or any other Person which would, with reasonable probability have a material and adverse effect on the Company or any Subsidiary;

(m) Entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any existing such Contract or agreement or adopted, amended in any material respect, or terminated any Company Benefit Plan for the benefit of any of the directors, officers and employees of the Company or any Subsidiary, other than in each case in the Ordinary Course;

(n) Modified or changed insurance coverages for the properties and assets of the Company and its Subsidiaries (other than in the Ordinary Course), nor had any lapse in insurance coverage;

(o) Made any change or amendments in the articles of incorporation or governing instruments of the Company or the articles of incorporation, bylaws, or other governing instruments of any of the Subsidiaries;

(p) Licensed any Proprietary Rights to or from any Person (other than any Proprietary Rights that are licensed by the Company on a non-exclusive basis in the Ordinary Course or to the Company and/or any of its Subsidiaries under any third party Software license or service Contract generally available to the public and rights to display and use the marks and names of third parties pursuant to agreements with the Company's or its Subsidiaries' suppliers);

(q) Declared, set aside or paid any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of the equity interests of the Company and/or any of its Subsidiaries;

(r) Authorized for issuance, issued, sold, delivered or agreed or committed to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any units or shares of stock of any class or any other securities (including indebtedness having the right to vote) or Rights;

(s) Increased the compensation payable or to become payable by the Company or any Subsidiary to any of their officers, directors, employees, or agents, except for increases in the Ordinary Course;

(t) Split, combined, reclassified or subdivided any of its equity interests;

(u) Repurchased, redeemed or otherwise acquired any of its equity interests; or

(v) Entered into any Contract, whether written or oral, to do any of the foregoing.

Section 3.13 Legal Proceedings

. Except as set forth in **Schedule 3.13** of the Company Disclosure Schedule, as of the date of this Agreement, there is not any material suit, action, claim, arbitration, investigation, or other Proceeding (including governmental and administrative Proceedings and those challenging or seeking to prevent, enjoin, alter or delay the transactions contemplated hereby) pending by or before any Governmental Entity, or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries, or any property of any of them. Neither the Company nor any of its Subsidiaries is subject to any judgment, decree, injunction, rule or order of any court or arbitration panel that, individually, would reasonably be expected to result in losses to the Company and its Subsidiaries in excess of Two Hundred Fifty Thousand Dollars ($250,000). Unless otherwise noted in **Schedule 3.13** of the Company Disclosure Schedule, each such matter identified therein where USW is a defendant or potential defendant is appropriately and

fully covered by insurance or indemnity, and the insurer has not declined coverage or otherwise challenged coverage for such claim and the availability of such insurance is not subject to a deductible or self-insured retention.

Section 3.14 Compliance with Law

. Except as set forth in **Schedule 3.14(a)** of the Company Disclosure Schedule, since the Reference Date, the Company and each of its Subsidiaries is and has been in material compliance with applicable Law. Except as set forth in **Schedule 3.14(b)** of the Company Disclosure Schedule, since the Reference Date, neither the Company nor any of its Subsidiaries has been charged with, has received written notice from any Governmental Entity or other Person regarding any actual, alleged or potential violation of any applicable Law, or, to the Knowledge of the Company, is otherwise now under investigation with respect to, a material violation of any applicable Law. Notwithstanding anything contained in this Agreement to the contrary, no representation is made in this **Section 3.14** with respect to matters described in and covered by **Section 3.16** (Tax Returns; Taxes), **Section 3.17** (Company Benefit Plans), **Section 3.18** (Employment Matters) and **Section 3.20** (Environmental, Health and Safety Matters).

Section 3.15 Material Contracts

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(a) **Schedule 3.15(a)** of the Company Disclosure Schedule sets forth all Contracts (collectively, "**Material Contracts**"), as of the date hereof, (x) which provide for annual payments or expenses by, or annual payments or income to, the Company or any of its Subsidiaries in excess of $150,000, or (y) in the case of purchase or sales orders, such orders with the same party which in the aggregate provide for payments or income to, the Company or any of its Subsidiaries in excess of $150,000, as well as (z) all of the following to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is otherwise bound:

(i) all Contracts with a Customer;

(ii) all Contracts with a Vendor;

(iii) all partnership, joint venture or limited liability company contract arrangements or agreements;

(iv) all settlement, release and similar agreements involving payments to or from the Company or its Subsidiaries in excess of $50,000 after Closing or any injunctive or similar equitable obligations on the Company or any of its Subsidiaries;

(v) all material license agreements for Proprietary Rights or agreements in respect of similar rights granted either to or from the Company or its Subsidiaries, including agreements not to sue and other similar agreements, in each case that are related to Proprietary Rights, except for (A) licenses with respect to Proprietary Rights that are licensed by the Company or its Subsidiaries on a non-exclusive basis in the Ordinary Course, (B) licenses to Company or its Subsidiaries with respect to any third party Software license or service Contract generally available to the public and (C) rights to display and use the marks and names of third parties pursuant to agreements with the Company's or its Subsidiaries' suppliers;

(vi) all Contracts or other documents that (A) limit the freedom of the Company or any of its Subsidiaries to conduct or to compete in any line of business or with any Person or in any area after the Closing Date, (B) provide for "most favored nation" treatment for the counterparty to the Company or any of its Subsidiaries, (C) require Company or any of its Subsidiaries to purchase or sell a minimum amount of products or services, or all or a portion of Company or its Subsidiaries' requirements of products or services or (D) provides for exclusivity;

(vii) all Contracts (A) related to the Company's and its Subsidiaries' products sold under the "Phytout" brand, (B) with Novozymes A/S, Novozymes North America, Inc. or their respective Affiliates, and (C) related to the Proprietary Rights that are the subject of the Phytout Litigation;

(viii) all agreements or other documents of the Company and its Subsidiaries in respect of (A) any Indebtedness or Intercompany Indebtedness or (B) any guarantee of any loan to or liability of any Person;

(ix) all Current Government Contracts;

(x) all Leases;

(xi) all Contracts with respect to the discharge, storage or removal of Hazardous Materials;

(xii) all employment or engagement Contracts between any current employee or consultant of the Company or any of its Subsidiaries, on the one hand, and the Company or one of its Subsidiaries, on the other hand, containing severance or change-in-control provisions;

(xiii) all Contracts with labor unions, works councils or comparable organizations representing any employees of the Company or any of its Subsidiaries;

(xiv) all Contracts with Related Parties;

(xv) all Contracts relating to any holding or transfer of a business, entity or the equity of another Person (including any shareholders' agreements), to the extent entered into or effective on or after January 1, 2015;

(xvi) all Contracts to indemnify any Person to share in or contribute to the liability of such Person; and

(xvii) all commitments to enter into any of the foregoing.

(b) The Seller has caused to make available to the Purchaser true and correct copies of each written Material Contract, including all amendments, supplements, modifications and waivers thereof, and true and correct summaries of each unwritten Material Contract, and have listed such Contracts in **Schedule 3.15(a)** of the Company Disclosure Schedule. Each Material Contract is a valid and binding agreement of the Company or the applicable Subsidiary of the Company and is enforceable in accordance with its terms against the Company or the applicable Subsidiary of the Company party thereto and, to the Knowledge of the Company, the other contracting party (except to the extent that enforceability may be limited by (i) applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, (ii) general principles of equity (including the possible unavailability of specific performance or injunctive relief), concepts of materiality, reasonableness, good faith and fair dealing, and the discretion of the court before which a Proceeding is brought, and (iii) the invalidity, under certain circumstances under Law or court decisions, of covenants not to compete and similar provisions). There is no breach or default by any of the Company or its Subsidiaries as of the date hereof and, as of the Closing there will not be any such breach or default by the Company or any of its Subsidiaries, as the case may be. Each Material Contract is in full force and effect and neither the Company nor any Subsidiary of the Company, nor, to the Knowledge of the Company, any other party thereto, is in material default under the terms of any such Material Contract. None of the Company and its Subsidiaries has waived any material rights under any Material Contract.

(c) Government Contracts

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(i) **Schedule 3.15(c)(i)(x)** of the Company Disclosure Schedule lists all: (A) Government Contracts the period of performance of which has not yet expired or terminated or for which final payment has not yet been received (collectively, the "**Current Government Contracts**"); (B) outstanding bids, quotations and proposals by the Company or any of its Subsidiaries that if accepted or awarded could lead to a Government Contract (the "**Bids**"); and (C) Government Contracts pursuant to which the Company or any of its Subsidiaries is currently or, to the Knowledge of the Company, is reasonably likely to experience cost, schedule, technical or quality problems that are reasonably likely to result in claims against the Company or any of its Subsidiaries (or their respective successors in interest) by a Governmental Entity, a prime contractor or a higher-tier subcontractor. The Company has made available to the Purchaser true and complete copies of all Current Government Contracts and of all Bids, including any and all amendments and other modifications thereto, and has provided the Purchaser with access to true and correct copies of all documentation related thereto reasonably requested by the Purchaser. With respect to each Current Government Contract, **Schedule 3.15(c)(i)(y)** of the Company Disclosure Schedule accurately lists (1) the contract number, (2) the award date and (3) the contract end date. With respect to each Bid, **Schedule 3.15(c)(i)(z)** of the Company Disclosure Schedule accurately lists: (a) the request for proposal (RFP) number or, if such Government Contract Bid is for a task order under a prime contract, the applicable prime contract number and (b) the date of proposal submission; and, to the Knowledge of the Company: (i) the expected award date; (ii) the estimated period of performance; and (iii) the estimated value based on the proposal, if any.

(ii) The Current Government Contracts (or, to the Knowledge of the Company, where applicable, prime Government Contracts under which any Current Government Contracts were awarded) are not currently the subject of bid or award protest proceedings, to the Knowledge of the Company, no such Current Government Contracts are reasonably likely to become subject of bid or award protest proceedings, and no Person has notified the Company or any of its Subsidiaries in writing, or, to the Knowledge of the Company, orally, that any Governmental Entity, prime contractor or higher-tier subcontractor under a Government Contract intends to seek the Company's or any of its Subsidiary's agreement to lower rates under any of the Government Contracts or Bids, including any task order under any Bids.

(iii) Neither the Company nor any of its Subsidiaries has received any written or, to the Knowledge of the Company, oral notice terminating any of the Current Government Contracts for convenience or indicating an intent to terminate any of the Current Government Contracts for convenience. In addition, (A) the Company and its Subsidiaries have complied in all material respects and are in compliance in all material respects with all contract terms, conditions, provisions, and requirements (whether stated or incorporated expressly, by reference, or by operation of law) and all requirements of Law pertaining to any Government Contract or Bid; (B) the representations, certifications and warranties made by the Company and its Subsidiaries with respect to the Government Contracts or Bids (including with respect to their respective size and/or preferential status) were accurate as of their effective dates, and the Company and its Subsidiaries have complied in all material respects with all such certifications; (C) neither the Company nor any of its Subsidiaries has received any written or, to the Knowledge of the Company, oral, show cause, cure, deficiency, default or similar notice relating to the Current Government Contracts and, to the Knowledge of the Company, no event, condition or omission has occurred or exists that would constitute grounds for such action; (D) no negative determination of responsibility has been issued against the Company or any of its Subsidiaries with respect to any quotation, bid or proposal for a Government Contract; and (E) all invoices and claims (including requests for progress payments and provisional costs payments) submitted under each Government Contract were current, accurate and complete in all material respects as of their submission date.

(iv) None of the Company, any of its Subsidiaries, or any of their respective Principals (as defined in FAR 52.209-5) with respect to the Government Contracts or Bids is, or since January 1, 2013 (and, to the Knowledge of the Company, prior to such date) has been, (A) debarred, suspended

or excluded from participation in, or the award of, Government Contracts or doing business with any Governmental Entity; (B) the subject of a finding of material non-compliance, non-responsibility or ineligibility for government contracting or for any reason is listed on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs; or (C) to the Knowledge of the Company, currently proposed for, or has been subject to suspension, debarment or exclusion proceedings or threatened suspension, debarment or exclusion proceedings. To the Knowledge of the Company, no circumstances exist that would warrant the institution of suspension or debarment proceedings against the Company, any of its Subsidiaries or any of their respective Principals in connection with the performance of their duties for or on behalf of the Company or any of its Subsidiaries.

(v) To the Knowledge of the Company, there are no pending administrative, civil or criminal allegations, investigations, audits, civil investigation demands, subpoenas or indictments by any Governmental Entity concerning any Government Contracts. None of the Company, its Subsidiaries, or, to the Knowledge of the Company, any of their respective personnel (A) has undergone any Governmental Authority audit, review, inspection, investigation, survey or examination of records relating to any Government Contracts; (B) has made or was required to make any disclosure to any Governmental Authority pursuant to any voluntary disclosure agreement or pursuant to FAR 9.406-2(b)(1)(vi), 9.407-2(a)(8) or 52.203-13) in connection with any Government Contract or Government Bid; (C) has received a written or, to the Knowledge of the Company, oral request for a reduction in the price of any Government Contracts, including, without, limitation, to claims based on actual or alleged defective pricing or a significant overpayment, in connection with the award, performance, or closeout of any Government Contract or receiving a Government Contract as a result of a Government Bid; (D) has taken any action and is party to any litigation that could reasonably be expected to give rise to any such matter or possible matter; or (E) has initiated any internal investigation into such matter or possible matter.

(vi) No written claims, or claims threatened in writing, exist against the Company or any of its Subsidiaries with respect to express warranties and guarantees contained in Government Contracts on products or services provided by the Company or any of its Subsidiaries; and no such written claims have been made against the Company or any of its Subsidiaries. No amendment has been made to any written warranty or guarantee contained in any Government Contract that could reasonably be expected to result in an adverse effect on the Company or any of its Subsidiaries. To the Knowledge of the Company, neither the Company nor any of its Subsidiaries has taken any action which could reasonably be expected to give any Person a right to make a claim under any written warranty or guarantee contained in any Government Contract.

(vii) With respect to the multiple award schedule Government Contracts identified on **Schedule 3.15(c)(vii)** of the Company Disclosure Schedule: (A) has not at any time charged the U.S. Government a price higher than its commercial customers with respect to each such multiple award schedule Government Contract; (B) has complied in all respects with the notice and pricing requirements of the Price Reduction clause in each such multiple award schedule Government Contract and, there are no facts or circumstances that would reasonably be expected to result in a demand by the U.S. Government for a refund based upon the Company's failure to comply with the Price Reductions clause, and (C) has complied in all respects with all payment requirements of the Industrial Funding Fee in each such multiple award schedule Government Contract and there are no facts or circumstances that would reasonably be expected to result in a demand by the U.S. Government for additional payment(s) based upon the Company's failure to comply with the Industrial Funding Fee payments.

Section 3.16 Tax Returns; Taxes

. Except as set forth in **Schedule 3.16** of the Company Disclosure Schedule:

(a) The Company and its Subsidiaries have timely filed all material Tax Returns required to be filed (including Tax Returns relating to their classification for U.S. federal income tax purposes), and all such Tax Returns are true, correct, and complete in all material respects. The Company and its Subsidiaries have paid all material Taxes required to be paid.

(b) There are no Liens for Taxes on any assets of the Company or its Subsidiaries, other than liens for Taxes not yet due and payable.

(c) Since the Reference Date, no written request for information related to Tax matters has been received by the Company or any of its Subsidiaries from any Governmental Entity. No audit or other Proceeding is pending, being conducted, or, to the Knowledge of the Company, threatened in writing by any Governmental Entity against the Company or any of its Subsidiaries, and no Proceeding is pending or being conducted that involves any Tax or Tax Return filed by or on behalf of the Company and its Subsidiaries. There is no Tax assessment or deficiency asserted in writing by a taxing authority against the Company or any Subsidiary that has not been fully paid.

(d) Since February 10, 2015, no written claim has been made by a Tax authority in a jurisdiction where the Company or its Subsidiaries do not file Tax Returns asserting that the Company or its Subsidiaries is or may be subject to Taxes imposed by that jurisdiction

(e) The Company has not been a "United States real property holding corporation" within the meaning of Code Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(f) Neither the Company nor any Subsidiary has executed or entered into with any Governmental Entity any agreement, waiver or other document extending or having the effect of extending or waiving the period for assessment or collection of any Taxes for which the Company or its Subsidiaries would or could be liable which period (after giving effect to such extension or waiver) has not expired.

(g) Neither the Company nor its Subsidiaries will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portions thereof) beginning after the Closing Date as a result of any (i) change in accounting method for any Pre-Closing Period by the Company or its Subsidiaries, (ii) use of an improper method of accounting for a Pre-Closing Tax Period, (iii) written agreement entered into with a Governmental Entity by the Company or its Subsidiaries with regard to their Tax liability for any Pre-Closing Period, (iv) prepaid amount received on or prior to the Closing Date by the Company or its Subsidiaries, (v) election under Section 108 of the Code (income from discharge of indebtedness), (vi) installment sale or operation transactions made on or prior to the Closing Date, (vii) ownership of "United States property" (as defined in Section 956(c) of the Code) prior to the Closing by a Subsidiary of the Company, (viii) "subpart F income" (as defined in Section 952(a) of the Code) or "global intangible low-taxed income" (as defined in Section 951A of the Code), in each case as a result of or attributable to actions taken prior to the Closing outside the Ordinary Course, or (ix) application of Section 965 of the Code with respect to a Pre-Closing Tax Period.

(h) Neither the Company nor any of its Subsidiaries currently is the beneficiary of any extension of time within which to file any Tax Return (other than automatic extensions).

(i) Neither the Company nor any of its Subsidiaries has been a "distributing corporation" or a "controlled corporation" in connection with a distribution described in Section 355 of the Code.

(j) All material Taxes which the Company or any of Subsidiaries is (or has been) required by Law to withhold or collect have been duly withheld or collected, and have been timely paid over to the proper authorities to the extent due and payable.

(k) Neither the Company nor any of its Subsidiaries is a party to or bound by any Tax allocation or sharing agreement or has any liability for Taxes by contract or otherwise, other than customary indemnification obligations contained in commercial agreements not principally related to Taxes (including credit or other commercial lending agreements, employment agreements, or arrangements with landlords, lessors, customers and vendors).

(l) Neither the Company nor any of its Subsidiaries is or has been a party to any "reportable transaction," as defined in Section 6707A(c)(1) of the Code and Section 1.6011-4(b) of the Treasury Regulations.

(m) Since February, 2015, neither the Company nor any of its Subsidiaries (i) has been a member of an affiliated group (other than the affiliated group that includes the Seller, the Company and USW) filing a consolidated, combined or similar Tax Return nor (ii) has any liability for the Taxes of any other Person under Treasury Regulation Section 1.1502-6 (or any similar provision of applicable Law), as a transferee or successor, by Contract (other than agreements entered into in the Ordinary Course the primary purpose of which does not relate to Taxes) or otherwise.

(n) The Company has remitted all required mandatory repatriation tax under Section 965 of the Code.

(o) The Company made a timely and valid election under Section 338(h)(10) of the Code with respect to the acquisition of A&W Technologies Inc. in 2015.

Notwithstanding any other representations and warranties in this Agreement, the representations and warranties in this **Section 3.16** (Tax Returns; Taxes) and **Section 3.17** (Company Benefit Plans) shall be the sole and exclusive representations and warranties in this Agreement with respect to matters relating to Taxes relating to the Company and its Subsidiaries, including any representations or warranties regarding compliance with Tax Laws, the filing of Tax Returns, and the payment of any Taxes. With the exception of **Section 3.16(g)**, this **Section 3.16** is not intended to serve as representations and warranties regarding, or a guarantee of, nor can it be relied upon with respect to, Taxes attributable to (or Tax attributes available for) any Tax period (or portion thereof) beginning after the Closing Date or any Tax position taken after Closing.

Section 3.17 Company Benefit Plans

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(a) Each Company Benefit Plan is identified in **Schedule 3.17** of the Company Disclosure Schedule. All contributions and payments to or with respect to each Company Benefit Plan have been made in material compliance with the terms of such Company Benefit Plan. Other than claims for benefits in the Ordinary Course, there are no actions, suits, disputes, arbitrations, or other claims pending or, to the Knowledge of the Company, threatened with respect to any Company Benefit Plan. The terms of each Company Benefit Plan as currently in effect that purports to be qualified under Section 401(a) of the Code and any trust which is a part of any such Company Benefit Plan are subject to a favorable determination letter or opinion letter from the IRS and, to the Knowledge of the Company, no circumstances exist which could result in the loss of such qualified status. Each Company Benefit Plan satisfies in all material respects the requirements of applicable Laws (including, ERISA and the Code) and has been operated in all material respects in accordance with its terms.

(b) Except as identified in **Schedule 3.17(b)** of the Company Disclosure Schedule, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby will, either alone or in conjunction with any other event, result in any payment that would be a non-deductible "excess parachute payment" within the meaning of Section 280G of the Code.

(c) Except as set forth in **Schedule 3.17(c)** of the Company Disclosure Schedule, neither the Company nor any ERISA Affiliate contributes to, or has, any liability (including but not limited to withdrawal liability) with respect to any multiemployer plan (as defined in Section 4064(a) of ERISA or Section 4001(a)(3) of ERISA).

(d) Except as otherwise set forth in **Schedule 3.17(d)** of the Company Disclosure Schedule, there are no present or former employees of the Company who are entitled to group health or life insurance benefits to be paid upon or after termination of employment, including termination on account of disability (except as otherwise required under Section 601 of ERISA or similar state law).

(e) With respect to the Company Benefit Plans and to the extent applicable, the Company has made available to the Purchaser true and accurate copies of the documents evidencing or governing such Company Benefit Plan (or an accurate summary of the terms of any Company Benefit Plan for which there is no written plan document), the most recent summary plan description, the most recent Form 5500, and the most recent determination or opinion letter received from the IRS.

(f) Except as set forth in **Schedule 3.17(f)** of the Company Disclosure Schedule, (i) neither the Company nor, to the Knowledge of the Company, any other "disqualified person" or "party in interest", as defined in Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively, has engaged in a "prohibited transaction," as such term is defined in Section 4975 of the Code and Section 406 of ERISA, with respect to any Company Benefit Plan subject to ERISA for which statutory or administrative exemption does not exist and which could reasonably be expected to subject the Company to a material Tax or penalty on prohibited transactions imposed by either Section 502(i) of ERISA or Section 4975 of the Code, and (ii) the execution and delivery by the Company of this Agreement and the consummation of the transactions contemplated hereby will not (1) involve any prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code with respect to any Company Benefit Plan set forth in **Schedule 3.17** of the Company Disclosure Schedule, or (2) accelerate the payment of any benefits under any Company Benefit Plan set forth in **Schedule 3.17** of the Company Disclosure Schedule.

(g) Neither the Company nor, to the Knowledge of the Company, any other fiduciary of any Company Benefit Plan set forth in **Schedule 3.17** of the Company Disclosure Schedule hereto are engaged in any transaction with respect to such Company Benefit Plan or failed to act in a manner with respect to such Company Benefit Plan which could reasonably be expected to subject the Company to any material liability for a breach of fiduciary duty under ERISA or any other applicable Law. Except as set forth in **Schedule 3.17(g)** of the Company Disclosure Schedule, since the Reference Date, the Company has complied in all material respects with the coverage continuation requirements of all applicable Laws, including Sections 601 through 609 of ERISA and Section 4980B of the Code, and the Company has incurred no material liability with respect to its failure to offer or provide continued coverage in accordance with the foregoing requirements, nor is there any suit or other action pending, or to the Knowledge of the Company, threatened, with respect to such requirements. Except as set forth in **Schedule 3.17(g)** of the Company Disclosure Schedule, the consummation of the transactions described in this Agreement, in and of themselves, or in conjunction with any other event which has occurred on or prior to the date hereof, will not entitle any current or former employee of the Company to material increased severance pay, unemployment compensation or any other similar payment, or accelerate the time of payment or vesting, or increase the amount of compensation due to any such employee or former employee.

(h) Except as set forth in **Schedule 3.17(h)** of the Company Disclosure Schedule, each Company Benefit Plan may be terminated by the Company in accordance with its terms and without the Company incurring any material obligation or liability arising or resulting from such termination, other than related administrative expenses.

(i) Neither the Company nor any ERISA Affiliate maintains or, since the Reference Date, has maintained an Employee Pension Benefit Plan as defined in Section 3(2) of ERISA, that is subject to Section 412 of the Code and Section 302 of ERISA

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(j) Each Company Benefit Plan that is a "nonqualified deferred compensation plan" (within the meaning of Section 409A of the Code) is in documentary compliance with, and has been operated and administered in all material respects in compliance with, Section 409A of the Code and the guidance issued thereunder.

(k) Since the Reference Date, the Company has provided group medical coverage to its employees in a manner reasonably expected to avoid triggering a material Tax or material penalty under Section 4980H of the Code.

(l) **Section 3.17(l)** of the Company Disclosure Schedule sets forth each Company Benefit Plan that is subject to the Laws of any jurisdiction other than the United States of America (each, a "**Foreign Plan**"). Each Foreign Plan has been established, administered and maintained in material compliance with all applicable Laws of each jurisdiction in which such Foreign Plan is maintained. Other than claims for benefits in the Ordinary Course, there are no actions, suits or claims pending with respect to any Foreign Plan.

Section 3.18 Employment Matters

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(a) **Schedule 3.18(a)** of the Company Disclosure Schedule contains a complete list as of the date hereof of (i) all of the officers of the Company and each of its Subsidiaries, and (ii) all of the other employees (whether full-time, part-time or otherwise and whether on furlough, leave, short or long term disability or layoff of any kind), independent contractors and other non-employee service providers currently performing services for the Company and each of its Subsidiaries, who, as of the date hereof, received a base salary or fees in excess of Two Hundred Thousand Dollars ($200,000) for the twelve (12) month period ended December 31, 2018, specifying whether the Person is an employee, consultant or independent contractor and, as applicable, each Person's (i) job title, (ii) location, (iii) date of hire or engagement, (iv) full-time or part-time classification, (v) exempt or non-exempt classification, (vi) compensation, (vii) vacation accrual rate, (viii) accrued but unused sick and vacation leave or paid time off, (ix) primary location of employment or engagement, (x) visa type (if any) and (xi) whether such Person is on a leave of absence (and the nature of such leave and anticipated return date). **Schedule 3.18(a)** of the Company Disclosure Schedule also lists any written contract (other than Company Benefit Plans) between any employee and the Company and its Subsidiaries. Except as specifically otherwise set forth on **Schedule 3.18(a)** of the Company Disclosure Schedule, all employees of the Company and its Subsidiaries are employed on an "at will" basis.

(b) Except as set forth in **Schedule 3.18(b)** of the Company Disclosure Schedule, (i) neither the Company nor any of its Subsidiaries is (A) a party to any collective bargaining agreement with any union or labor organization or (B) currently engaged in any collective bargaining negotiation with any union or labor organization, and (ii) no material claim, complaint, charge or investigation by any Person is pending or, to the Knowledge of the Company, threatened by any Person against the Company or any of its Subsidiaries under any Labor Law, and the Company and each of its Subsidiaries is, and has been, in material compliance with all Labor Laws.

(c) Since the Reference Date, neither the Company nor any of its Subsidiaries has implemented any plant closing, layoff of employees or has taken any other action that could result in a violation of, or require any action with respect to, the WARN Act.

(d) To the Knowledge of the Company, no officer, director or management level employee of the Company or any of its Subsidiaries is the subject of a pending allegation of workplace sexual harassment or assault, nor has any officer, director or management level employee of the Company or any of its Subsidiaries engaged in workplace sexual harassment or assault or been accused of workplace sexual harassment or assault since the Reference Date.

(e) To the Knowledge of the Company, no employee of the Company or its Subsidiaries is in violation of any non-compete, non-solicitation, non-disclosure, confidentiality, employment, consulting or similar contracts in conflict with the business of the Company and its Subsidiaries. Neither the Company nor any of its Subsidiaries has received any written notice alleging that any violation of such contract has occurred.

(f) Except for the claims set forth in **Schedule 3.18(f)** of the Company Disclosure Schedule, the consummation of the transactions described in this Agreement will not entitle any current or former employee of the Company or any of its Subsidiaries to severance pay, unemployment compensation or any other payment, or accelerate the time of payment or vesting, or increase the amount of compensation due to any such employee or former employee.

(g) Except as set forth in **Schedule 3.18(g)** of the Company Disclosure Schedule, the Company and its Subsidiaries have never been a party to any collective bargaining agreement or other labor Contract and there has never been, and there is not presently pending or existing, and to the Knowledge of the Company, there is not threatened (i) any strike, slowdown, walkout, picketing, work stoppage, labor arbitration or other Proceeding in respect of the grievance of any employee, (ii) any petition, charge or complaint filed by any employee or union with the National Labor Relations Board, or any comparable Governmental Entity, (iii) any organizational activity or other labor dispute against or affecting the Company or any of its Subsidiaries, and no application for certification of a collective bargaining representative is pending or, to the Knowledge of the Company, is threatened. There is no lockout of any employees by the Company or any of its Subsidiaries, and no such action is contemplated.

(h) The Company and its Subsidiaries have classified all individuals, including independent contractors and leased employees, appropriately under the Company Benefit Plans.

Section 3.19 Insurance Policies

. Except for the insurance policies related to the Company Benefit Plans, **Schedule 3.19** of the Company Disclosure Schedule contains a true, correct and complete list of all insurance policies carried by or for the benefit of the Company or any of its Subsidiaries. All due premiums with respect thereto have been paid in full and the Company and its Subsidiaries are otherwise in material compliance with the terms and provisions thereof. All such policies are in full force and effect. The Company and its Subsidiaries have not received written notice of default under any such policy, nor have they received written notice of any pending or threatened termination or cancellation, material coverage limitation or reduction, or any material increase in the premium or deductible with respect to any such policy.

Section 3.20 Environmental, Health and Safety Matters

. Except as disclosed in **Schedule 3.20** of the Company Disclosure Schedule:

(a) since the Reference Date, the Company and each of its Subsidiaries have materially complied and are in material compliance with all Environmental Laws;

(b) the Company and each of its Subsidiaries have obtained and are in material compliance with all Licenses required under Environmental Law to carry on the business and operations of the Company and its Subsidiaries as presently conducted;

(c) there are no pending or, to the Knowledge of the Company, threatened, demands, claims, causes of action, complaints, directives, citations, information requests issued by a Governmental Entity, Proceedings, orders, notices of potential responsibility, or sanctions regarding any actual or alleged material violation of Environmental Laws issued to the Company or any of its Subsidiaries;

(d) since the Reference Date, there has been no Release of Hazardous Materials at, on, under, or from the Real Property by the Company or its Subsidiaries during its leasehold or ownership;

(e) to the Knowledge of the Company, no Real Property is listed on the National Priorities List, CERCLIS, or on any other similar governmental database of sites that require remediation under Environmental Law;

(f) except as set forth in **Schedule 3.20(f)** of the Company Disclosure Schedule, since the Reference Date, (i) the Company and its Subsidiaries have not transported, handled, distributed, manufactured, stored, disposed of, arranged for or permitted the disposal of, exposed any Person to, or released any Hazardous Materials at the Real Property except in material compliance with Environmental Laws, (ii) no Real Property has been used, as a landfill, dump or treatment, or disposal facility for any Hazardous Materials, (iii) asbestos, polychlorinated biphenyls or urea formaldehyde have not been placed, stored, located, Released, or disposed on the Real Property by the Company or any of its Subsidiaries except in material compliance with Environmental Laws, (iv) excluding underground storage tanks which are utilized solely for storage of potable water, the Company and its Subsidiaries have not used any underground storage tanks (whether or not currently in use) on the Real Property except in material compliance with Environmental Laws, (v) neither the Company nor any of its Subsidiaries has received written notice, report, order or directive from any Governmental Entity requiring the remediation of Hazardous Materials at the Real Property under Environmental Laws, (vi) to the Knowledge of the Company, the Real Property contains no Hazardous Materials that require remediation under Environmental Laws, and (vii) neither the Company nor any of its Subsidiaries has agreed to assume by contract or provided an indemnity with respect to any environmental liability of any other Person; and

(g) the Company has furnished to the Purchaser copies of all environmental assessments, reports, audits, notices, orders, directives and other material documents in its possession or under its control that relate to the Company's or any of its Subsidiaries' compliance with Environmental Laws or the environmental condition of any past or current Real Property.

Notwithstanding any other provision of this Agreement, this **Section 3.20** sets forth the Company's sole and exclusive representations and warranties with respect to Environmental Laws, Hazardous Materials, Releases and other environmental matters.

Section 3.21 Intellectual Property

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(a) **Schedule 3.21(a)** of the Company Disclosure Schedule sets forth a complete and correct list of (i) all registrations for or applications to register any Proprietary Rights owned by the Company or any of its Subsidiaries (the "**Company Registered IP**"), (ii) all material unregistered trademarks and material unregistered copyrights owned by the Company or any of its Subsidiaries, and (iii) all Material Contracts relating to the Proprietary Rights of the Company and its Subsidiaries relating to licensed-in Proprietary Rights (other than off-the-shelf Software).

(b) Except as disclosed in **Schedule 3.21(b)** of the Company Disclosure Schedule, (i) the Company or one or more of its Subsidiaries owns and possesses all right, title and interest in and to, or has the valid right to use, all of the Proprietary Rights owned or used by the Company or any of its Subsidiaries in connection with the operation of their businesses (together with the Company Registered IP, the "**Company IP**"), free and clear of all Liens (including royalty and other payments) (other than Permitted Liens); (ii) the Company or one of its Subsidiaries is the sole owner of record of all Company Registered IP, (iii) the Company or one of its Subsidiaries owns all Proprietary Rights developed by its current and former employees and independent contractors during the period of their employment and within the scope of their contracting or consulting relationship, as the case may be, with the Company or one of its Subsidiaries, (iv) no employee or former employee or independent contractor of the Company or any of its Subsidiaries has any claim with respect to Proprietary Rights, (v) all Company IP are valid and enforceable, and since the Reference Date, neither the Company nor any of its Subsidiaries has received any written notice of any claim by any third party contesting the validity, enforceability, use or ownership of any Company IP, nor, to the Company's Knowledge, is any such claim threatened, (vi) no third party is infringing upon any Company IP to the Company's

Knowledge, and neither the Company nor any of its Subsidiaries has received any oral, written or other communication that the Company or any of its Subsidiaries is using or disclosing in an unauthorized manner, infringing or misappropriating, or suggesting the Company or any of its Subsidiaries to take a license under, the right or claimed rights of any Person with respect to any Proprietary Right, (vii) neither the Company nor any of its Subsidiaries is infringing any Proprietary Rights of any third party, (viii) subject to obtaining the consents or taking the other actions referred to in **Schedule 3.5(a)**, all Company IP will be owned by or available for use under a valid license by the Company or one or more of its Subsidiaries immediately subsequent to the Effective Time on substantially similar terms and conditions as currently owned or used, and (ix) the Company and its Subsidiaries, as the case may be, have made the necessary filings and recordations, and have paid all required fees, to record and maintain their ownership of all owned Company IP.

(c) Except as set forth in **Schedule 3.21(c)** of the Company Disclosure Schedule, (i) all items of Company Registered IP are in full force and effect, and all actions required to keep such rights pending or in effect or to provide full available protection, including payment of filing, examination, annuity, and maintenance fees and filing of renewals, statements of use or working, affidavits of incontestability and other similar actions, have been taken, and no such Company Registered IP are the subject of any interference, opposition, cancellation, nullity, re-examination or other proceeding placing in question the validity or scope of such rights, and (ii) since the Reference Date, all products covered by the Company IP, and all usages thereof, have been marked with the appropriate patent, trademark or other marking required by applicable Law in all material respects.

(d) Except as set forth in **Schedule 3.21(d)** of the Company Disclosure Schedule, (i) the Company and its Subsidiaries have used commercially reasonable efforts to protect the secrecy, confidentiality and value of all Company IP, (ii) to the Company's Knowledge, since the Reference Date, there has been no breach or other violation of any proprietary information or confidentiality agreement to which the Company or any of its Subsidiaries is a party with any of its employees, (iii) the Company and its Subsidiaries have a right to use all trade secrets and other proprietary information currently used in its business and (iv) to the Company's Knowledge, no confidential Company IP is part of the public knowledge or literature, and, to the Company's Knowledge, no Company IP has been used, divulged or appropriated either for the benefit of any Person other than the Company or any of its Subsidiaries or to the detriment of the Company or any of its Subsidiaries in any material respects.

(e) Except as set forth in **Schedule 3.21(e)** of the Company Disclosure Schedule, (i) the Company and its Subsidiaries have no present expectation or intention of not fully performing any obligation pursuant to any material license agreement for Proprietary Rights to which it is a party, and to the Knowledge of the Company, there is no breach or default by any other party to any such agreement, (ii) there are no renegotiations of, demands for or outstanding rights to renegotiate any such license agreement, and (iii) all rights under each such license agreement will be available to the Company and its Subsidiaries immediately after the consummation of the transactions contemplated hereby.

(f) Neither this Agreement nor the transactions contemplated hereby will result in the Purchaser or its Affiliates granting to any third party any right to, or with respect to, any Proprietary Rights owned by, or licensed to, the Purchaser or its Affiliates; (ii) the Purchaser or its Affiliates being bound by, or subject to, any non-compete or other restriction on the operation or scope of its businesses, including the business of the Company or any of its Subsidiaries; or (iii) the Purchaser or its Affiliates being obligated to pay any royalties or other amounts to any third party.

(g) The Company IP constitute all the Proprietary Rights used in and/or necessary to the conduct of the business of the Company and the Subsidiaries substantially as it is currently conducted, and as it is currently planned or contemplated to be conducted by the Seller, the Company and its Subsidiaries prior to Closing.

(h) No technical data, computer software and computer software documentation (as those terms are defined under the Federal Acquisition Regulation and its supplemental regulations) has been developed,

delivered or used under or in connection with any Government Contract, and no inventions have been developed, conceived or first actually reduced to practice under any Government Contract.

Section 3.22 Transactions with Related Parties

. Except as set forth in **Schedule 3.22(a)** of the Company Disclosure Schedule, other than compensation received as employees, none of (x) the Seller Parent, the Seller, the Company or any of its Subsidiaries or any of their Affiliates or (y) any employee, officer or director thereof (each, a "**Related Party**"): (a) owes any liability to, or is owed any liability by, any of the Company or its Subsidiaries; (b) has any direct or indirect interest in any asset, property (real, personal or mixed), tangible or intangible or other right used in the conduct or otherwise related to the Company or its Subsidiaries; (c) is a party to any Contract, commitment or transaction with the Company or its Subsidiaries; or (d) has received from or furnished to, directly or indirectly, the Company or any Subsidiary any goods or services (with or without consideration) other than in their capacity as an employee or director, as applicable. Except as set forth in **Schedule 3.22(b)** of the Company Disclosure Schedule, there are no agreements between the Seller Parent or the Seller, on the one part, and the Company or any of its Subsidiaries, on the other part, relating to the Company or any of its Subsidiaries. The terms and conditions and rights and obligations under any agreement required to be listed on **Schedule 3.15(a)**, **Schedule 3.22(a)** or **Schedule 3.22(b)** of the Company Disclosure Schedule is on an arm's length basis and on commercially reasonable terms.

Section 3.23 Customers and Vendors

. **Schedule 3.23(a)** of the Company Disclosure Schedule contains a complete list of the names of the Customers and Vendors. To the Knowledge of the Company, no event has occurred that has materially and adversely affected, or would reasonably be expected to materially and adversely affect, the Company's or its Subsidiaries' relations with any Customer or Vendor. Except as set forth in **Schedule 3.23(b)** of the Company Disclosure Schedule, in the twelve (12) months preceding the date hereof, no Customer or Vendor has canceled, terminated or made any written threat to cancel or otherwise terminate any of its Contracts with the Company or its Subsidiaries or to materially decrease its usage or supply of the Company's or its Subsidiaries' services or products.

Section 3.24 Brokers, Finders and Investment Bankers

. Except as set forth in **Schedule 3.24** of the Company Disclosure Schedule, neither the Company, any of its Subsidiaries, nor anyone acting on their behalf, has employed any broker, finder or investment banker or incurred any liability for any investment banking fees, financial advisory fees, brokerage fees or finders' fees in connection with the transactions contemplated hereby.

Section 3.25 No Guaranties

. Except as set forth in **Schedule 3.25** of the Company Disclosure Schedule (i) none of the obligations of the Company or any of its Subsidiaries is guaranteed by, or subject to a similar contingent liability to, any Person, and (ii) neither the Company nor any of its Subsidiaries has guaranteed, or otherwise become contingently liable for, any obligation or other liability, existing or contingent, of any Person.

Section 3.26 Investments

. Except as set forth in **Schedule 3.26** of the Company Disclosure Schedule, the Company and its Subsidiaries do not own any shares of stock or other securities or equity interests, directly or indirectly, in any other Person. Except as disclosed or described in this Agreement or as set forth in **Schedule 3.26** of the Company Disclosure Schedule, none of the Company or any of its Subsidiaries are subject to any obligation or requirement to provide funds to, or invest in, any Person.

Section 3.27 Absence of Certain Business Practices

.

(a) Except as disclosed in **Schedule 3.27** of the Company Disclosure Schedule, none of the Company, its Subsidiaries or their respective Affiliates or, to the Knowledge of the Company, any Person acting on their behalf (including distributors, resellers and any other business intermediaries), directly or indirectly, since the Reference Date:

(i) has taken any action which would cause them to be in violation of any Anti-Corruption Law;

(ii) has offered, paid, promised to pay or authorized a payment, of any money or other thing of value (including any fee, gift, sample, commission payment, discount, travel expense or entertainment) to any of the following Persons for the purpose of influencing any act or decision of such Person in his official capacity, inducing such Person to do or omit to do any act in violation of the lawful duty of such official or inducing such Person to use his influence with a Governmental Entity or instrumentality thereof to affect or to influence any act or decision of such Governmental Entity or instrumentality, in order to assist the Company, its Subsidiaries or their respective Affiliates or Representatives, nor any Person acting on their behalf, in obtaining or retaining business for or with, or directing the business to, any (A) Governmental Official or (B) any other Person while knowing or having reason to believe that all or any portion of such money or thing of value would be offered, given or promised, directly or indirectly, to any Governmental Official;

(iii) currently is or has been subject of any pending or, to the Company's Knowledge, threatened Proceeding, with respect to any Anti-Corruption Law; or

(iv) has made any payment or transfer of value with the intent, or which has the purpose or effect, of engaging in commercial bribery, or acceptance of or acquiescence in kickbacks or other unlawful means of obtaining business.

(b) The Company and its Subsidiaries have devised and maintained a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed and access to assets is permitted only in accordance with applicable policies and procedures and management's general or specific authorization, and (ii) transactions have been recorded as necessary to permit preparation of periodic financial statements and to maintain accountability for assets, and the Company and its Subsidiaries have otherwise established reasonable and adequate internal controls and procedures intended to ensure compliance with Anti-Corruption Laws.

(c) Since the Reference Date, (i) there has never been any false or fictitious entries made in the Books and Records relating to any illegal payment or secret or unrecorded fund and (ii) neither the Company nor any of its Subsidiaries has established or maintained a secret or unrecorded fund.

Section 3.28 Trade Regulation

. Except as set forth in **Schedule 3.28** of the Company Disclosure Schedule, since the Reference Date, (a) the prices charged by the Company and its Subsidiaries in connection with the marketing, sale or distribution of any products or services have been in compliance in all material respects with all applicable Laws, and (b) no claims have been communicated or, to the Knowledge of the Company or any of its Subsidiaries, threatened in writing against the Company or any of its Subsidiaries with respect to wrongful termination of any marketing entity, discriminatory pricing, price fixing, unfair competition, false advertising, or any other violation of any applicable Laws relating to anti-competitive practices or unfair trade practices of any kind, and to the Knowledge of the Company, no specific situation, set of facts, or occurrence provides any basis for any such claim against the Company or any of its Subsidiaries with respect to the operation of the business of the Company or its Subsidiaries.

Section 3.29 Licenses

. Except as set forth in **Schedule 3.29(a)** of the Company Disclosure Schedule, the Company and each of its Subsidiaries has obtained all material Licenses of Governmental Entities having jurisdiction over the Company or any of the Subsidiaries or any of their assets necessary to operate and carry on their business as it is now being conducted. Each such License is valid and in full force and effect, and each of the Company and its Subsidiaries is in material compliance with each such License. Neither the Company nor any of its Subsidiaries has received any written notice of any pending or threatened suspension, cancellation, modification, revocation or nonrenewal of any such License. **Schedule 3.29(b)** of the Company Disclosure Schedule contains a true and correct list and summary description of each such License.

Section 3.30 Exclusivity

. THE REPRESENTATIONS AND WARRANTIES MADE BY THE COMPANY IN THIS AGREEMENT ARE IN LIEU OF AND ARE EXCLUSIVE OF ALL OTHER REPRESENTATIONS AND WARRANTIES INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS OR ADEQUACY FOR ANY PARTICULAR PURPOSE OR USE. THE COMPANY HEREBY EXCLUDES AND DISCLAIMS ANY SUCH OTHER OR IMPLIED REPRESENTATIONS OR WARRANTIES, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO THE PURCHASER OR ITS OFFICERS, DIRECTORS, EMPLOYEES, STOCKHOLDERS, AGENTS, ADVISORS OR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. Without limiting the generality of the foregoing, the Company makes no representation or warranty to the Purchaser with respect to (a) any projections, estimates or budgets delivered or made available to the Purchaser or its Representatives before or after the date of this Agreement, or (b) except as expressly covered by a representation and warranty contained in this **Article 3**, any other information or documents (financial or otherwise) made available to the Purchaser or its Representatives.

Article 4

REPRESENTATIONS AND WARRANTIES OF THE SELLER

As an inducement to the Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby, the Seller hereby represents and warrants to the Purchaser, except as set forth in the Seller Disclosure Schedule, that all of the following representations and warranties are true and correct as of the date of this Agreement and as of the Closing (or, if made as of a specified date, as of such date). The Seller Disclosure Schedule is arranged in paragraphs corresponding to the sections and subsections contained in this **Article 4**. The Parties acknowledge and agree that (i) the Seller Disclosure Schedule is qualified in its entirety by reference to specific provisions of this Agreement and does not constitute, and shall not be deemed as constituting representations, warranties, or covenants of the Seller (except as expressly provided in this Agreement), unless the disclosure can be reasonably construed to constitute a representation and not merely an exception or modification to the representation so excepted or modified, (ii) any fact or item which is disclosed on any Schedule of the Seller Disclosure Schedule shall be deemed disclosed on such other Schedule or Schedules of the Seller Disclosure Schedule to the extent that its relevance or applicability to information called for by such other Schedule or Schedules is reasonably apparent, notwithstanding the omission of a reference or cross-reference thereto and (iii) the mere inclusion of an item in the Seller Disclosure Schedule as an exception or modification to a representation or warranty shall not be deemed an admission that such item represents an exception or a material fact, event or circumstance or an admission of liability to any Person or that such item has or would reasonably be expected to have a Material Adverse Effect.

Section 4.1 Organization

. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Minnesota. The Seller has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except as would not reasonably be expected result in a Material Adverse Effect.

Section 4.2 Authorization

. The Seller has all necessary corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which the Seller is party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Seller of this Agreement, and each Ancillary Agreement to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, have been duly and validly authorized and approved by all necessary action on the part of the Seller. This Agreement has been, and each Ancillary Agreement to be executed and delivered by the Seller at the Closing will be, duly and validly executed and delivered by the Seller and assuming due authorization, execution and delivery thereof by the other Parties thereto, will constitute the valid and binding agreement of the Seller, enforceable against the Seller in accordance with their respective terms, subject in the case of enforceability to the Enforceability Exceptions.

Section 4.3 Ownership

. The Seller (a) as of the date hereof is the legal and beneficial owner of 97.361986% of the Stock, free and clear of all Liens other than limitations imposed by federal, state and foreign securities Laws and (b) as of the Closing, will be the legal and beneficial owner of (and at the Closing will transfer and deliver to the Purchaser good and valid title to) all of the Stock, free and clear of all Liens other than limitations imposed by federal, state and foreign securities Laws.

Section 4.4 Absence of Restrictions and Conflicts

.

(a) The execution and delivery of this Agreement and each Ancillary Agreement to which the Seller is a party do not, and the performance of the Seller's obligations hereunder will not, (i) conflict with or violate the certificate of incorporation or bylaws of the Seller, (ii) assuming that all consents, approvals, authorizations and other actions described in **Section 4.4(b)** have been obtained and all filings and obligations described in **Section 4.4(b)** have been made, materially conflict with or materially violate any Law applicable to the Seller (with or without notice or lapse of time or both), or by which any of its material properties or assets is bound, or (iii) require any material consent or result in any material violation or material breach of, or constitute a material default or give to others any material rights of termination, amendment, acceleration or cancellation, under, or result in the triggering of any material payments or result in the creation of a Lien or other encumbrance on any material properties or assets pursuant to, any of the terms, conditions or provisions of any Contract, indenture, license, permit, franchise or other instrument or obligation to which the Seller is a party or by which it or any of its properties or assets is bound.

(b) The execution and delivery by the Seller of this Agreement or any Ancillary Agreement does not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with, or notification to, any Governmental Entity, except for (i) the notification requirements of the HSR Act and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not prevent or materially delay consummation of the Transaction and the other transactions contemplated by this Agreement or reasonably be expected to be material to the Seller.

Section 4.5 Sufficient Funds; Solvency

.

(a) The Seller has, and will have at the Closing, sufficient capital or cash to pay all fees and expenses payable by it in connection with the transactions contemplated by this Agreement.

(b) Immediately following the Closing, the Seller will be Solvent. For purposes of this Agreement, "**Solvent**" when used with respect to any Person, means that, immediately following the Closing Date, (i) the amount of the Present Fair Salable Value (as defined below) of its assets will, as of such date, exceed all of its liabilities, contingent or otherwise, as of such date, (ii) such Person will not have, as of such date, an

unreasonably small amount of capital for the business in which it is engaged or will be engaged and (iii) such Person will be able to pay its Debts as they become absolute and mature, taking into account the timing of and amounts of cash to be received by it and the timing of and amounts of cash to be payable on or in respect of its indebtedness. For purposes of the definition of "Solvent," (A) "**Debt**" means liability on a "Claim"; and (B) "**Claim**" means (i) any right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (ii) the right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such equitable remedy is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured. "**Present Fair Salable Value**" means the amount that may be realized if the aggregate assets of the applicable Person (including goodwill) are sold as an entirety with reasonable promptness in an arm's length transaction under present conditions for the sale of comparable business enterprises.

Section 4.6 Legal Proceedings

. Except as set forth in **Schedule 4.6(a)** of the Seller Disclosure Schedule, as of the date of this Agreement, there is not any material suit, action, claim, arbitration, investigation or other Proceeding pending by or before any Governmental Entity, or, to the Knowledge of the Seller, threatened against the Seller, or any property of the Seller that, if determined or resolved adversely to the Seller, would reasonably be expected to impair the Seller's ability to perform its obligations hereunder or to timely consummate the transactions contemplated hereby.

Section 4.7 Brokers, Finders and Investment Bankers

. Except as set forth in **Schedule 4.7** of the Seller Disclosure Schedule, neither the Seller nor any of its Subsidiaries has employed any broker, finder or investment banker or incurred any liability for any investment banking fees, financial advisory fees, brokerage fees or finders' fees in connection with the transactions contemplated hereby.

Section 4.8 Exclusivity

. THE REPRESENTATIONS AND WARRANTIES MADE BY THE SELLER IN THIS AGREEMENT ARE IN LIEU OF AND ARE EXCLUSIVE OF ALL OTHER REPRESENTATIONS AND WARRANTIES INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS OR ADEQUACY FOR ANY PARTICULAR PURPOSE OR USE. THE SELLER HEREBY EXCLUDES AND DISCLAIMS ANY SUCH OTHER OR IMPLIED REPRESENTATIONS OR WARRANTIES, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO THE PURCHASER OR ITS OFFICERS, DIRECTORS, EMPLOYEES, STOCKHOLDERS, AGENTS, ADVISORS OR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. Without limiting the generality of the foregoing, the Seller makes no representation or warranty to the Purchaser with respect to (a) any projections, estimates or budgets delivered or made available to the Purchaser or its Representatives before or after the date of this Agreement, or (b) except as expressly covered by a representation and warranty contained in this **Article 4**, any other information or documents (financial or otherwise) made available to the Purchaser or its Representatives.

Article 5

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

As an inducement to the Company and the Seller to enter into this Agreement and to consummate the transactions contemplated hereby, the Purchaser hereby represents and warrants to the Company and Seller, except as set forth in the Purchaser Disclosure Schedule, that all of the following representations and warranties are true and correct as of the date of this Agreement and as of the Closing (or, if made as of a specified date, as of such date). The Purchaser Disclosure Schedule is arranged in paragraphs corresponding to the sections and subsections contained in this **Article 5**. The Parties acknowledge and agree that (i) the Purchaser Disclosure Schedule is qualified in its entirety

by reference to specific provisions of this Agreement and does not constitute, and shall not be deemed as constituting representations, warranties, or covenants of the Purchaser (except as expressly provided in this Agreement), (ii) any fact or item which is disclosed on any Schedule of the Purchaser Disclosure Schedule shall be deemed disclosed on such other Schedule or Schedules of the Purchaser Disclosure Schedule to the extent that its relevance or applicability to information called for by such other Schedule or Schedules is reasonably apparent, notwithstanding the omission of a reference or cross-reference thereto and (iii) the mere inclusion of an item in the Purchaser Disclosure Schedule as an exception or modification to a representation or warranty shall not be deemed an admission that such item represents an exception or a material fact, event or circumstance or an admission of liability to any Person or that such item has or would reasonably be expected to have a Material Adverse Effect.

Section 5.1 Organization

. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Purchaser has delivered to the Company and the Seller true, correct and complete copies of its certificate of incorporation and its bylaws as currently in effect.

Section 5.2 Authorization

. The Purchaser has all necessary corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which the Purchaser is party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Purchaser of this Agreement, and each Ancillary Agreement to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, have been duly and validly authorized and approved by all necessary action on the part of the Purchaser. This Agreement has been, and each Ancillary Agreement to be executed and delivered by the Purchaser at the Closing will be, duly and validly executed and delivered by the Purchaser and assuming due authorization, execution and delivery thereof by the other Parties thereto, will constitute the valid and binding agreement of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, subject in the case of enforceability to the Enforceability Exceptions.

Section 5.3 Absence of Restrictions and Conflicts

.

(a) The execution and delivery of this Agreement and each Ancillary Agreement to which the Purchaser is a party do not, and the performance of the Purchaser's obligations hereunder will not, (i) conflict with or violate the certificate of incorporation or bylaws of the Purchaser, (ii) assuming that all consents, approvals, authorizations and other actions described in **Section 5.3(b)** have been obtained and all filings and obligations described in **Section 5.3(b)** have been made, materially conflict with or materially violate any Law applicable to the Purchaser (with or without notice or lapse of time or both), or by which any of its material properties or assets is bound, or (iii) require any material consent or result in any material violation or material breach of, or constitute a material default or give to others any material rights of termination, amendment, acceleration or cancellation, under, or result in the triggering of any material payments or result in the creation of a Lien or other encumbrance on any of its material properties or assets pursuant to, any of the terms, conditions or provisions of any Contract, indenture, license, permit, franchise or other instrument or obligation to which the Purchaser is a party or by which it or any of its properties or assets is bound.

(b) The execution and delivery by the Purchaser of this Agreement does not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with, or notification to, any Governmental Entity, except for (i) the notification requirements of the HSR Act and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not prevent or materially delay consummation of the Transaction and the other transactions contemplated by this Agreement or reasonably be expected to be material to the Purchaser.

Section 5.4 Sufficient Funds; Solvency

.

(a) The Purchaser will have at the Closing, sufficient cash to pay the Purchase Price and to consummate the transactions contemplated by this Agreement, and to pay all fees and expenses payable by the Purchaser in connection with the consummation of the transactions contemplated by this Agreement and to perform its other obligations herewith.

(b) Immediately following the Closing, the Purchaser will be Solvent.

Section 5.5 Legal Proceedings

. Except as set forth in **Schedule 5.5(a)** of the Purchaser Disclosure Schedule, as of the date of this Agreement, there is not any material suit, action, claim, arbitration, investigation or other Proceeding pending by or before any Governmental Entity, or, to the Knowledge of the Purchaser, threatened against the Purchaser, or any property of the Purchaser that, if determined or resolved adversely to the Purchaser, would reasonably be expected to impair the Purchaser's ability to perform its obligations hereunder or to timely consummate the transactions contemplated hereby.

Section 5.6 Brokers, Finders and Investment Bankers

. Except as set forth in **Schedule 5.6** of the Purchaser Disclosure Schedule, neither the Purchaser nor any of its Subsidiaries has employed any broker, finder or investment banker or incurred any liability for any investment banking fees, financial advisory fees, brokerage fees or finders' fees in connection with the transactions contemplated hereby.

Section 5.7 R&W Policy

. As of the date hereof, the Purchaser has obtained a binder for coverage related to the R&W Policy, a true, correct and complete copy of which has been provided to the Seller. As of the Closing, such binder has not been amended or modified in a manner that would reasonably be expected to materially reduce the availability of coverage under the R&W Policy.

Section 5.8 Acknowledgement Regarding Future Prospects; No Reliance

. The Purchaser has entered into the transactions contemplated by this Agreement with the understanding and agreement that no representations or warranties are made herein or otherwise with respect to the future prospects (financial or otherwise) of the Company or its Subsidiaries, particularly based on financial projections and forecasts or otherwise. The Purchaser has relied solely on the Company's representations and warranties contained in **Article 3** of this Agreement and the Seller's representations and warranties contained in **Article 4** of this Agreement (and, for the avoidance of doubt, on no other representations or warranties of any kind or nature whatsoever) and the Company's and the Seller's covenants and agreements as set forth herein, and the Purchaser shall be bound by the integration clause set forth in **Section 10.10** (Entire Agreement and Integration).

Section 5.9 Exclusivity

. The representations and warranties made by the Purchaser in this **Article 5** are the exclusive representations and warranties made by the Purchaser. The Purchaser hereby disclaims any other express or implied representations or warranties.

Article 6

CERTAIN COVENANTS AND AGREEMENTS

Section 6.1 Reasonable Best Efforts

.

(a) Subject to the terms and conditions of this Agreement, each Party shall use its reasonable best efforts to take, or cause to be taken, all actions, to execute, deliver and file, or cause to be executed, delivered and filed, all documents and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated hereby. In furtherance and not in limitation of the foregoing, each of the Parties shall use their reasonable best efforts to take, or cause to be taken, all actions necessary, proper or advisable to (i) consummate the transactions contemplated hereby and to cause the conditions set forth in **Article 7** to be satisfied as promptly as practicable and, in any event, on or before the Termination Date, (ii) prepare as promptly as practicable (and file, submit or effect, as applicable) all necessary applications, notices, petitions, filings, ruling requests and other documents in order to obtain (and to cooperate with the other Parties hereto to obtain) any approval from any Governmental Entity which is required to be obtained by the Seller, the Purchaser or the Company or any of its Subsidiaries in connection with the transactions contemplated by this Agreement, (iii) comply promptly with all applicable Laws which may be imposed on such Party with respect to the transactions contemplated by this Agreement, (iv) defend all lawsuits or other legal, regulatory, administrative or other proceedings to which it (or with respect to the Company, any of its Subsidiaries is) a party challenging or affecting this Agreement or the consummation of the transactions contemplated by this Agreement, in each case until the issuance of a final, non-appealable order with respect to each such lawsuit or other proceeding, (v) seek to have lifted or rescinded any injunction or restraining order which may adversely affect the ability of the parties to consummate the transactions contemplated by this Agreement, in each case until the issuance of a final, non-appealable order with respect thereto and (vi) seek to resolve any objection or assertion by any Governmental Entity challenging this Agreement or the transactions contemplated hereby.

(b) Without limiting the foregoing, the Parties shall, at any time after the Closing, execute, acknowledge and deliver any further deeds, assignments, conveyances, and other assurances, documents and instruments of transfer, reasonably requested by the other Party or Parties hereto, and will take, or cause to be taken, any other action consistent with the terms of this Agreement that may reasonably be requested by the other Parties, for the purpose of assigning, transferring, granting, conveying, and confirming to the Purchaser, or reducing to possession, any or all interests to be conveyed and transferred by this Agreement.

Section 6.2 Certain Filings

.

(a) The Company, the Seller and the Purchaser shall cooperate with each other (i) in determining whether any action by or in respect of, or filing with, any Governmental Entity is required in connection with the consummation of the transactions contemplated by this Agreement, and (ii) in taking such actions or making any filings or furnishing information required in connection therewith. The Parties shall, as soon as practicable, but in no event later than two (2) Business Days after the execution of this Agreement, file any required Notification and Report Forms under the HSR Act with the Federal Trade Commission (the "**FTC**") and the Antitrust Division of the Department of Justice (the "**Antitrust Division**"). The Parties (A) by mutual agreement shall seek early termination of any applicable waiting period under the HSR Act, and (B) shall use their commercially reasonable efforts to respond as promptly as practicable to all inquiries received from the FTC or the Antitrust Division for additional information or documentation. None of the Parties to this Agreement, may, without the consent of the other Party, (x) cause any filing or submission applicable to it to be withdrawn or refiled for any reason, including to provide the applicable Governmental Entity with additional time to review any of the transactions contemplated by this Agreement, or (y) consent to any voluntary extension of any statutory deadline or waiting period or to any voluntary delay of the consummation of the transactions contemplated by this Agreement at the behest of any Governmental Entity. The fees and expenses related to any filing made pursuant to the HSR Act shall be paid by the Purchaser.

(b) Without limiting the generality of the Purchaser's undertaking pursuant to **Section 6.1(a)** or **Section 6.2(a)** hereof, the Purchaser agrees to use its commercially reasonable efforts and to take any and all steps reasonably necessary or advisable to avoid or eliminate each and every impediment under any Antitrust Laws that may be asserted by any antitrust or competition Governmental Entity or any other party so as to enable the Parties hereto to close the transactions contemplated hereby as promptly as practicable. The Purchaser shall use its reasonable best efforts to defend through litigation on the merits any claim asserted in court by any party in order to avoid entry of, or to have vacated or terminated, any decree, order or judgment (whether temporary, preliminary or permanent) that would prevent closing the transactions contemplated by this Agreement.

(c) Each Party shall promptly notify the other Parties of any communication it or any of its Affiliates receives from any Governmental Entity relating to the matters that are the subject of this Agreement and permit the other to review in advance any proposed communication by such Party to any Governmental Entity. Neither the Purchaser, on the one hand, nor the Seller and the Company, on the other hand, shall agree to participate in any meeting with any Governmental Entity in respect of any filings, investigation (including any settlement of the investigation), litigation or other inquiry unless it consults with the other in advance and, to the extent permitted by such Governmental Entity, gives the other the opportunity to attend and participate at such meeting. The Purchaser, on the one hand, and the Seller and the Company, on the other hand, will coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods, including under the HSR Act. The Purchaser, on the one hand, and the Seller and the Company, on the other hand, will provide each other with copies of all correspondence, filings or communications between them or any of their Representatives, on the one hand, and any Governmental Entity or members of its staff, on the other hand, with respect to this Agreement and the transactions contemplated by this Agreement; **provided**, **however**, that such materials may be redacted (x) to remove references concerning the valuation of the business or competitively sensitive information, (y) as necessary to comply with contractual arrangements, and (z) as necessary to address reasonable attorney-client or other privilege or confidentiality concerns, to the extent that that such attorney-client or other privilege or confidentiality concerns are not governed by a common interest privilege or doctrine.

Section 6.3 Conduct of the Company

. From the date hereof until the Closing Date, the Company shall, and shall cause each of its Subsidiaries to, use commercially reasonable efforts to conduct its business in the Ordinary Course. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, and except (i) as expressly contemplated by this Agreement (including the Redemption), (ii) as required by applicable Law, (iii) as disclosed in **Schedule 6.3** of the Company Disclosure Schedule or (iv) as otherwise consented to in writing in advance by the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed and which consent shall not be required if seeking consent would violate applicable Law), the Company shall not, and shall not permit any of its Subsidiaries to:

(a) adopt or change in its Articles of Incorporation or bylaws (or equivalent documents);

(b) issue, sell, pledge, transfer, dispose of or subject to any Lien any of the Stock;

(c) surrender, terminate, withdraw, cancel, transfer of modify any License held by the Company or any of its Subsidiaries;

(d) merge or consolidate with any other Person or acquire a material amount of assets of any other Person (except for acquisitions of materials and supplies in the Ordinary Course);

(e) enter into or materially modify any employment, severance, termination or similar agreement or arrangement with, or grant any bonuses to, or otherwise materially increase the base compensation of any executive officer or employee (**provided**, **however**, the Company and its Subsidiaries may hire employees in the Ordinary Course with an annual base salary less than $150,000);

(f) announce, implement or effect any reduction in labor force or lay-off;

(g) hire, elect or appoint any officer or management-level employee;

(h) terminate the employment, change the title, office or position, or materially reduce the responsibilities of any officer or management-level employee;

(i) adopt, amend or terminate any Company Benefit Plan;

(j) enter into, modify or terminate any Material Contract, except in the Ordinary Course;

(k) initiate, compromise or settle any material claim, litigation or action, whether now pending or hereafter made or brought;

(l) declare, enter into, set aside, issue or pay (i) any dividend or any distribution (in cash or in kind) to any shareholder of the Company or such Subsidiary, except for dividends and distributions by a Subsidiary of the Company to another Subsidiary of the Company or to the Company and other than dividends or distributions made in the Ordinary Course, pursuant to the existing bylaws, operating agreement, limited liability company agreement or similar organizational document of the Company or any of its Subsidiaries, (ii) any direct or indirect redemption, purchase or other acquisition of any of the units or other securities of the Company or such Subsidiary, or (iii) any subscriptions, options, warrants, puts, calls, agreements, understandings, claims, or other commitments or rights of any type relating to the issuance, sale or transfer by the Company or such Subsidiary of any securities of the Company or such Subsidiary, including, but not limited to, securities which are convertible into or exchangeable for equity of the Company or such Subsidiary;

(m) sell, assign, lease, license, transfer or otherwise dispose of, or mortgage, pledge or encumber any material amount of its assets other than (i) in the Ordinary Course or (ii) sales of assets with a sale price (including any related assumed Indebtedness) that does not exceed $200,000;

(n) create, incur, increase, assume, or guarantee any Indebtedness or cause or permit the issuance, extension (or other modification) or termination of any letters of credit, other than an amount up to $200,000;

(o) incur or suffer any additional Liens; or

(p) agree or commit to do any of the foregoing.

Section 6.4 Inspection and Access to Information

.

(a) Subject to the Confidentiality Agreement, to compliance with applicable Law and to **Section 6.11**, during the period commencing on the date hereof and ending on the Closing Date or the earlier termination of this Agreement, the Company will, and will instruct its Representatives to, upon reasonable advance notice from the Purchaser, provide the Purchaser and its Representatives reasonable access, during normal business hours, without interfering in any material respect with the operation of the business of the Company and its Subsidiaries, to its premises, assets, appropriate employees (including executive officers), properties, Contracts, commitments, Books and Records and other information (including Tax Returns filed and those in preparation) and will furnish to the Purchaser and its Representatives any and all available financial and operating data and other information pertaining to the Company or any of its Subsidiaries, in each case, as the Purchaser and its Representatives may reasonably request; **provided**, **however**, that the Company, its Subsidiaries and their Representatives shall not be required to provide any information that (i) it may not provide to the Purchaser by reason of contractual or legal restrictions, including applicable Laws, (ii) is competitively sensitive information or (iii) is protected by attorney-client or other legal privilege; **provided**, **further**, that such investigation shall be conducted in accordance with all applicable Antitrust Laws and shall

be at the Purchaser's sole cost and expense; and **provided**, **further**, that the Purchaser and its Representatives shall not be permitted to perform any environmental sampling at any Real Property, including sampling of soil, groundwater, surface water, building materials, or air or wastewater emissions, without the prior written consent of the Company and, in the case of Leased Real Property, without the prior written consent of the applicable landlord. In addition, the Company may designate any competitively sensitive information provided to the Purchaser under this Agreement as being for "outside counsel only" and such information shall be given only to the outside counsel of the Purchaser and may not be shared with the Purchaser or its Representatives (other than such outside counsel).

(b) All information provided or obtained in connection with the transactions contemplated hereby will be held by the Purchaser in accordance with the Confidentiality Agreement. In the event of a conflict or inconsistency between the terms hereof and the Confidentiality Agreement, the terms hereof will govern.

Section 6.5 Notices to Certain Events; Supplemental Disclosure

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(a) The Company shall promptly notify the Purchaser of any notice or other communication from (i) any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement and (ii) any Governmental Entity in connection with the transactions contemplated by this Agreement.

(b) The Company may from time to time prior to the Closing Date (but in any event no later than three (3) Business Days prior to the Closing), by notice given to the Purchaser in accordance with this Agreement, supplement or amend the Company Disclosure Schedule with respect to any matter arising after the execution hereof and prior to the Closing, including one or more supplements or amendments to correct any matter which would otherwise constitute a breach of any representation or warranty to be made as of the Closing Date. Notwithstanding any other provision of this Agreement, each supplement or amendment of the Company Disclosure Schedule shall not be deemed to amend this Agreement and the Company Disclosure Schedule for purposes of determining whether the condition set forth in **Section 7.2(a)** has been satisfied, and the Purchaser shall not be denied indemnification for breaches of such representations and warranties that were not disclosed as of the date of this Agreement.

Section 6.6 Third Party Notices and Consents

. The Company shall, prior to the Closing, use commercially reasonable efforts to obtain (or give, as applicable) all notices, consents, approvals or waivers listed in **Schedule 6.6** of the Company Disclosure Schedule. The cost of obtaining such consents, approvals or waivers shall be incurred by the Company and shall be a Transaction Expense; **provided** that neither the Company, any of its Subsidiaries, the Seller nor the Purchaser shall be required to make any payments to obtain any such consents, approvals or waivers, commence litigation or offer or grant any accommodation (financial or otherwise) to any Person or incur any liability therefor.

Section 6.7 Public Announcements

. The initial press release with respect to this Agreement and the transactions contemplated hereby shall be a release mutually agreed to by the Seller and the Purchaser and issued within four (4) days of the signing of this Agreement. Thereafter, each of the Seller, the Purchaser and the Company agrees that no public release or announcement concerning the transactions contemplated hereby shall be issued by any Party, the Purchaser Parent, or the Seller Parent without the prior written consent of the Seller and the Purchaser (which consent shall not be unreasonably withheld, conditioned, or delayed), except as may be required by applicable Law or the rules or regulations of any applicable United States securities exchange or other Governmental Entity to which the relevant party is subject or submits, in which case the Party, the Purchaser Parent or the Seller Parent required to make the release or announcement shall use its reasonable best efforts to allow the other party reasonable time to comment on such release or announcement in advance of such issuance.

Section 6.8 Company Benefit Plans

.

(a) With respect to employees of the Company and its Subsidiaries who continues to be employed by the Purchaser (the "**Continuing Employees**") (and their dependents and beneficiaries where appropriate), (a) the Purchaser shall provide coverage that is comparable, in the aggregate, to the Company Benefit Plans identified in **Schedule 3.17** of the Company Disclosure Schedule (excluding any current equity incentive plan and employee stock purchase plan and provided that the Purchaser will establish a 401(k) plan for the Continuing Employees within 90 days following the Closing) through the date that is one (1) year after the Closing, and (b) the Purchaser shall as of the Closing (i) recognize such employees' employment service with the Company and/or its Subsidiaries (including credit for service with predecessor employers as currently recognized under the applicable Company Benefit Plans) for participation, vesting, eligibility and benefit accrual purposes (other than for accruals under any defined benefit pension plan) under any Employee Benefit Plan that the Purchaser may provide to such employees, (ii) use commercially reasonable efforts to not require such employees, in the plan year in which the Closing occurs, to satisfy any deductible, co-payment, out of pocket maximum or similar requirement under the Purchaser's plans to the extent of amounts previously credited for such purposes under the applicable plans of the Company and its Subsidiaries, (iii) use commercially reasonable efforts to not apply to such employees any waiting periods, pre-existing condition exclusions and requirements to show evidence of good health contained in any of the Purchaser's plans to the extent waiting periods, pre-existing conditions, exclusions and requirements were satisfied under the corresponding Company Benefit Plans, and (iv) honor in full all vacation accrued in accordance with the Company policy that is not taken for the calendar year in which the Closing occurs, in each case to the extent the Company provides the Purchaser with sufficient information as requested by Purchaser to so credit such employees, and to the extent the Purchaser's services providers for the Company Benefit Plans are able to so credit such employees. Nothing contained in this Agreement shall constitute or be deemed an amendment to any Employee Benefit Plan or any other compensation or benefit plan, program or arrangement.

(b) At the election of the Purchaser, the Company will direct the trustee of each Company Benefit Plan intended to be qualified under Section 401(a) of the Code that includes a cash or deferred arrangement intended to qualify under Section 401(k) of the Code (the "**Seller 401(k) Plan**") to (i) transfer to the trustee of the Purchaser's plan intended to be qualified under Section 401(a) of the Code that includes a cash or deferred arrangement intended to qualify under Section 401(k) of the Code assets equal in value to the account balances of participating Continuing Employees under the Seller 401(k) Plan, (ii) otherwise facilitate the withdrawal of Continuing Employees from the Seller 401(k) Plan and transfer of such Continuing Employees' account balances to the Purchaser's plan or as otherwise directed by such Continuing Employees and (iii) authorize Company officers to create a new 401(k) plan. Such account balances shall be valued as of the date of such withdrawal.

(c) At the Closing, all outstanding unvested performance shares and performance units under an ALLETE Executive Long-Term Incentive Compensation Plan issued pursuant to the USW 2016, 2017 or 2018 long-term incentive compensation plan shall vest on a pro-rata basis as of the Closing and all outstanding unvested RSUs under an ALLETE executive long term incentive plan shall vest in full, and in each case be settled in ALLETE, Inc. stock by the Seller pursuant to the terms of such plans and as detailed on **Schedule 6.8(c)** of the Company Disclosure Schedule (the "**Vested Equity Awards**").

Section 6.9 Directors' and Officers' Indemnification

.

(a) From and after the Closing Date, the Purchaser shall indemnify, defend and hold harmless, to the fullest extent permitted under applicable Law, the individuals who on or prior to the Closing Date were directors, officers, employees or agents of the Company or any of its Subsidiaries with respect to all acts or omissions by them in their capacities as such or taken at the request of the Company or any of its Subsidiaries

at any time on or prior to the Closing Date. The Purchaser agrees that all rights of such Persons to indemnification and exculpation from liabilities for acts or omissions occurring on or prior to the Closing Date as provided in the respective articles of incorporation or bylaws or comparable organizational documents of the Company or any of its Subsidiaries as now in effect, and any indemnification agreements or arrangements of the Company or any of its Subsidiaries shall survive the Closing Date and shall continue in full force and effect in accordance with their terms. Such rights shall not be amended, or otherwise modified in any manner that would adversely affect the rights of such indemnitees. In addition, the Purchaser shall pay any expenses of any such indemnitee under this **Section 6.9**, as incurred to the fullest extent permitted under applicable Law.

(b) The Purchaser agrees that the certificate of incorporation of the Company following Closing shall contain provisions with respect to indemnification and exculpation from liability that are at least as favorable to the beneficiaries of such provisions as those provisions that are set forth in the Company's and its Subsidiaries current Certificate of Incorporation and bylaws, which provisions shall not be amended, repealed or otherwise modified following the Closing in any manner that would materially and adversely affect the rights thereunder of Persons who at or prior to the Closing were directors, officers, employees or agents of the Company or any of its Subsidiaries, unless such modification is required by applicable Law.

(c) The Parties agree that the Seller (or a third party at the direction of the Purchaser), at the Purchaser's expense (as a Transaction Expense), will pay at the Closing an amount sufficient to enable the Company to purchase "tail" coverage for a period of six (6) years following the Closing Date under the directors and officers liability insurance policy of the Company, as in effect on the Closing Date. The aggregate amount necessary to purchase such "tail" coverage shall be referred to as the "**D&O Tail Premium**."

(d) In the event the Purchaser or the Company or any of their respective Subsidiaries, successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving entity or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, the Purchaser shall use commercially reasonable efforts to ensure that proper provisions shall be made so that the successors and assigns of the Purchaser, the Company or their respective Subsidiaries (as applicable) assume the obligations set forth in this **Section 6.9**.

(e) This **Section 6.9**, which shall survive the Closing and is intended to benefit any Person or entity referenced in this **Section 6.9** or indemnified hereunder, each of whom may enforce the provisions of this **Section 6.9** (whether or not parties to this Agreement). The obligations of the Purchaser under this **Section 6.9** shall not be terminated or modified in such a manner as to materially and adversely affect any indemnitee to whom this **Section 6.9** applies without the express prior written consent of such affected indemnitee (it being expressly agreed that the indemnities to whom this **Section 6.9** applies shall be intended third party beneficiaries of this **Section 6.9**).

Section 6.10 Tax Matters

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(a) Tax Returns.

(i) Consolidated Tax Returns

. The Seller will cause the Company and its Subsidiaries to be included in, and shall file or cause to be filed (A) the United States consolidated federal income Tax Returns of the Company Affiliated Group for the taxable periods of the Company and its Subsidiaries ending on or prior to the Closing Date, and (B) where applicable, all other consolidated, combined or unitary Tax Returns of the Company Affiliated Group for the taxable periods ending on or prior to the Closing Date, and shall pay any and all Taxes due with respect to any such Tax Returns.

(ii) Purchaser Prepared Tax Returns

. The Purchaser will prepare or cause to be prepared all Tax Returns other than those that are the responsibility of the Seller pursuant to **Section 6.10(a)** with respect to a Pre-Closing Tax Period or Straddle Period (collectively, the "**Purchaser Prepared Tax Returns**"). Such Tax Returns shall be prepared on a basis consistent with existing procedures and practices and accounting methods, and, to the extent applicable, the conventions provided in **Section 6.10(a)** (in each case except as otherwise required by applicable Law). At least thirty (30) days prior to the due date (including extensions) of any Purchaser Prepared Tax Return that is an income Tax Return and fifteen (15) days prior to the due date (including extensions) of all other Purchaser Prepared Tax Returns that show a Seller Indemnified Tax, the Purchaser shall provide a draft of such Tax Return and such work papers as the Seller shall reasonably request to the Seller for the Seller's review and comment, and the Seller shall provide any comments within ten (10) days of their receipt of such documents. The Purchaser shall cause the Company or its Subsidiaries to incorporate any comments reasonably made by the Seller in the Tax Return actually filed; **provided**, **however**, that if the Purchaser disagrees with Seller with respect to any such comments, the Purchaser will notify the Seller of such disputed item (or items) and the specific basis for its objection (a "**Tax Dispute Notice**") within ten (10) days of their receipt of such comments to the Tax Return. The Parties will act in good faith to resolve any such dispute prior to the date on which the relevant Tax Return is required to be filed. For any Tax Return for which a Tax Dispute Notice has been delivered, if the Parties cannot resolve any disputed item prior to ten (10) days before the due date for filing the Tax Return (including extensions), the disputed item (or items) will be resolved by the Arbitrator in the manner (including sharing of costs) set forth in **Section 2.6(c)**.

(iii) The Purchaser shall not, and shall not allow the Company or its Subsidiaries to, voluntarily initiate any other Seller Tax Matter without the prior written consent of the Seller (which consent shall not be unreasonably withheld, delayed or conditioned), in each case to the extent such action would increase the Seller's indemnification obligations under this Agreement and the Overall Cap has not been reached; **provided** that the Seller and the Purchaser shall reasonably cooperate with respect to the filing of all Foreign Bank and Financial Accounts Reports (FBAR) with respect to all Pre-Closing Tax Periods and Straddle Periods. The Seller shall elect under Treasury Regulations Sections 1.1502- 36(d)(6) not to reduce any of the Company's tax attributes with respect to the transactions contemplated hereby.

(iv) The Seller and the Purchaser agree, to the extent in accordance with applicable Law, with respect to certain Tax matters as follows: (A) to treat (and have the Company and its Subsidiaries treat) any Transaction Tax Deductions paid or accrued on or prior to the Closing Date as being deductible for U.S. federal income tax purposes in a Pre-Closing Tax Period; (B) to treat (and have the Company and its Subsidiaries treat) any gains, income, deductions, losses or other items realized by the Company or its Subsidiaries on the Closing resulting from any Purchaser Closing Date Transaction as occurring on the day after the Closing Date for U.S. federal income tax purposes; (C) that the taxable year of the corporate Subsidiaries for income Tax purposes will end at the end of the day on the Closing Date in accordance with Treasury Regulations Sections 1.1502-76(b)(1)(ii)(A)(1) and -76(b)(2)(i); and (D) to not make an election under Section 336(e), Section 338(h)(10) or Section 338(g) of the Code with respect to the Company or its Subsidiaries with respect to the transactions contemplated hereby. Unless otherwise required by a determination of a Governmental Entity that is final or required by applicable Law, neither the Purchaser, the Company nor its Subsidiaries shall file a Tax Return that is inconsistent with any agreement pursuant to this **Section 6.10(a)(iv)**, and neither the Purchaser, the Company nor its Subsidiaries shall take any position during the course of any Tax Contest or any other Tax audit or Tax Proceeding that is inconsistent with any agreement pursuant to this **Section 6.10(a)(iv)**.

(b) Straddle Period

. For any taxable period of the Company or the Subsidiaries that includes but does not end on the Closing Date (a "**Straddle Period**"), the Seller and the Purchaser agree to utilize the following conventions for determining the amount of Taxes attributable to the portion of the Straddle Period ending on the Closing Date: (i) in the case of property Taxes and other similar Taxes (not based on income, profit, receipts, or gains) imposed on a periodic basis, the amount attributable to the portion of the Straddle Period ending on the Closing Date shall equal the Taxes for the entire Straddle Period (or in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding Tax period) multiplied by a fraction, the numerator of which is the number of calendar days in the portion of the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire Straddle Period; and (ii) in the case of all other Taxes (including income Taxes, sales Taxes, employment Taxes and withholding Taxes), including Taxes income with respect to "subpart F income" (as defined in Section 952(a) of the Code) and "global intangible low-taxed income" (as defined in Section 951A of the Code), the amount attributable to the portion of the Straddle Period ending on the Closing Date shall be determined as if the Company and its Subsidiaries filed a separate Tax Return with respect to such Taxes for the portion of the Straddle Period ending as of the end of the day on the Closing Date using a "closing of the books methodology." For purposes of clause (ii), (1) any item determined on an annual or periodic basis (including amortization and depreciation deductions) shall be allocated to the portion of the Straddle Period ending on the Closing Date based on the relative number of days in such portion of the Straddle Period as compared to the number of days in the entire Straddle Period; and (2) Transaction Tax Deductions accrued or paid during the Straddle Period shall be allocated in accordance with **Section 6.10(a)(iv)**; and (3) items of income and gain from any Purchaser Closing Date Transaction shall be allocated in accordance with **Section 6.10(a)(iv)**.

(c) Cooperation

. The Purchaser, the Company and the Seller shall (and shall cause their respective Affiliates to) reasonably cooperate in: (i) assisting in the preparation and timely filing of any Tax Return of the Company or its Subsidiaries; (ii) assisting in any audit or other Proceeding with respect to Taxes or Tax Returns of the Company or its Subsidiaries (whether or not a Tax Contest); (iii) making available any information, records or other documents relating to any Taxes or Tax Returns of the Company or its Subsidiaries (including copies of Tax Returns and related work papers); and (iv) providing certificates or forms, and timely execute any Tax Return, that are necessary or appropriate to establish an exemption for (or reduction in) any Transfer Tax.

(d) Transfer Tax

. All federal, state, local, foreign transfer, excise, sales, use, value added, registration, stamp, recording, property and similar Taxes or fees applicable to, imposed upon, or arising out of the transfer of the equity interests in the Company or any other transaction contemplated by this Agreement (other than a Seller Closing Date transaction) and all related interest and penalties (collectively, "**Transfer Taxes**") shall be equally borne by the Purchaser and the Seller.

(e) Tax Contest.

(i) If any Governmental Entity issues to the Company or its Subsidiaries (A) a notice of its intent to audit or conduct another Proceeding with respect to Taxes or Tax Returns of the Company or its Subsidiaries for any Pre-Closing Tax Period or Straddle Period or (B) a notice of deficiency for Taxes for any Pre-Closing Tax Period or Straddle Period, the Purchaser shall notify the Seller of its receipt of such communication from the Governmental Entity within five (5) days of receipt.

(ii) The Purchaser shall control any audit or other Proceeding in respect of any Taxes or Tax Returns of the Company or a its Subsidiaries (a "**Tax Contest**"); **provided**, **however**, so long as the Overall Cap has not been reached (A) the Seller, at its sole cost and expense, may elect pursuant to **Section 6.10(e)(iii)** to control any Tax Contest to the extent it relates to a Taxes or Tax Returns of the Company or its Subsidiaries for a taxable period ending on or prior to the Closing Date; (B) the Seller, at its sole cost and expense, shall have the right to participate in any Tax Contest to the extent

it relates to Taxes or Tax Returns of the Company or its Subsidiaries for a Pre-Closing Tax Period or Straddle Period; and (C) the Purchaser shall not, and shall not allow the Company or its Subsidiaries, to settle, resolve or abandon a Tax Contest (whether or not the Seller controls or participates in such Tax Contest) for a Pre-Closing Tax Period or Straddle Period without the prior written consent of the Seller (which consent shall not be unreasonably withheld, delayed or conditioned).

(iii) If the Seller elects to control a Tax Contest for a taxable period ending on or prior to the Closing Date, (A) the Seller shall notify the Purchaser of such intent within ten (10) days of receiving notice of the Tax Contest; (B) the Purchaser shall promptly complete and execute, and promptly cause the Company or its Subsidiaries to complete and execute, any powers of attorney or other documents that are necessary (or that Seller reasonably requests) to allow the Seller to control such Tax Contest; (C) prior to the Seller taking control, the Purchaser shall control, or cause the Company or applicable Subsidiary to control such Tax Contest in good faith and after the Seller takes control, the Seller shall control, such Tax Contest diligently and in good faith; and (D) while it controls a Tax Contest, the Seller shall (1) keep the Purchaser reasonably informed regarding the status of such Tax Contest; (2) allow the Purchaser, the Company or applicable Subsidiary, at the Purchaser's sole cost and expense, to participate in such Tax Contest; and (3) not settle, resolve, or abandon any such Tax Contest without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld, delayed, or conditioned).

(iv) If the Seller does not elect to control a Tax Contest for a taxable period ending on or prior to the Closing Date, it may elect to participate in the Tax Contest, in which case (A) the Seller shall notify the Purchaser of such intent; (B) the Purchaser shall control, or cause the Company or applicable Subsidiary to control, the Tax Contest in good faith and at the Seller's sole cost and expense; (C) the Purchaser shall take (and shall cause the Company or the applicable Subsidiary of the Company to take) all actions reasonably required to ensure that the Seller has the right to participate in the Tax Contest; and (D) if reasonably requested by the Seller, the Purchaser shall settle (or cause the Company or applicable Subsidiary to settle) the Tax Contest on terms acceptable to the applicable Governmental Entity and the Seller (**provided** that the terms of such settlement (1) does not result in the Purchaser, the Company or any Subsidiary incurring any material Tax that the Seller not required to pay or indemnify under this Agreement and (2) shall be subject to the prior written consent of the Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned).

(f) Tax Refunds

. All refunds of Taxes of the Company or any Subsidiary of the Company for any Pre-Closing Tax Period (or portion of a Straddle Period ending on the Closing Date as determined in accordance with the same principles provided for in **Section 6.10(b)**) shall be the property of the Seller to the extent (i) such Taxes were paid before the Closing or indemnified by the Seller under this Agreement, (ii) such refunds were received by the Purchaser, the Company or its Subsidiaries while the Seller has an ongoing indemnification obligation with respect to such Taxes under this Agreement and the Overall Cap has not been reached, and (iii) such refund has not been taken into account in determining the Closing Date Net Working Capital or the Purchase Price. To the extent that the Purchaser, the Company or its Subsidiaries receives a refund that is the property of the Seller, the Purchaser shall pay the Seller the amount of such refund (and interest received from the Governmental Entity with respect to such refund, but net of any Taxes imposed or reasonable expenses incurred with respect to such refund). The amount due to the Seller shall be payable five (5) days after receipt of the refund from the applicable Governmental Entity. The Purchaser shall reasonably cooperate with the Seller, at the Seller's written request, to timely claim any refunds in cash to the extent such refund will give rise to a payment under this **Section 6.10(f)** (**provided** that the Seller shall promptly reimburse all reasonable out of pocket expenses for third party services incurred by Purchaser in connection with such cooperation).

Section 6.11 Contact with Customers and Suppliers

. Until the Closing Date, the Purchaser shall not, and shall cause its Affiliates and direct its other Representatives not to, contact or communicate with the employees, customers, suppliers, distributors or licensors of the Company or the Company's Subsidiaries, or any other Persons having a business relationship with the Company or the Company's Subsidiaries, concerning the transactions contemplated hereby or any of the foregoing relationships without the prior written consent of the President of the Company, Robert J. Adams; **provided**, **however**, the Purchaser, its Affiliates and other Representatives shall be permitted to engage in such contact or communication without the prior written consent of the President of the Company to the extent it (a) relates to the Purchaser's already existing business, including Fremont Industries, LLC or (b) for planning purposes from and after the date hereof and prior to the Closing (**provided**, that the Seller and the President of the Company are permitted to also engage in such contact or communication and the Parties discuss in good faith the contents of such contact or communication in advance); **provided**, **further**, that such contact or communication is not violative of any applicable Law, including Antitrust Laws.

Section 6.12 Litigation

. From and after the date hereof and through the Closing Date, the Company will notify the Purchaser in writing of any Proceedings (a) of the type required to be described in **Schedule 3.13** of the Company Disclosure Schedule that are newly pending against the Company or any of its Subsidiaries, or (b) arising from, in connection with or incident to the transactions contemplated by this Agreement.

Section 6.13 Phytout Litigation

. Notwithstanding anything herein to the contrary:

(a) Subject to **Section 6.13(b)**, the Seller and the Purchaser agree, with respect to the Phytout Litigation, that the Seller shall bear all Phytout Costs incurred after the Closing Date, up to a maximum amount of Five Hundred Thousand Dollars ($500,000) (such amounts actually borne by Seller, the "**Post-Closing Covered Costs**"), including by reimbursing the Purchaser or its designee for any such Phytout Costs, which shall be promptly paid by the Seller to the Purchaser or its designee from time to time upon the Purchaser's or its designee's request.

(b) If any settlement or judgment amount is paid to USW in connection with the Current Phytout Litigation (excluding that portion of a settlement or judgment which requires calculation of a future economic value, such as, but not limited to, royalties) (collectively "**Phytout Past Damages**"), such Phytout Past Damages shall to the extent available, be treated as follows and as set forth in **Exhibit H** (**provided**, that **Exhibit H** shall be for illustrative purposes only and in the event of any discrepancy between this **Section 6.13(b)** and **Exhibit H**, this **Section 6.13(b)** shall control):

(i) the Company shall cause USW to pay such Phytout Past Damages to the Seller to reimburse the Seller for the Phytout Costs incurred by the Seller prior to the Closing Date that are 2015 Permitted Costs, up to a maximum amount of Two Million Four Hundred Ninety Thousand Dollars ($2,490,000) (such amounts actually borne by Seller, the "**Pre-Closing Covered Costs**"). "**2015 Permitted Costs**" shall mean Phytout Costs that would be deductible by Company, its Subsidiaries (as defined in the 2015 SPA) or Affiliates (as defined in the 2015 SPA), as the case may be, under the 2015 SPA and that certain Phytout Escrow Agreement entered into under the 2015 SPA, paid in connection with the Current Phytout Litigation.;

(ii) if any amount of the Phytout Past Damages remains after giving effect to subsection (i), Company shall cause USW to pay such Phytout Past Damages to the Seller to reimburse Seller for the Post-Closing Covered Costs that are 2015 Permitted Costs incurred by Seller after the Closing Date as set forth in **Section 6.13(a)**, up to a maximum amount of Five Hundred Thousand Dollars ($500,000);

(iii) if any amount of the Phytout Past Damages remains after giving effect to subsections (i) and (ii), USW shall be entitled to receive an amount equal to the Phytout Costs paid by USW or its Affiliates after the Closing Date that are 2015 Permitted Costs;

(iv) if any amount of the Phytout Past Damages remains after giving effect to subsections (i), (ii) and (iii), the Company shall cause USW to distribute such remaining amounts in accordance with that certain Agreement and Plan of Merger by and among Global Water Services, LLC, Global Water Services Holding Company, Inc., Global Water Services Holdings, Inc. and Excellere Capital Management, LLC dated January 23, 2015 (the "**2015 SPA**") with any amounts of the Phytout Past Damages ultimately remaining being divided equally between Company and the Member Representative (as defined in the 2015 SPA); and

(v) if any amount of the Phytout Past Damages remains in Company's possession after giving effect to subsections (i), (ii), (iii) and (iv), and to the extent Seller is not reimbursed for Pre-Closing Covered Costs and Post-Closing Covered Costs because they are not 2015 Permitted Costs, Company shall cause USW to pay such Phytout Past Damages and/or any settlement or judgment amount paid to USW in connection with the Current Phytout Litigation (excluding that portion of a settlement or judgment which requires calculation of a future economic value, other than that for royalties, if awarded or made part of a settlement), if any, to reimburse the Seller for the remaining Pre-Closing Covered Costs and Post-Closing Covered Costs.

(c) For the avoidance of doubt, any other economic right or benefit arising out of the Phytout Patents other than as set forth above shall belong to USW. The Seller shall, at its cost, reasonably support and cooperate with USW throughout the duration of the proceedings related to the Phytout Litigation, including by: (i) promptly providing to USW or the Purchaser, as applicable, information and materials requested by USW or the Purchaser and any other reasonable support requested by USW or the Purchaser; (ii) permitting USW and the Purchaser, at USW's and the Purchaser's discretion, to retain counsel used by USW or the Seller prior to Closing for the Phytout Litigation (including by, if necessary, waiving any actual or potential conflict of interest that may exist or arise by virtue of the Seller's control of the Phytout Litigation, the Seller's selection of counsel in connection with the Phytout Litigation, or otherwise); and (iii) disclosing at USW's or the Purchaser's request any communications, work product, or other documents, or information related to the Phytout Litigation, and cooperating with USW and the Purchaser to preserve and protect all attorney client privileges, attorney work product doctrine and any other professional privileges, rights or immunities with respect to such communications, work product, or other documents to the greatest extent available under applicable Law.

Section 6.14 Release

. By signing below, the Company acknowledges and agrees that, effective upon the Closing, neither the Seller nor any of its Affiliates shall have any liability or obligation to the Company or any of its Subsidiaries of any nature whatsoever for any matter that arises out of or relates to anything occurring prior to the Effective Time. Notwithstanding the foregoing, for the avoidance of doubt, the Parties acknowledge and agree that the foregoing shall not be construed as a release by the Purchaser of any rights or claims of any nature arising out of or relating to this Agreement or any of the Ancillary Agreements, or the transactions contemplated hereby and thereby.

Section 6.15 Redemption

. The Seller shall cause the Company to take all necessary action prior to the Closing to (a) redeem all of the issued and outstanding capital stock of the Company that is not owned by the Seller as of the date hereof, such that at the Closing the Seller shall own all of the issued and outstanding capital stock of the Company pursuant to filings, agreements or documents necessary to consummate the Redemption, which shall include releases of any and all claims by the previous owners of the capital stock of the Company (the "**Redemption Documents**") and (b) pay all amounts owing in connection with such redemptions (collectively, the "**Redemption**"). The Seller shall obtain the Purchaser's prior written consent, not to be unreasonably withheld, conditioned or delayed prior to filing, entering into

or otherwise finalizing any Redemption Document. The Seller shall keep the Purchaser reasonably informed from time to time or at the request of the Purchaser regarding any aspect of the Redemption.

Section 6.16 Intercompany Indebtedness

. Prior to the Closing, at the Seller's sole cost and expense, the Seller shall, and shall cause the Company and its Subsidiaries to, repay in cash and otherwise discharge in full any and all Intercompany Indebtedness. The Seller shall thereby release the Company and its Subsidiaries from any claim which may result from, arise out of, relate to or be incurred by any such repayment, and shall solely bear and be responsible for all Taxes, fees, costs and expenses in connection with or attributable to such Intercompany Indebtedness and the repayment or discharge thereof.

Section 6.17 Transition Services

. From and after the date hereof and through the Closing Date, solely at the request of the Purchaser, the Parties shall in good faith negotiate regarding the Seller Parent providing or causing to be provided certain transition services. Any transition services, if provided, may include by way of example (a) certain services as currently provided to the Company and its Subsidiaries during the period that is six (6) months prior to the date hereof, (b) on pricing terms based on the Seller Parent's out-of-pocket cost, (c) for a period that is no less than twelve (12) months after the Closing Date.

Section 6.18 Insurance

. Where any occurrence-based insurance policy of the Seller or its Subsidiaries (other than the Company or its Subsidiaries) in effect prior to the Closing (each, a "**Designated Insurance Policy**") provides coverage for any liabilities of the Company or any of its Subsidiaries arising out of claims made after the Closing with respect to an injury, event and/or occurrence prior to the Closing (collectively, "**Covered Claims**"), to the extent permitted under such Designated Insurance Policy, the Seller shall submit a Covered Claim under such Designated Insurance Policy at the request of Purchaser and its Subsidiaries, shall have the option to control the prosecution and defense of such Covered Claim or assign such rights to Purchaser, and may assign to Purchaser any insurance proceeds with respect thereto, subject to the other provisions of **Article 9** of this Agreement and of this **Section 6.18**. After the Closing, the Seller and its Subsidiaries shall administer the Designated Insurance Policies in their sole discretion; **provided**, that the Seller shall not and shall cause its Subsidiaries not to, in connection with such administration, knowingly limit, inhibit or preclude the right of the Purchaser and its Subsidiaries to insurance coverage thereunder in accordance with this **Section 6.18**, in each case, with respect to Covered Claims, in a manner disproportionately adverse to the Purchaser and its Subsidiaries relative to the Seller and its Subsidiaries. The Purchaser shall promptly notify the Seller of any Covered Claims, and the Seller agrees to reasonably cooperate with the Purchaser and its Subsidiaries concerning the pursuit by the Purchaser and its Subsidiaries for coverage of any such Covered Claims under any applicable Designated Insurance Policy, in each case, at the expense of the Purchaser (to the extent such expenses are not covered by the applicable Designated Insurance Policies). The Purchaser shall be responsible for complying with terms of the applicable Designated Insurance Policies in respect of such Covered Claims, including if the applicable Designated Insurance Policy requires any payments to be made in connection therewith (including satisfying any applicable deductible or self-insured retention under the Designated Insurance Policies in respect of such Covered Claims), and the Purchaser shall make or cause to be made any such required payments. Any amounts received by the Seller or its Subsidiaries under a Designated Insurance Policy, to the extent that those amounts relate to Covered Claims submitted by the Purchaser or its Subsidiaries, shall be paid (net of any costs of recovery incurred by the Seller Parent, Seller or its Subsidiaries) promptly to Purchaser, subject to **Article 9** of this Agreement and the last sentence of this **Section 6.18**. In the event that Covered Claims submitted by the Purchaser or its Subsidiaries relate to the same occurrence for which the Seller or its Subsidiaries are seeking coverage under a Designated Insurance Policy, (a) the Seller and the Purchaser shall bear any expenses and/or make any required payments in connection therewith in proportion to the amounts of their respective claims (to the extent such expenses are not covered by such Designated Insurance Policy) and (b) in the event that policy limits under such Designated Insurance Policy are exhausted by the payment of any amounts due in respect of such occurrence, such amounts shall be paid to the respective parties proportionately to the amount due to each such party or its Subsidiaries.

Section 6.19 Title Policy

. Prior to the Closing, the Company shall obtain an unconditional commitment covering the Owned Real Property from the Title Company, subject only to the payment of the premiums of such policies, to issue the updated or new title policy for the Owned Real Property, showing fee title to the Company, vested in the Real Property, upon the Closing Date and subject only to the Permitted Liens, and including among other things, a non-imputation endorsement.

Section 6.20 Litigation Support

. From and after the Closing, the Seller shall and shall cause its Representatives and employees to, reasonably support and cooperate with USW and the Purchaser, at their cost, throughout the duration of any proceeding relating to USW, arising at any time prior to the Closing through the date that is three (3) years after the Closing Date (which shall include those proceedings set forth on **Schedule 3.13** of the Company Disclosure Schedule) including by: (a) promptly providing to USW or the Purchaser, as applicable, reasonable support requested by USW or the Purchaser (including by way of example preparing for and providing testimony at depositions or hearings) and (b) disclosing at USW's or the Purchaser's request any communication, work product or other document, or information related to any applicable proceeding, and cooperating with USW and the Purchaser to preserve and protect all attorney-client privileges, attorney work product doctrine and any other professional privileges, rights or immunities with respect to such communication, work product or other document to the greatest extent available under applicable Law.

Section 6.21 St. Michael Property

. Prior to the Closing, each of the Purchaser and the Seller agrees to hold or otherwise facilitate good faith discussions between Purchaser and SAB Properties, LLC, the owner of the property located at 122270 43rd Street, St. Michael, Minnesota (the "**St. Michael Property**"), which is currently being leased by USW, regarding an option of USW to acquire the St. Michael Property, including whether a prior exercise of such option remains in effect and whether USW still intends to acquire the St. Michael Property. To this end, the Seller agrees to assist with such discussions to the extent reasonably requested by the Purchaser.

Article 7

CONDITIONS TO CLOSING; CLOSING

Section 7.1 Conditions to Obligations of Each Party

. The respective obligations of the Purchaser, the Seller and the Company to consummate the Closing are subject to the satisfaction at or prior to the Effective Time of the following conditions, any or all of which may be waived by the joint agreement of the Purchaser, the Seller and the Company, in whole or in part, to the extent permitted by applicable Law:

(a) No provision of any applicable Law and no order (including any injunction, restraint, or enjoining) shall prohibit or otherwise constrain the consummation of the Closing as contemplated by this Agreement.

(b) The applicable waiting periods, if any, under the HSR Act, shall have expired (including any additional waiting period required as a consequence of any supplemental request by a Governmental Entity) or the Parties shall have received notice of early termination thereunder and there shall not be in effect any voluntary agreement between the Purchaser or the Seller and the FTC or the Department of Justice pursuant to which the Purchaser or the Seller has agreed not to consummate the transactions contemplated hereby for any period of time ("**HSR Approval**").

Section 7.2 Conditions to Obligations of the Purchaser

. The obligations of the Purchaser to consummate the Closing are subject to the satisfaction of the following further conditions, any or all of which may be waived by the Purchaser, in whole or in part, to the extent permitted by applicable Law:

(a) Representations and Warranties

. Each of the representations and warranties of the Company and the Seller contained in this Agreement and in any certificate or other writing delivered by the Company or the Seller pursuant hereto that is qualified as to materiality, Material Adverse Effect, or words of similar import shall be true and correct in all respects as so qualified, and those not so qualified shall be true and correct in all material respects, in each case, as of the Closing Date (other than those representations and warranties which are made as of a specific date, which representations and warranties shall have been true and correct in all material respects or true and correct in all respects, as the case may be, as of such date).

(b) Covenants and Agreements

. The Company and the Seller shall have performed and complied with, in all material respects, all covenants and agreements required by this Agreement to be performed and complied by it prior to or on the Closing Date, or such earlier date as required by a covenant under this Agreement.

(c) Officer's Certificate

. Each of the Company and the Seller shall have delivered to the Purchaser a certificate, signed by an officer of such Party and dated as of the Closing Date, certifying as to the matters set forth in **Sections 7.2(a)**, and **7.2(b)**.

(d) Redemption

. The Redemption has been consummated in all respects, in accordance with **Section 6.15**.

(e) Repayment of Intercompany Indebtedness

. The repayment of Intercompany Indebtedness has been consummated in all respects, in accordance with **Section 6.16**.

Section 7.3 Conditions to Obligation of the Company and the Seller

. The obligation of the Company and the Seller to consummate the Closing is subject to the satisfaction of the following further conditions, any or all of which may be waived by the Seller and the Company, in whole or in part, to the extent permitted by applicable Law:

(a) Representations and Warranties

. Each of the representations and warranties of the Purchaser contained in this Agreement and in any certificate or other writing delivered by the Purchaser pursuant hereto that is qualified as to materiality, Material Adverse Effect, or words of similar import shall be true and correct in all respects as so qualified, and those not so qualified shall be true and correct in all material respects, in each case, as of the Closing Date (other than those representations and warranties which are made as of a specific date, which representations and warranties shall have been true and correct in all material respects or true and correct in all respects, as the case may be, as of such date).

(b) Covenants and Agreements

. The Purchaser shall have performed and complied with, in all material respects, all covenants and agreements required by this Agreement to be performed and complied by it prior to or on the Closing Date.

(c) Officer's Certificate

. The Purchaser shall have delivered to the Company a certificate, signed by an officer of the Purchaser and dated as of the Closing Date, certifying as to the matters set forth in **Sections 7.3(a)** and **7.3(b)**.

Section 7.4 Closing

. The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place (a) at the offices of Ballard Spahr LLP located at 80 South 8th Street, Suite 2000, Minneapolis, MN 55402 on the date which is five (5) Business Days after the date on which all the conditions set forth in **Sections 7.1**, **7.2** and **7.3** shall have been satisfied or, to the extent permitted by applicable Laws, waived (other than those conditions that by their terms are to be satisfied at the Closing) or such other time and place as the Purchaser, the Seller and the Company may mutually agree (such date, the "**Closing Date**") or (b) at such other place or on such other date as the Seller and the Purchaser may mutually agree in writing. The Closing shall be deemed to be effective, and the Closing Payment shall be deemed to have been received by the Seller, as of 12:00:01 a.m., Central Time, on the Closing Date (the "**Effective Time**"), and all documents delivered and actions taken at the Closing shall be deemed to have been delivered or taken simultaneously at such time.

Section 7.5 Company and Seller Closing Deliveries

. At the Closing, the Company and the Seller shall deliver to the Purchaser, the following (duly executed, as applicable):

(a) a good standing certificate with respect to each of the Seller and the Company, in each case from their respective states of organization and dated as of a date no more than ten (10) days prior to the Closing Date;

(b) certificates of the Company and the Seller to the effect that each of the conditions specified in **Sections 7.1** and **7.2** have been satisfied in all respects (or waived in accordance with this Agreement);

(c) stock powers representing the transfer of Stock of the Company from the Seller to the Purchaser, substantially in the form attached to this Agreement as **Exhibit B** (the "**Stock Powers**");

(d) a counterpart from the Seller Parent to the Restrictive Covenant Agreement;

(e) evidence, in form and substance reasonably satisfactory to the Purchaser, that the Company has completed the Redemption contemplated by **Section 6.15** of this Agreement;

(f) evidence, in form and substance reasonably satisfactory to the Purchaser, that the Company has completed the repayment of Intercompany Indebtedness contemplated by **Section 6.16** of this Agreement;

(g) written resignations, effective as of the Closing, of certain officers and directors of the Company and its Subsidiaries, as requested by the Purchaser at least five (5) Business Days prior to the Closing;

(h) a certificate dated as of the Closing Date certifying as to the non-foreign status of the Seller and substantially in the form provided for in Treasury Regulations § 1.445-2(b)(2);

(i) estoppel certificates dated within fifteen (15) Business Days prior to Closing from landowners that are parties to the Real Property Agreements set forth on **Schedule 3.6(a)(ii)** of the Company Disclosure Schedule, substantially in the form attached to this Agreement as **Exhibit E** (the "**Estoppel Certificates**");

(j) an owner's affidavit, substantially in the form attached to this Agreement as **Exhibit F** (the "**Owner's Affidavit**");

(k) a non-imputation affidavit and indemnification from the Seller, substantially in the form attached to this Agreement as **Exhibit G** (the "**Non-Imputation Affidavit and Indemnification**"); and

(l) consent with respect to the Real Property Agreements identified on **Schedule 3.6(a)(ii)** of the Company Disclosure Schedule as Real Property Agreements for which the Purchaser requires consent, which request consent, if possible, may be included in the estoppel certificates for such Real Property Agreements delivered pursuant to **Section 7.5(i)**.

Section 7.6 Purchaser Closing Deliveries

. At the Closing, the Purchaser shall deliver, or cause to be delivered, to the Seller (or, in the case of **Section 7.6(d)**, on the Seller's behalf) the following (duly executed, as applicable):

(a) a good standing certificate with respect to the Purchaser, from its state of incorporation and dated as of a date no more than ten (10) days prior to the Closing Date;

(b) a certificate of the Purchaser to the effect that each of the conditions specified in **Sections 7.1** and **7.3** have been satisfied in all respects (or waived in accordance with this Agreement);

(c) the Closing Payment pursuant to **Section 2.4**;

(d) the (i) Closing Date Indebtedness and (ii) unpaid Transaction Expenses, in each case pursuant to **Section 2.5**; and

(e) a counterpart from the Purchaser to the Restrictive Covenant Agreement.

Article 8

TERMINATION

Section 8.1 Grounds for Termination

. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of the Seller and the Purchaser;

(b) by either (i) the Seller or (ii) the Purchaser, any of whom may act, if the Closing shall not have been consummated on or before March 15, 2019 (the "**Termination Date**"); **provided**, **however** that if all conditions to the Closing have been satisfied other than the HSR Approval, then the Termination Date shall be extended until May 15, 2019. The right to terminate this Agreement under this **Section 8.1(b)** shall not be available to any party whose failure or whose Affiliate's failure to perform any material covenant or obligation under this Agreement is the cause of such delay;

(c) by either (i) the Company or the Seller or (ii) the Purchaser, any of whom may act, if there shall be any Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or if consummation of the transactions contemplated hereby would violate any order, decree or judgment of any court or Governmental Entity having competent jurisdiction; **provided** that the right to terminate this Agreement under this **Section 8.1(c)** shall not be available to any party whose failure or whose Affiliate's failure to perform any material covenant or obligation under this Agreement is the proximate cause for the issuance of any such order, decree, or judgment;

(d) by the Company or the Seller, **provided** that the Company or the Seller is not then in breach of any of their respective obligations hereunder, if either (i) the Purchaser fails to perform any covenant in this Agreement when performance thereof is due and does not cure the failure within fifteen (15) days after the Company or the Seller delivers written notice thereof, or (ii) any other condition in **Section 7.1** or **Section 7.3**

has not been satisfied, or otherwise properly waived, and is not capable of being satisfied prior to the Termination Date; or

(e) by the Purchaser, **provided** that the Purchaser is not then in breach of any of its obligations hereunder, if either (i) the Company or the Seller fails to perform any covenant in this Agreement when performance thereof is due and does not cure the failure within thirty (30) days after the Purchaser delivers written notice thereof, or (ii) any condition in **Section 7.1** or **Section 7.2** has not been satisfied, or otherwise properly waived, and is not capable of being satisfied prior to the Termination Date.

Section 8.2 Notice of Termination

. The Party desiring to terminate this Agreement pursuant to this **Article 8** shall give written notice of such termination to the other Parties.

Section 8.3 Effect of Termination

. If this Agreement is terminated pursuant to this **Article 8**, this Agreement shall forthwith become void and of no further force and effect and all rights and obligations of the Parties hereunder shall be terminated without further liability of any Party to any other Party; **provided, however**, that (a) the provisions of the Confidentiality Agreement, **Section 6.7** (Public Announcements), **Section 8.3** (Effect of Termination) and **Article 10** (Miscellaneous Provisions), and the rights and obligations of the Parties thereunder, shall survive any such termination and remain in full force and effect; and (b) nothing herein shall relieve any Party from liability for any Fraud or intentional breach of any covenant contained in this Agreement.

Article 9

INDEMNIFICATION

Section 9.1 Indemnification of the Purchaser Indemnitees

.

(a) From and after the Closing and subject to the limitations set forth in this **Article 9**, the Seller shall indemnify, defend and hold harmless the Purchaser, its Affiliates (including the Company and its Subsidiaries) and their respective officers, directors, managers, employees, successors and permitted assigns (the "**Purchaser Indemnitees**") from and against any and all Damages which may result from, arise out of, relate to or be incurred by any Purchaser Indemnitee by reason of:

(i) any breach of any warranty or any inaccuracy or falsity of any representation of the Company or the Seller contained in **Article 3** or **Article 4** of this Agreement ("**Warranty Breaches**");

(ii) any breach of, or any failure to perform any covenant or agreement of the Company or the Seller contained in this Agreement;

(iii) any Transaction Expenses or Closing Date Indebtedness of the Company or its Subsidiaries, to the extent (A) not paid prior to or in connection with the Closing or (B) taken into account as a current liability in the Closing Date Net Working Capital pursuant to **Section 2.6** of this Agreement;

(iv) any Seller Indemnified Taxes; or

(v) any matter set forth on **Schedule 2.0**.

(b) Damage Limitations for Representations and Warranties

. Notwithstanding anything to the contrary in this **Article 9**, the Damages that may be asserted against the Seller for Warranty Breaches under **Section 9.1(a)(i)** shall be limited by the following:

(i) De Minimis Threshold

. With respect to an individual claim, the amount of Damages incurred or suffered which the Purchaser Indemnitees would otherwise be entitled to indemnification for Warranty Breaches under **Section 9.1(a)(i)** must exceed $25,000 (the "**De Minimis Threshold**") and then, in such case, the entire amount of such Damages count toward the Deductible and the Cap (as defined below) (**provided**, that such Damages shall be aggregated for purposes of the De Minimis Threshold if they arise out of the same matter, fact, circumstance or event);

(ii) Deductible

. The aggregate amount of all such Damages incurred or suffered which the Purchaser Indemnitees would otherwise be entitled to indemnification for Warranty Breaches under **Section 9.1(a)(i)** (excluding claims less than the De Minimis Threshold) must exceed (A) during the period from the Closing Date until the dropdown of the retention under the R&W Policy pursuant to Section 7 of the Declarations thereof, as applicable, $1,350,000 and (B) for the period thereafter until the eighteen (18)-month anniversary of the Closing Date, $675,000 (the "**Deductible**"), at which time the Seller shall only be liable for all Damages which exceed the Deductible, up to a maximum aggregate amount of Damages equal to the Cap (as defined below);

(iii) CAP

. UNDER NO CIRCUMSTANCES WILL THE SELLER BE LIABLE FOR CLAIMS MADE FOR WARRANTY BREACHES UNDER **SECTION 9.1(a)(i)** THAT EXCEED, IN THE AGGREGATE, THE AMOUNT OF THE DEDUCTIBLE (i.e., during the period from the Closing Date until the dropdown of the retention under the R&W Policy, $1,350,000, and for the period thereafter until the eighteen (18)-month anniversary of the Closing Date, $675,000) (THE "**CAP**"); and

(iv) Applicability of Limitations

. Notwithstanding the foregoing limitations in this **Section 9.1(b)**, none of the De Minimis Threshold, the Deductible or the Cap shall apply with respect to any claim for indemnification based on (A) any breach of a Fundamental Representation or (B) Fraud by the Seller or the Company.

(c) Other Caps.

(i) Overall Cap. Notwithstanding anything to the contrary contained in this Agreement, the Parties acknowledge and agree that the Seller's maximum aggregate liability for breaches of **Sections 3.5(c)**, **3.5(d)**, **3.5(e)**, **3.5(f)** or the last sentence of **Section 3.13** under **Section 9.1(a)(i)** and all indemnification obligations pursuant to **Section 9.1(a)(v)** of this Agreement shall not under any circumstances exceed a maximum aggregate amount of $50,000,000 (the "**Overall Cap**").

(ii) Purchase Price Cap, Etc. Notwithstanding anything to the contrary contained in this Agreement, the Parties acknowledge and agree that the Seller's maximum aggregate liability for all indemnification obligations under this Agreement shall not under any circumstances exceed the Purchase Price (the "**Purchase Price Cap**"); **provided**, **however**, that such limitation shall not apply to Fraud by the Seller or the Company or claims under **Section 9.1(a)(iii)**, which shall not be capped.

(d) No Duplication

. Any liability for indemnification hereunder shall be determined without duplication of recovery by reason of the state of facts giving rise to such liability constituting a breach of more than one representation, warranty, covenant or agreement. In this regard, there shall be no duplication of recovery under this **Article 9**.

(e) Effect of Downward Adjustment Amount on Indemnification Claims

. If the Purchase Price is adjusted downward as a result of a Downward Adjustment Amount pursuant to **Section 2.6** of this Agreement, the Purchaser Indemnitees shall not also be entitled to indemnification for any loss to the extent such loss was taken into account in the Downward Adjustment Amount. The Purchaser Indemnitees shall not be entitled to indemnification under this **Article 9** for any claim to the extent such claim relates to an item included in the Final Closing Date Net Working Capital or the Final Closing Cash.

(f) Computation of Damages

. Damages shall be determined net of any insurance benefits, amounts received from a third party or Tax Benefits realized in the year the Damages were incurred, which are actually realized by the Purchaser Indemnitees, to the extent related to the Damages. If the Purchaser, the Company, the Subsidiaries and/or any of their respective Affiliates realizes a Tax Benefit within in the taxable year in which the applicable Damages are incurred and the immediately following taxable year and such Tax Benefit was not included in the computation of Damages, the Purchaser shall within ten (10) days of filing the Tax Return claiming the Tax Benefit (or, if the Tax Benefit is in the form of a refund, within ten (10) days of receiving the refund from the Governmental Entity) pay such amount to the Seller.

(g) Effect of Later Insurance Payment for Claim

. If an indemnification payment is received by the Purchaser Indemnitees, and the Purchaser Indemnitees later receive insurance proceeds or any other third-party payment in respect of the related Damages (as provided in the immediately preceding subsection), the Purchaser Indemnitees shall promptly pay to the Seller or its designee an amount equal to the lesser of (y) the actual amount of such insurance proceeds or other third party payment received, or (z) the actual amount of the indemnification payment previously paid by the Seller with respect to such Damages.

(h) Order of Claims

.

(i) To the extent the Purchaser Indemnitees are entitled to indemnification for Warranty Breaches pursuant to **Section 9.1(a)(i)** (other than with respect to Fundamental Representations), then, subject to the De Minimis Threshold and the Deductible, the Purchaser Indemnitees will seek payment for such Damages (A) first from the Seller until the retention under the R&W Policy has been reached with respect to all Damages for such Warranty Damages (but, for the avoidance of doubt, subject to the Cap), (B) second, if the retention under the R&W Policy is exceeded and the claim is covered by the R&W Policy, then by collecting insurance proceeds from the R&W Policy and (C) third, solely with respect to any claim for indemnification made for any breach of **Sections 3.5(c)**, **3.5(d)**, **3.5(e)**, **3.5(f)** or the last sentence of **Section 3.13**, if the claim is not covered by the R&W Policy or if the R&W Policy limitation is exceeded, then by collecting from the Seller, until the Overall Cap is reached.

(ii) To the extent the Purchaser Indemnitees are entitled to indemnification pursuant to (x) **Section 9.1(a)(i)** for breaches of a Fundamental Representation, or (y) **Section 9.1(a)(iv)** or **Section 9.1(a)(v)**, the Purchaser Indemnitees will seek payment for such Damages (A) first from the Seller until the retention under the R&W Policy has been reached with respect to all Damages under this Agreement, (B) second, if the retention under the R&W Policy is exceeded and the claim is covered by the R&W Policy, then by collecting insurance proceeds from the R&W Policy, (C) third, if the claim is not covered by the R&W Policy or if the R&W Policy limitation is exceeded, then by collecting

from the Seller, in each case until the Purchase Price Cap is reached (except in the case of a claim under **Section 9.1(a)(v)**, Damages shall be subject to the Overall Cap).

(iii) To the extent the Purchaser Indemnitees are entitled to indemnification pursuant to **Section 9.1(a)(ii)**, the Purchaser Indemnitees will seek payment for such Damages from the Seller until the Purchase Price Cap is reached.

(iv) To the extent the Purchaser Indemnitees are entitled to indemnification pursuant to **Section 9.1(a)(iii)**, the Purchaser Indemnitees will seek payment for such Damages from the Seller.

(v) For the avoidance of doubt, the Parties acknowledge and agree that, except for Damages relating to Fraud by the Seller or the Company or Fundamental Representations, (A) the amount of the Cap and the R&W Policy shall be the sole and exclusive source for the satisfaction of any Damages indemnifiable under and pursuant to **Section 9.1(a)(i)**, and (B) once the amount of the Cap has been exhausted, the Seller shall have no direct or indirect liability with respect to, and no obligation to satisfy, any claim by the Purchaser Indemnitees under **Section 9.1(a)(i)** and the Purchaser Indemnitees shall have no recourse to the Seller with respect thereto.

Section 9.2 Indemnification of the Seller

. From and after the Closing and subject to the limitations set forth in this **Article 9**, the Purchaser shall indemnify, defend and hold harmless the Seller and its Affiliates and their respective officers, directors, managers, employers, successors and permitted assigns (collectively, the "**Seller Indemnitees**") from and against any and all Damages which may result from, arise out of, relate to or be incurred by any Seller Indemnitee by reason of (i) any breach of any warranty or any inaccuracy of any representation contained in **Article 5**, (ii) any breach of, or any failure to perform any covenant or agreement of the Purchaser, or the Company contained in this Agreement, and (iii) any claim made against the Seller or any of their Affiliates for Transaction Expenses incurred by the Purchaser or Indebtedness of the Company or its Subsidiaries incurred after, in connection with or to facilitate the Closing; **provided, however**, the Seller acknowledges and agrees that the representations and warranties and the covenants and other agreements made by the Company to or for the benefit of the Purchaser, if breached, shall under no circumstances give rise to indemnification of the Seller Indemnitees and the Seller Indemnitees shall have no claim or cause of action against the Purchaser or the Company under any theory of recovery under such circumstance.

Section 9.3 Indemnification Procedures

. A party making a claim for indemnification under **Section 9.1** or **Section 9.2** shall be, for the purposes of this Agreement referred to as an "**Indemnified Party**" and a party against whom such claims are asserted under **Section 9.1** or **Section 9.2** shall be, for the purposes of this Agreement, referred to as an "**Indemnifying Party**". All claims by any Indemnified Party under **Section 9.1** or **Section 9.2** shall be asserted and resolved as follows:

(a) In the event that (i) any action, application, suit, action, demand, claim, audit, investigation or legal, administrative, arbitration, or other alternative dispute resolution proceeding, action, hearing or investigation (each a "**Proceeding**") is asserted or instituted by any Person other than the Parties or their Affiliates which could give rise to Damages for which an Indemnifying Party could be liable to an Indemnified Party under this Agreement (such Proceeding, a "**Third Party Claim**") or (ii) any Indemnified Party under this Agreement shall have a claim to be indemnified by any Indemnifying Party under this Agreement which does not involve a Third Party Claim (such claim, a "**Direct Claim**" and, together with Third Party Claims, "**Indemnification Claims**"), the Indemnified Party shall, promptly after it becomes aware of a Third Party Claim or facts supporting a Direct Claim, send to the Indemnifying Party a written notice specifying the nature of such Third Party Claim or Direct Claim, and the amount or estimated amount thereof (which amount or estimated amount shall not be conclusive of the final amount, if any, of such Proceeding) (a "**Claim Notice**"), together with copies of all notices and documents (including court papers) served on or received by the Indemnified Party in the case of a Third Party Claim, **provided**, **however**, that a delay in notifying the Indemnifying Party (or delivering copies of the aforementioned notices and documents) shall not relieve the

Indemnifying Party of its obligations under **Section 9.1** or **Section 9.2**, except to the extent that the Indemnifying Party shall have been prejudiced by such failure to give such notice or deliver such documents or notices, in which case the Indemnifying Party shall be relieved of its obligations under **Section 9.1** or **Section 9.2** only to the extent of such prejudice.

(b) In the event of a Third Party Claim, the Indemnifying Party shall have the right to defend against and direct the defense of such Third Party Claim. If the Indemnifying Party elects to defend against and direct the defense of any Third Party Claim, it shall within thirty (30) days (or sooner, if the nature of the Third Party Claim so requires) (the "**Dispute Period**") notify the Indemnified Party of its intent to do so. If the Indemnifying Party does not elect within the Dispute Period to defend against and direct the defense of any Third Party Claim or fails to notify the Indemnified Party of its election during the Dispute Period, the Indemnified Party may defend against and direct the defense of such Third Party Claim. If the Indemnifying Party elects to defend against and direct the defense of such Third Party Claim and appoint counsel in connection therewith, the Indemnified Party may participate, at its own expense, only by attendance and observation and shall not defend or otherwise conduct the defense of such Third Party Claim. If reasonably requested by the Indemnifying Party, the Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in defending and contesting any Third Party Claim which the Indemnifying Party defends. No Third Party Claim may be settled or compromised, or offered to be settled or compromised, or a default permitted or an entry of any judgment consented to (each, a "**Settlement**") (i) by the Indemnified Party without the prior written consent of the Indemnifying Party, or (ii) by the Indemnifying Party without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed); **provided**, **however**, in the case of a consent being required from an Indemnified Party, such consent shall not be required in the event such Settlement includes a full release of the Indemnified Party, and involves only monetary damages. In the event any Indemnified Party enters into a Settlement with respect to any Third Party Claim in violation of the preceding sentence, such Indemnified Party shall be deemed to have waived all rights against the Indemnifying Party for indemnification under this Agreement with respect to such Third Party Claim.

(c) After any final decision, judgment or award shall have been rendered by a Governmental Entity or arbitrator of competent jurisdiction and the expiration of the time in which to appeal therefrom, or a Settlement or arbitration shall have been consummated, or the Indemnified Party and the Indemnifying Party shall have arrived at a mutually binding agreement with respect to an Indemnification Claim hereunder, the Indemnified Party shall forward to the Indemnifying Party notice of any sums due and owing by the Indemnifying Party pursuant to this Agreement with respect to such matter and the Indemnifying Party shall make prompt payment thereof by wire transfer in immediately available funds within five (5) Business Days after the date of such notice or, if required earlier, pursuant to the terms of the agreement reached with respect to the Indemnification Claim.

(d) In the event of a Direct Claim, the Indemnifying Party shall notify the Indemnified Party within thirty (30) days of receipt of a Claim Notice whether the Indemnifying Party disputes such Indemnification Claim; **provided** that a delay in notifying the Indemnified Party of such objection shall not waive the Indemnifying Party's right to make such objection, except to the extent that (and only to the extent that) the Indemnified Party shall have been prejudiced by such failure to give such notice, and then only to the extent of such prejudice. From and after the delivery of a Claim Notice under this Agreement, at the reasonable request of either Party, each Party shall grant the other Party and its Representatives reasonable access to the books, records, employees, Representatives and properties of such Party to the extent reasonably related to the matters to which the Claim Notice relates. All such access shall be granted during normal business hours and shall be granted under conditions which will not unreasonably interfere with the business and operations of such Party. The Party requesting access will not, and shall use commercially reasonable efforts to cause its Representatives not to, use (except in connection with such Claim Notice) or disclose to any third Person other than the Party's Representatives (except as may be required by applicable Law) any information obtained pursuant to this **Section 9.3(d)** which is designated as confidential by the other Party.

(e) To the extent that there is an inconsistency between this **Section 9.3** and **Section 6.10(e)** as it relates to a Tax Contest or other matters relating to Taxes, the provisions of **Section 6.10(e)** shall govern.

Section 9.4 Limitation of Remedy

.

(a) No Parties' board members, members, shareholders, or other owners or their respective directors, officers, employees, agents, attorneys or other Representatives shall be personally liable for any obligations or other matters arising under this Agreement except as specifically set forth herein.

(b) From and after the Closing, the rights and remedies set forth in **Section 2.6** (Purchase Price Adjustment) and this **Article 9** shall constitute the Purchaser's sole and exclusive rights and remedies based on, arising out of or relating to this Agreement or any of the transactions contemplated hereby (whether stated as a breach of contract, tort or otherwise) including in respect of any breach or nonperformance of any representations, warranties, covenants or agreements contained in this Agreement; **provided**, **however**, the foregoing shall not preclude any remedy which arises out of a claim for Fraud or for equitable relief or any claim under an Ancillary Agreement.

(c) Without limiting the generality of the preceding **Section 9.4(b)**, no legal action sounding in contribution, tort or strict liability (in each case, other than claims made or contemplated by this **Article 9**) may be maintained by the Purchaser, or any of its equity holders, affiliates, Representatives, successors or assigns, against the Company or the Seller with respect to any matter that is the subject of this **Article 9**, and the Purchaser, for itself and each of its equity holders, affiliates, Representatives, successors and assigns, hereby waives any and all statutory rights of contribution or indemnification that any of them might otherwise be entitled to under any federal, state or local Law except as set forth in this Agreement.

(d) Materiality standards or qualifications in any representation, warranty or covenant, including references to the terms "material," "materiality," "in all material respects," "Material Adverse Effect" or any similar term or phrase, shall not be taken into account in determining whether a breach of or default in connection with such representation, warranty or covenant (or failure of any representation or warranty to be true and correct) exists or has occurred for purposes of indemnification, or in determining the amount of Damages resulting from any breach of any representation, warranty or covenant in each case in accordance with this **Article 9**.

Section 9.5 Treatment of Indemnity Payments

. All indemnification payments made pursuant to this **Article 9** shall be deemed for all applicable federal, state and local Tax purposes to be adjustments to the Purchase Price, except to the extent required by applicable Law.

Section 9.6 Survival of Representations and Covenants

. No representation or warranty contained herein shall survive the eighteen (18)-month anniversary of the Closing Date, except that (i) the Fundamental Representations (other than the Tax Representations and the Company Benefit Plan Representations) shall survive indefinitely, and (ii) the Tax Representations and the Company Benefit Plan Representations shall survive until thirty (30) days after the expiration of the applicable statute of limitations. Unless otherwise expressly set forth herein with respect to any covenant or agreement (including, specifically, the covenants of indemnification not specifically limited by the immediately foregoing provision of this **Section 9.6**), all of the covenants and agreements set forth herein shall survive until the expiration of the applicable statute of limitations. No Person shall be liable for any claim for indemnification under this Agreement unless written notice specifying in reasonable detail the nature of the claim for indemnification is delivered by the Person seeking indemnification to the Person from whom indemnification is sought prior to the expiration of the survival period as set forth above, in which case the representation, warranty, covenant or agreement which is the subject of such claim shall survive, to the extent of such claim only, until such claim is resolved. Notwithstanding the foregoing, claims made under the R&W Policy are not subject to the survival limitations contained in this **Section 9.6**.

Section 9.7 Further Limitations on Indemnification

. Notwithstanding any other provision of this Agreement to the contrary, no loss, claim, damage, expense or liability of any type shall constitute Damages under this **Article 9** to the extent that the Purchaser, the Company or any of its Subsidiaries exercise and recover indemnification or other remedies under Contracts of the Company or any of its Subsidiaries then in effect with respect to such loss, claim, damage, expense or other liability, including pursuant to the procedures set forth in **Section 6.18** (Insurance). Notwithstanding any other provision of this Agreement to the contrary, to the extent that the amount of any loss, claim, damage, expense or liability of any type is included in the calculation of the Closing Date Net Working Capital set forth in the Closing Statement (as finally determined pursuant to **Section 2.6**), such amount associated with such loss, claim, damage, expense or liability shall not also constitute Damages under this **Article 9** to the extent its inclusion in Damages would constitute a duplication of such a loss, claim, damage, expense or liability.

Section 9.8 Mitigation

. Each Person entitled to indemnification hereunder shall take all reasonable steps to mitigate all Damages after becoming aware of any event which could reasonably be expected to give rise to any Damages that are indemnifiable or recoverable hereunder or in connection herewith. In addition to the foregoing, the Purchaser shall use its commercially reasonable efforts to collect and recover from the R&W Policy with respect to any Damages that could reasonably be expected to be covered by such policy.

Article 10

MISCELLANEOUS PROVISIONS

Section 10.1 Notices

. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) when personally delivered, or if sent by United States certified mail, return receipt requested, postage prepaid, shall be deemed duly given on delivery by United States Postal Service, (ii) if sent by facsimile, shall be deemed duly given on the Business Day received if received prior to 5:00 p.m. local time or on the following Business Day if received after 5:00 p.m. local time or on a non-Business Day, and such facsimile receipt is electronically confirmed, (iii) if sent by reputable national overnight courier for next day delivery, shall be deemed duly given on the Business Day after receipt by the overnight national courier service, to the respective Parties hereto as follows or (iv) if sent by email, on the date delivered (provided confirmation of email receipt is obtained). All notices hereunder will be delivered to the addresses set forth below:

To the Company: GLOBAL WATER SERVICES HOLDING COMPANY, INC.
c/o ALLETE, Inc.
30 West Superior Street
Duluth, MN 55802
Attn: Alan R. Hodnik, President
Fax: +1 (218) 723-3955
Email: ahodnik@allete.com

with a copy to (which copy will not constitute notice):

ALLETE, Inc.
30 West Superior Street
Duluth, MN 55802
Attn: Bethany Owen, General Counsel
Attn: Christopher D. Anderson, Associate General Counsel
Fax: +1 (218) 723-3955
Email: bowen@allete.com and canderson@allete.com

with a copy to (which copy will not constitute notice):

Ballard Spahr LLP
80 South Eighth Street, Suite 2000
Minneapolis, MN 55402
Attn: Timothy S. Murphy
Fax: +1 (612) 371-3207
Email: murphyt@ballardspahr.com

To the Seller: ALLETE Enterprises, Inc.
c/o ALLETE, Inc.
30 West Superior Street
Duluth, MN 55802
Attn: Alan R. Hodnik, President
Fax: +1 (218) 723-3955
Email: ahodnik@allete.com

with a copy to (which copy will not constitute notice):

ALLETE, Inc.
30 West Superior Street
Duluth, MN 55802
Attn: Bethany Owen, General Counsel
Attn: Christopher D. Anderson, Associate General Counsel
Fax: +1 (218) 723-3955
Email: bowen@allete.com and canderson@allete.com

with a copy to (which copy will not constitute notice):

Ballard Spahr LLP
80 South Eighth Street, Suite 2000
Minneapolis, MN 55402
Attn: Timothy S. Murphy
Fax: +1 (612) 371-3207
Email: murphyt@ballardspahr.com

To the Purchaser: Kurita America Holdings Inc.
c/o Kurita America Inc.
1313 Valwood Parkway, Suite 370
Carrollton, TX 75006
Attn: Yasuo Hatta (Suzuki)
Fax: +81 (3) 3319-2025
Email: yasuo.suzuki@kurita.co.jp

with a copy to (which copy will not constitute notice):

Kurita Water Industries LTD.
Nakano Central Park East, 10-1
Nakano 4-chome, Nakano-ku
Tokyo 164-0001, Japan
Attn: Yasuo Hatta (Suzuki)
Fax: +81 (3) 3319-2025
Email: yasuo.suzuki@kurita.co.jp

with a copy to (which copy will not constitute notice):

Morrison & Foerster LLP
Shin-Marunouchi Building 5-1, Marunouchi 1-chome
Chiyoda-ku, Tokyo Japan 100-6529
Attn: Gary M. Smith
Jeff Schrepfer
Fax: +81 (3) 3214-6522
Email: GSmith@mofo.com
JSchrepfer@mofo.com

or to such other representative or at such other address as such Person may furnish to the other Parties in writing. Any Party may change the address to which notices, requests, demands, Claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner set forth herein.

Section 10.2 Assignment; Successors in Interest

. No assignment or transfer by any Party of such Party's rights and obligations hereunder shall be made except with the prior written consent of the Purchaser and the Seller, which consent shall not be unreasonably withheld, delayed or conditioned. No assignment shall relieve the assignee of its obligations hereunder and any assignment or transfer that is made in violation of this **Section 10.2** shall be null, void, and unenforceable. This Agreement shall be binding upon and shall inure to the benefit of the Parties named herein, and their respective successors and permitted assigns, and any reference to a Party shall also be a reference to the successors and permitted assigns thereof.

Section 10.3 Heading and Captions

. The titles, headings, captions and table of contents contained herein are inserted herein only as a matter of convenience and for reference and (i) shall not affect in any way the meaning or interpretation of this Agreement, nor (ii) in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

Section 10.4 Governing Law; Amendment

. This Agreement shall be governed by and construed and enforced in accordance with the internal Laws of the State of New York without reference to its choice of law rules. Each Party hereby waives any right that it might otherwise have to assert any rights or defenses under the Laws of any nation, territory or jurisdiction or require that litigation brought by or against it in connection with this Agreement be conducted in the courts or other forums of any other nation, territory or jurisdiction. This Agreement may be amended or supplemented in any and all respects by written agreement of the Seller and the Purchaser.

Section 10.5 Submission to Arbitration

. Any dispute arising out of or relating to this Agreement, or the breach thereof, shall be resolved by arbitration before the American Arbitration Association (the "**AAA**") in accordance with the AAA Commercial Arbitration Rules in effect at the time the dispute is submitted to arbitration (the "**AAA Commercial Rules**"). To the extent any provision of this **Section 10.5** may conflict with the AAA Commercial Rules, this **Section 10.5** shall be controlling. The arbitration shall be held before a panel of three (3) arbitrators consisting of one (1) arbitrator selected by each of the Seller and the Purchaser within fifteen (15) days after filing of the notice of arbitration and the third, who shall serve as chairperson of the panel, then selected by the two (2) party-appointed arbitrators within (30) days after their appointment. If any arbitrator is not appointed within these timeframes, such arbitrator shall be appointed by the AAA. Any arbitrator selected or otherwise assigned to decide a matter hereunder, shall be a licensed attorney with at least ten (10) years of experience in litigating mergers and acquisitions transactions, but with no prior, existing or potential business relationship with any of the parties hereto or any of their respective Affiliates, attorneys or other

advisors and who shall be appointed in accordance with the AAA Commercial Rules. The Parties agree that a court reporter will record the arbitration proceedings and that the reporter's record will be the agreed transcript of the proceedings. The arbitrators shall specify the basis for their decision, the basis of any damages award and a breakdown of any damages awarded, and the basis of any other remedy authorized under this Agreement, including but not limited to specific performance or injunctive relief. The decision of the arbitrators shall be considered as a final and binding resolution of the disagreement, shall not be subject to appeal and may be entered as a judgment and enforced in any court of competent jurisdiction. The exclusive language to be used for the arbitral proceedings and documentation shall be English and the seat of the arbitration shall be New York City, New York, United States of America. Any arbitration proceeding hereunder shall be conducted on a confidential basis. The arbitrators shall apply the substantive laws of the State of New York in interpreting and resolving disputes. The Seller and the Purchaser shall agree in good faith upon what, if any, discovery shall be permitted. If the Seller and the Purchaser cannot agree on the form and scope of discovery within thirty (30) days after the appointment of the arbitrators, then discovery shall be conducted in accordance with the AAA Commercial Rules.

Section 10.6 Severability

. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Law, each Party hereby waives any provision of Law that renders any such provision prohibited or unenforceable in any respect.

Section 10.7 Execution in Counterparts and Delivery of Electronic Signatures

. This Agreement may be executed in any number of counterparts. All such counterparts will be deemed to be originals and will together constitute but one and the same instrument. The executed counterparts of this Agreement may be delivered by electronic means, such as email and/or facsimile, and the receiving Party may rely on the receipt of such executed counterpart as if the original had been received.

Section 10.8 Parties in Interest

. Except for **Section 6.9** and **Article 9**, which are intended to benefit and be enforceable by the parties specified therein, nothing expressed or implied herein is intended, or shall be construed, to confer upon or give any Person other than the Parties, and their successors or permitted assigns, any right, remedy, obligation or liability under or by reason of this Agreement, or result in such Person being deemed a third-party beneficiary hereof.

Section 10.9 Waiver

. Any agreement on the part of a Party to any extension or waiver of any provision hereof shall be valid only if set forth in an instrument in writing signed on behalf of such Party. A waiver by a Party of the performance of any covenant, agreement, obligation, condition, representation or warranty shall not be construed as a waiver of any other covenant, agreement, obligation, condition, representation or warranty. No waiver shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence or omission. A waiver by any Party of the performance of any act shall not constitute a waiver of the performance of any other act or an identical act required to be performed at a later time.

Section 10.10 Entire Agreement and Integration

. This Agreement, including the Company Disclosure Schedule, the Exhibits attached hereto, the documents executed and/or delivered, or to be executed and/or delivered, and other documents referred to herein pursuant to the terms hereof together with the Confidentiality Agreement, which shall survive execution of this Agreement, constitute the entire agreement by and among the Parties with respect thereto, and supersedes all prior

negotiations, agreements, understandings, and representations by or among the Parties, written or oral, with respect to, and to the extent that they relate in any way to, the subject matter hereof.

Section 10.11 Further Assurances

. Following the Closing, each Party shall deliver to the other Parties such further information and documents and shall execute and deliver to the other Parties such further instruments and agreements as any other Party shall reasonably request to consummate or confirm the transactions provided for herein, to accomplish the purpose hereof or to assure to any other Party the benefits hereof.

Section 10.12 Attorneys' Fees

. In the event of any proceeding arising out of or relating to this Agreement or the rights of any party hereunder, the prevailing party in such proceeding shall be entitled to receive from the other party its reasonable attorneys' fees and other reasonable costs and expenses incurred therein.

Section 10.13 Expenses

. Except as otherwise expressly set forth herein, each Party shall be responsible for and shall pay all of its own costs and expenses (including the fees and expenses of its attorneys, accountants, investment bankers and other advisors) incurred in connection with this Agreement and the transactions contemplated hereby.

Section 10.14 Concerning the Company's Counsel; Attorney Client Privilege

.

(a) The Parties understand and agree that the Company and its Affiliates have been represented by Ballard Spahr LLP ("**Prior Company Counsel**") in connection with the transactions contemplated by this Agreement (the "**Engagement**"). The Parties further understand and agree that the Company, prior to the Closing, and the Seller, after the Closing, and except in the case of a third party dispute, shall have the sole right to control, assert and waive the attorney-client privilege with respect to any communications at any time between or among the Company or any of its Affiliates and Prior Company Counsel relating to the Engagement. Immediately prior to the Closing Date, all documents and communications generated and maintained by the Company or any of its Affiliates and Prior Company Counsel exclusively in connection with Prior Company Counsel confidential legal advice and work product for the Engagement shall become the exclusive property of the Seller, notwithstanding whether any such documents or communications may be retained in the Company's or any of its Subsidiaries' files or may come into the possession of the Purchaser, the Company or any of the Company's Subsidiaries after the Closing.

(b) The Parties understand and agree that nothing in this Agreement, including the foregoing provision regarding the ownership and assertion of privilege, shall be deemed to be a waiver of any applicable attorney-client privilege. The Parties further understand and agree that the Parties have each undertaken reasonable efforts to prevent the disclosure of confidential or attorney-client privileged information. Notwithstanding those efforts, the Parties further understand and agree that the consummation of the transactions contemplated by this Agreement may result in the inadvertent disclosure of information that may be confidential or subject to a claim of privilege. The Parties further understand and agree that any disclosure of information that may be confidential or subject to a claim of privilege will not prejudice or otherwise constitute a waiver of any claim of privilege, unless applicable Law would deem and dictate such an occurrence to be the required result. The Parties agree to use commercially reasonable efforts to return promptly any inadvertently disclosed information to the appropriate Party upon becoming aware of its existence. This **Section 10.14** shall be irrevocable, and no term of this **Section 10.14** may be amended, waived or modified, without the prior written consent of the Parties.

Section 10.15 Equitable Relief; Specific Performance

. The parties agree that irreparable and ongoing damages, for which monetary damages (even if available) would not be an adequate remedy, would occur in the event that any provision of this Agreement were not performed in accordance with its specific terms or otherwise were breached. Accordingly, each party agrees that in the event of any actual or threatened breach of this Agreement by the other party, the non-breaching party shall be entitled, in addition to all other rights and remedies that it may have, to obtain injunctive or other equitable relief (including a temporary restraining order, a preliminary injunction and a final injunction) to prevent any actual or threatened breach of any of such provisions and to enforce such provisions specifically, without the necessity of posting a bond or other security or of proving actual damages.

[SIGNATURE PAGE FOLLOWS]

[Remainder of this page intentionally left blank]

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

COMPANY:

GLOBAL WATER SERVICES HOLDING COMPANY, INC.

By:_____
Name:_____
Title:_____

SELLER:

ALLETE ENTERPRISES, INC.

By:_____
Name:_____
Title:_____

PURCHASER:

KURITA AMERICA HOLDINGS INC.

By:_____
Name:_____
Title:_____

SCHEDULE 1.0

KNOWLEDGE PERSONS

1. **Company or Seller**

(a) Alan R. Hodnik
Chief Executive Officer, ALLETE Enterprises, Inc.

(b) Robert J. Adams
Chief Financial Officer, ALLETE Enterprises, Inc.

(c) Christopher D. Anderson
Associate General Counsel, ALLETE Enterprises, Inc.
General Counsel, Global Water Services Holding Company, Inc.
General Counsel, USW and Subsidiaries

(d) LaMarr E. Barnes
Director, Global Water Services Holding Company, Inc.
President, USW and Subsidiaries

(e) J.B. Flies
Chief Financial Officer, USW and Subsidiaries

(f) Steve Morris
Chief Financial Officer, Global Water Services Holding Company, Inc.
Director, USW and Subsidiaries

2. **Purchaser**

(a) Yasuo Hatta (Suzuki)
President, Chief Executive Officer, Secretary and Treasurer
Kurita Holdings America Inc.

SCHEDULE 2.0

CERTAIN INDEMNIFIED MATTERS

1. any amount owing in connection with the Redemption, including in the event additional amounts become due as a result of the restatement of the Company's financial statements pursuant to the terms of the Redemption Documents;

2. any liability arising from item 2 on **Schedule 3.13** of the Company Disclosure Schedule (Legal Proceedings); or

3. any liability arising from the Release of Hazardous Materials (including for present purposes any formaldehyde or chlorinated solvent) at, under or from the Leased Real Property located at (a) 2700 West Firestone Lane, Vancouver, WA or (b) 13109 Arctic Circle, Santa Fe Springs, CA.

EXHIBIT A

PURCHASER PARENT GUARANTY

[See Attached]

EXHIBIT B

STOCK POWER

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, transfers and conveys unto Kurita America Holdings Inc., a Delaware corporation, all right, title and interest in and to [_____] shares of [_____], _____par value per share, of Global Water Services Holding Company, Inc., a Delaware corporation (the "Company"), standing in the undersigned's name on the books of the Company and represented by Certificates No. [____], and does hereby irrevocably constitute and appoint any officer of the Company, attorney-in-fact to transfer such stock on the books of the Company with full power of substitution in the premises.

ALLETE ENTERPRISES, INC.

By:_____
Name:_____
Title:_____

Dated: _____, 2019

EXHIBIT C

FORM OF RESTRICTIVE COVENANT AGREEMENT

[See Attached]

EXHIBIT D

WORKING CAPITAL CALCULATION

[See Attached]

EXHIBIT E

FORM OF ESTOPPEL CERTIFICATE

[See Attached]

EXHIBIT F

FORM OF OWNER'S AFFIDAVIT

[See Attached]

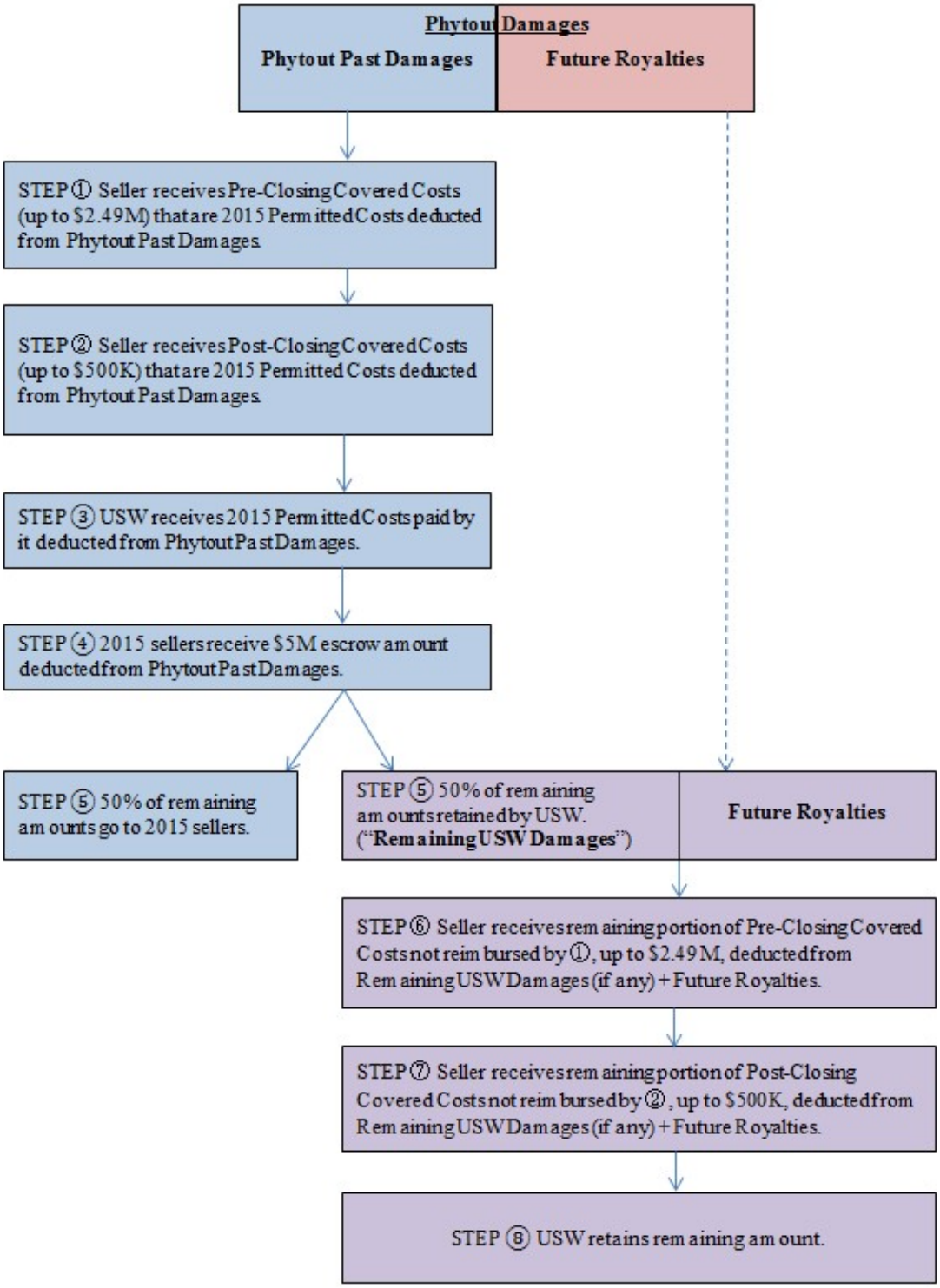
EXHIBIT G

FORM OF NON-IMPUTATION AFFIDAVIT AND INDEMNIFICATION

[See Attached]

EXHIBIT H

PHYTOUT LITIGATION



FORM OF SUPPLEMENTAL INDENTURE

ALLETE, Inc.

(formerly Minnesota Power & Light Company

and formerly Minnesota Power, Inc.)

TO

THE BANK OF NEW YORK MELLON
(formerly The Bank of New York
(formerly Irving Trust Company))

AND

Andres Serrano
(successor to Richard H. West, J. A. Austin, E. J. McCabe, D. W. May, J. A. Vaughan, W. T. Cunningham, Douglas J. MacInnes, Ming Ryan, and Philip L. Watson)

As Trustees under ALLETE, Inc.'s Mortgage and Deed of Trust dated as of September 1, 1945

Fortieth Supplemental Indenture

Providing, among other things, for

First Mortgage Bonds, 4.08% Series due March 1, 2029

(Fifty-eighth Series),

And

First Mortgage Bonds, 4.47% Series due March 1, 2049

(Fifty-ninth Series),

Dated as of March 1, 2019

FORTIETH SUPPLEMENTAL INDENTURE

THIS INDENTURE, dated as of March 1, 2019, by and between ALLETE, Inc. (formerly Minnesota Power & Light Company and formerly Minnesota Power, Inc.), a corporation of the State of Minnesota, whose post office address is 30 West Superior Street, Duluth, Minnesota 55802 (hereinafter sometimes called the "Company"), and The Bank of New York Mellon (formerly The Bank of New York (formerly Irving Trust Company)), a corporation of the State of New York, whose post office address is 240 Greenwich Street, New York, New York 10286 (hereinafter sometimes called the "Corporate Trustee"), and Andres Serrano (successor to Richard H. West, J. A. Austin, E. J. McCabe, D. W. May, J. A. Vaughan, W. T. Cunningham, Douglas J. MacInnes, Ming Ryan and Philip L. Watson), whose post office address is c/o The Bank of New York Mellon, 240 Greenwich Street, New York, New York 10286 (said Andres Serrano being hereinafter sometimes called the "Co-Trustee" and the Corporate Trustee and the Co-Trustee being hereinafter together sometimes called the "Trustees"), as Trustees under the Mortgage and Deed of Trust, dated as of September 1, 1945, between the Company and Irving Trust Company and Richard H. West, as Trustees, securing bonds issued and to be issued as provided therein (hereinafter sometimes called the "Mortgage"), reference to which Mortgage is hereby made, this indenture (hereinafter sometimes called the "Fortieth Supplemental Indenture") being supplemental thereto:

Whereas, the Mortgage was filed and recorded in various official records in the State of Minnesota; and

Whereas, an instrument, dated as of October 16, 1957, was executed and delivered under which J. A. Austin succeeded Richard H. West as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, an instrument, dated as of April 4, 1967, was executed and delivered under which E. J. McCabe in turn succeeded J. A. Austin as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, under the Sixth Supplemental Indenture, dated as of August 1, 1975, to which reference is hereinafter made, D. W. May in turn succeeded E. J. McCabe as Co-Trustee under the Mortgage; and

Whereas, an instrument, dated as of June 25, 1984, was executed and delivered under which J. A. Vaughan in turn succeeded D. W. May as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, an instrument, dated as of July 27, 1988, was executed and delivered under which W. T. Cunningham in turn succeeded J. A. Vaughan as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, on May 12, 1998, the Company filed Amended and Restated Articles of Incorporation with the Secretary of State of the State of Minnesota changing its name from Minnesota Power & Light Company to Minnesota Power, Inc. effective May 27, 1998; and

Whereas, an instrument, dated as of April 15, 1999, was executed and delivered under which Douglas J. MacInnes in turn succeeded W. T. Cunningham as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, on May 8, 2001, the Company filed Amended and Restated Articles of Incorporation with the Secretary of State of the State of Minnesota changing its name from Minnesota Power, Inc. to ALLETE, Inc.; and

Whereas, under the Thirty-second Supplemental Indenture, dated as of August 1, 2010, to which reference is hereinafter made, Ming Ryan in turn succeeded Douglas J. MacInnes as Co-Trustee under the Mortgage; and

Whereas, an instrument, dated as of August 1, 2012, was executed and delivered under which Philip L. Watson in turn succeeded Ming Ryan as Co-Trustee under the Mortgage effective at the close of business on August 6, 2012, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, an instrument, dated as of July 31, 2015, was executed and delivered under which Andres Serrano in turn succeeded Philip L. Watson as Co-Trustee under the Mortgage effective at the close of business on August 14, 2015, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, by the Mortgage the Company covenanted, among other things, that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired and intended to be subject to the lien thereof; and

Whereas, for said purposes, among others, the Company executed and delivered the following indentures supplemental to the Mortgage:

Designation	**Dated as of**
First Supplemental Indenture	March 1, 1949
Second Supplemental Indenture	July 1, 1951
Third Supplemental Indenture	March 1, 1957
Fourth Supplemental Indenture	January 1, 1968
Fifth Supplemental Indenture	April 1, 1971
Sixth Supplemental Indenture	August 1, 1975
Seventh Supplemental Indenture	September 1, 1976
Eighth Supplemental Indenture	September 1, 1977
Ninth Supplemental Indenture	April 1, 1978
Tenth Supplemental Indenture	August 1, 1978
Eleventh Supplemental Indenture	December 1, 1982
Twelfth Supplemental Indenture	April 1, 1987
Thirteenth Supplemental Indenture	March 1, 1992
Fourteenth Supplemental Indenture	June 1, 1992
Fifteenth Supplemental Indenture	July 1, 1992
Sixteenth Supplemental Indenture	July 1, 1992
Seventeenth Supplemental Indenture	February 1, 1993
Eighteenth Supplemental Indenture	July 1, 1993
Nineteenth Supplemental Indenture	February 1, 1997
Twentieth Supplemental Indenture	November 1, 1997
Twenty-first Supplemental Indenture	October 1, 2000
Twenty-second Supplemental Indenture	July 1, 2003
Twenty-third Supplemental Indenture	August 1, 2004
Twenty-fourth Supplemental Indenture	March 1, 2005
Twenty-fifth Supplemental Indenture	December 1, 2005
Twenty-sixth Supplemental Indenture	October 1, 2006
Twenty-seventh Supplemental Indenture	February 1, 2008
Twenty-eighth Supplemental Indenture	May 1, 2008
Twenty-ninth Supplemental Indenture	November 1, 2008
Thirtieth Supplemental Indenture	January 1, 2009
Thirty-first Supplemental Indenture	February 1, 2010
Thirty-second Supplemental Indenture	August 1, 2010
Thirty-third Supplemental Indenture	July 1, 2012
Thirty-fourth Supplemental Indenture	April 1, 2013
Thirty-fifth Supplemental Indenture	March 1, 2014
Thirty-sixth Supplemental Indenture	June 1, 2014
Thirty-seventh Supplemental Indenture	September 1, 2014
Thirty-eighth Supplemental Indenture	September 1, 2015
Thirty-ninth Supplemental Indenture	April 1, 2018

which supplemental indentures were filed and recorded in various official records in the State of Minnesota; and

Whereas, the Company has heretofore issued, in accordance with the provisions of the Mortgage, as heretofore supplemented, the following series of First Mortgage Bonds:

Series	Principal Amount Issued	Principal Amount Outstanding
3-1/8% Series due 1975	$26,000,000	None
3-1/8% Series due 1979	4,000,000	None
3-5/8% Series due 1981	10,000,000	None
4-3/4% Series due 1987	12,000,000	None
6-1/2% Series due 1998	18,000,000	None
8-1/8% Series due 2001	23,000,000	None
10-1/2% Series due 2005	35,000,000	None
8.70% Series due 2006	35,000,000	None
8.35% Series due 2007	50,000,000	None
9-1/4% Series due 2008	50,000,000	None
Pollution Control Series A	111,000,000	None
Industrial Development Series A	2,500,000	None
Industrial Development Series B	1,800,000	None
Industrial Development Series C	1,150,000	None
Pollution Control Series B	13,500,000	None
Pollution Control Series C	2,000,000	None
Pollution Control Series D	3,600,000	None
7-3/4% Series due 1994	55,000,000	None
7-3/8% Series due March 1, 1997	60,000,000	None
7-3/4% Series due June 1, 2007	55,000,000	None
7-1/2% Series due August 1, 2007	35,000,000	None
Pollution Control Series E	111,000,000	None
7% Series due March 1, 2008	50,000,000	None
6-1/4% Series due July 1, 2003	25,000,000	None
7% Series due February 15, 2007	60,000,000	None
6.68% Series due November 15, 2007	20,000,000	None
Floating Rate Series due October 20, 2003	250,000,000	None
Collateral Series A	255,000,000	None
Pollution Control Series F	111,000,000	None
5.28% Series due August 1, 2020	35,000,000	35,000,000
5.69% Series due March 1, 2036	50,000,000	50,000,000
5.99% Series due February 1, 2027	60,000,000	60,000,000
4.86% Series due April 1, 2013	60,000,000	None
6.02% Series due May 1, 2023	75,000,000	75,000,000
6.94% Series due January 15, 2014	18,000,000	None
7.70% Series due January 15, 2016	20,000,000	None
8.17% Series due January 15, 2019	42,000,000	None
4.85% Series due April 15, 2021	15,000,000	15,000,000
5.10% Series due April 15, 2025	30,000,000	30,000,000
6.00% Series due April 15, 2040	35,000,000	35,000,000

4.90% Series due October 15, 2025	30,000,000	30,000,000
5.82% Series due April 15, 2040	45,000,000	45,000,000
3.20% Series due July 15, 2026	75,000,000	75,000,000
4.08% Series due July 15, 2042	85,000,000	85,000,000
1.83% Series due April 15, 2018	50,000,000	None
3.30% Series due October 15, 2028	40,000,000	40,000,000
4.21% Series due October 15, 2043	60,000,000	60,000,000
3.69% Series due March 15, 2024	60,000,000	60,000,000
4.95% Series due March 15, 2044	40,000,000	40,000,000
3.40% Series due July 15, 2022	75,000,000	75,000,000
5.05% Series due July 15, 2044	40,000,000	40,000,000
3.02% Series due September 15, 2021	60,000,000	60,000,000
3.74% Series due September 15, 2029	50,000,000	50,000,000
4.39% Series due September 15, 2044	50,000,000	50,000,000
2.80% Series due September 15, 2020	40,000,000	40,000,000
3.86% Series due September 16, 2030	60,000,000	60,000,000
4.07% Series due April 16, 2048	60,000,000	60,000,000

which bonds are also hereinafter sometimes called bonds of the First through Fifty-seventh Series, respectively; and

Whereas, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

Whereas, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may (to the extent permitted by law) be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, or may establish the terms and provisions of any series of bonds (other than said First Series) by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

Whereas, the Company now desires to create two new series of bonds and (pursuant to the provisions of Section 120 of the Mortgage) to add to its covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the Mortgage, as heretofore supplemented; and

Whereas, the execution and delivery by the Company of this Fortieth Supplemental Indenture, and the terms of the bonds of the Fifty-eighth Series and the Fifty-ninth Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate resolutions of said Board of Directors;

Now, Therefore, This Indenture Witnesseth:

That the Company, in consideration of the premises and of One Dollar to it duly paid by the Trustees at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustees and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, as heretofore supplemented, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances) unto The Bank of New York Mellon and Andres Serrano, as Trustees under the Mortgage, and to their successor or successors in said trust, and to said Trustees and their successors and assigns forever, all property, real, personal and mixed, of the kind or nature specifically mentioned in the Mortgage, as heretofore supplemented, or of any other kind or nature acquired by the Company after the date of the execution and delivery of the Mortgage, as heretofore supplemented (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned or, subject to the provisions of subsection (I) of Section 87 of the Mortgage, hereafter acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Fortieth Supplemental Indenture) all lands, power sites, flowage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electricity by steam, water and/or other power; all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, water systems, steam heat and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric, gas and other machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture and chattels; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

Together with all and singular the tenements, hereditaments, prescriptions, servitudes and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

It is hereby agreed by the Company that, subject to the provisions of subsection (I) of Section 87 of the Mortgage, all the property, rights, and franchises acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) after the date hereof, except any herein or in the Mortgage, as heretofore supplemented, expressly excepted, shall be and are as fully granted and conveyed hereby and by the Mortgage and as fully embraced within the lien hereof and the lien of the Mortgage as if such property, rights and franchises were now owned by the Company and were specifically described herein or in the Mortgage and conveyed hereby or thereby.

Provided that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, hypothecated, affected, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Fortieth Supplemental Indenture and from the lien and operation of the Mortgage, namely: (1) cash, shares of stock, bonds, notes and other obligations and other securities not hereafter specifically pledged, paid, deposited, delivered or held under the Mortgage or covenanted so to be; (2) merchandise, equipment, apparatus, materials or supplies held for the purpose of sale or other disposition in the usual course of business; fuel, oil and similar materials and supplies consumable in the operation of any of the properties of the Company; all aircraft, rolling stock, trolley coaches, buses, motor coaches, automobiles and other vehicles and materials and supplies held for the purpose of repairing or replacing (in whole or part) any of the same; all timber, minerals, mineral rights and royalties; (3) bills, notes and accounts receivable, judgments, demands and choses in action, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; the Company's contractual rights or other interest in or with respect to tires not owned by the Company; (4) the last day of the term of any lease or leasehold which may hereafter become subject to the lien of the Mortgage; (5) electric energy, gas, steam, ice, and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; (6) the Company's franchise to be a corporation; and (7) any property heretofore released pursuant to any provisions of the Mortgage; provided, however, that the property and rights expressly excepted from the lien and operation of this Fortieth Supplemental Indenture and from the lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that either or both of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XIII of the Mortgage by reason of the occurrence of a Default as defined in Section 65 thereof.

To have and to hold all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees and their successors and assigns forever.

In trust nevertheless, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as supplemented, this Fortieth Supplemental Indenture being supplemental thereto.

And it is hereby covenanted by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors in the trust in the same manner and with the same effect as if said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustees by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successors in said trust under the Mortgage as follows:

ARTICLE I
Fifty-eighth Series of Bonds

Section 1. There shall be a series of bonds designated "4.08% Series due March 1, 2029" (herein sometimes referred to as the "Fifty-eighth Series"), each of which shall also bear the descriptive title "First Mortgage Bond", and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Fifty-eighth Series shall be dated as in Section 10 of the Mortgage provided, mature on March 1, 2029 (the "Fifty-eighth Series Stated Maturity"), be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof) and bear interest from March 1, 2019 (computed on the basis of a 360-day year of twelve thirty-day months) at the rate of 4.08% per annum, payable semi-annually on March 1 and September 1 of each year, commencing September 1, 2019, the principal of and interest on each said bond to be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

Any payment of principal of or interest on any bond of the Fifty-eighth Series that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any such bond of the Fifty-eighth Series is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

(I) **Optional Prepayment.** At any time prior to September 1, 2028 (six months prior to the Fifty-eighth Series Stated Maturity) the Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the bonds of the Fifty-eighth Series at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the Settlement Date specified by the Company in such notice with respect to such principal amount. The Company will give each registered owner of bonds of the Fifty-eighth Series written notice (by first class mail or such other method as may be agreed upon by the Company and such registered owner) of each optional prepayment under this subsection (I) mailed or otherwise given not less than 30 days and not more than 60 days prior to the date fixed for such prepayment, to each such registered owner at his, her or its last address appearing on the registry books. Each such notice shall specify the Settlement Date (which shall be a Business Day), the aggregate principal amount of the bonds of the Fifty-eighth Series to be prepaid on such date, the principal amount of each bond held by such registered owner to be prepaid (determined in accordance with subsection (II) of this section), and the interest to be paid on the Settlement Date with respect to such principal amount being prepaid, and shall be accompanied by a certificate signed by a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such Settlement Date, the Company shall send to each registered owner of bonds of the Fifty-eighth Series (by first class mail or by such other method as may be agreed upon by the Company and such registered owner) a certificate signed by a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified Settlement Date. As promptly as practicable after the giving of the notice and the sending of the certificates provided in this subsection, the Company shall provide a copy of each to the Corporate Trustee. The Trustees shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the information set forth in any such notice or certificate.

At any time on or after September 1, 2028, the bonds of the Fifty-eighth Series will be redeemable at the option of the Company, in whole or in part, on not less than 30 nor more than 60 days' notice prior to the Settlement Date, at a redemption price equal to 100% of the principal amount of the bonds of the Fifty-eighth Series to be redeemed, plus accrued and unpaid interest thereon to the Settlement Date.

The bonds of the Fifty-eighth Series are not otherwise subject to voluntary or optional prepayment.

(II) **Allocation of Partial Prepayments.** In the case of each partial prepayment of the bonds of the Fifty-eighth Series, the principal amount of the bonds of the Fifty-eighth Series to be prepaid shall be allocated by the Company among all of the bonds of the Fifty-eighth Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

(III) **Maturity; Surrender, Etc.** In the case of each notice of prepayment of bonds of the Fifty-eighth Series pursuant to this section, if cash sufficient to pay the principal amount to be prepaid on the Settlement Date (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any, is not paid as agreed upon by the Company and each registered owner of the affected bonds, or, to the extent that there is no such agreement entered into with one or more such owners, deposited with the Corporate Trustee on or before the Settlement Date, then such notice of prepayment shall be of no effect. If such cash is so paid or deposited, such principal amount of the bonds of the Fifty-eighth Series shall be deemed paid for all purposes and interest on such principal amount shall cease to accrue. In case the Company pays any registered owner pursuant to an agreement with that registered owner, the Company shall notify the Corporate Trustee as promptly as practicable of such agreement and payment, and shall furnish the Corporate Trustee with a copy of such agreement; in case the Company deposits any cash with the Corporate Trustee, the Company shall provide therewith a list of the registered owners and the amount of such cash each registered owner is to receive. The Trustees shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the information set forth in any such notice, list or agreement, and shall not be chargeable with knowledge of any of the contents of any such agreement. Any bond prepaid in full shall be surrendered to the Company or the Corporate Trustee for cancellation on or before the Settlement Date or, with respect to cash deposited with the Corporate Trustee, before payment of such cash by the Corporate Trustee; any bond prepaid in part shall be surrendered to the Company or the Corporate Trustee on or before the Settlement Date (unless otherwise agreed between the Company and the registered owner) or, with respect to cash deposited with the Corporate Trustee before payment of such cash by the Corporate Trustee, for a substitute bond in the principal amount remaining unpaid.

(IV) **Make-Whole Amount.**

The term “Make-Whole Amount” means, with respect to any bond of the Fifty-eighth Series, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such bond of the Fifty-eighth Series over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

“Business Day” means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

“Called Principal” means, with respect to any bond of the Fifty-eighth Series, the principal of such bond that is to be prepaid pursuant to subsection (I) of this section.

“Discounted Value” means, with respect to the Called Principal of any bond of the Fifty-eighth Series, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the bonds of the Fifty-eighth Series is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any bond of the Fifty-eighth Series, the sum of (a) 0.50% plus (b) the yield to maturity implied by the "Ask Yield(s)" reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run benchmark U.S. Treasury securities ("Reported") having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (i) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between the "Ask Yields" Reported for the applicable most recently issued actively traded on-the-run benchmark U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond of the Fifty-eighth Series.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "Reinvestment Yield" means, with respect to the Called Principal of any bond of the Fifty-eighth Series, the sum of (x) 0.50% plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond of the Fifty-eighth Series.

"Remaining Average Life" means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Bond of the Fifty-eighth Series, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the bonds of the Fifty-eighth Series, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to subsection (I) of this section.

"Settlement Date" means, with respect to the Called Principal of any Bond of the Fifty-eighth Series, the date on which such Called Principal is to be prepaid pursuant to subsection (I) of this section.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

(V) At the option of the registered owner, any bonds of the Fifty-eighth Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, together with a written instrument of transfer wherever required by the Company duly executed by the registered owner or by his duly authorized attorney, shall (subject to the provisions of Section 12 of the Mortgage) be exchangeable for a like aggregate unpaid principal amount of bonds of the same series of other authorized denominations.

Bonds of the Fifty-eighth Series shall be transferable (subject to the provisions of Section 12 of the Mortgage) at the office or agency of the Company in the Borough of Manhattan, The City of New York. The Company shall not be required to make transfers or exchanges of bonds of the Fifty-eighth Series for a period of ten (10) days next preceding any designation of bonds of said series to be prepaid, and the Company shall not be required to make transfers or exchanges of any bonds of said series designated in whole or in part for prepayment.

Upon any exchange or transfer of bonds of the Fifty-eighth Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the Fifty-eighth Series.

After the delivery of this Fortieth Supplemental Indenture and upon compliance with the applicable provisions of the Mortgage and receipt of consideration therefor by the Company, there shall be an initial issue of bonds of the Fifty-eighth Series for the aggregate principal amount of $70,000,000.

ARTICLE II
Fifty-ninth Series of Bonds

Section 1. There shall be a series of bonds designated “4.47% Series due March 1, 2049” (herein sometimes referred to as the “Fifty-ninth Series”), each of which shall also bear the descriptive title “First Mortgage Bond”, and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Fifty-ninth Series shall be dated as in Section 10 of the Mortgage provided, mature on March 1, 2049 (the “Fifty-ninth Series Stated Maturity”), be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof) and bear interest from March 1, 2019 (computed on the basis of a 360-day year of twelve thirty-day months) at the rate of 4.47% per annum, payable semi-annually on March 1 and September 1 of each year, commencing September 1, 2019, the principal of and interest on each said bond to be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

Any payment of principal of or interest on any bond of the Fifty-ninth Series that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any such bond of the Fifty-ninth Series is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

(I) **Optional Prepayment.** At any time prior to September 1, 2048 (six months prior to the Fifty-ninth Series Stated Maturity) the Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the bonds of the Fifty-ninth Series at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the Settlement Date specified by the Company in such notice with respect to such principal amount. The Company will give each registered owner of bonds of the Fifty-ninth Series written notice (by first class mail or such other method as may be agreed upon by the Company and such registered owner) of each optional prepayment under this subsection (I) mailed or otherwise given not less than 30 days and not more than 60 days prior to the date fixed for such prepayment, to each such registered owner at his, her or its last address appearing on the registry books. Each such notice shall specify the Settlement Date (which shall be a Business Day), the aggregate principal amount of the bonds of the Fifty-ninth Series to be prepaid on such date, the principal amount of each bond held by such registered owner to be prepaid (determined in accordance with subsection (II) of this section), and the interest to be paid on the Settlement Date with respect to such principal amount being prepaid, and shall be accompanied by a certificate signed by a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such Settlement Date, the Company shall send to each registered owner of bonds of the Fifty-ninth Series (by first class mail or by such other method as may be agreed upon by the Company and such registered owner) a certificate signed by a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified Settlement Date. As promptly as practicable after the giving of the notice and the sending of the certificates provided in this subsection, the Company shall provide a copy of each to the Corporate Trustee. The Trustees shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the information set forth in any such notice or certificate.

At any time on or after September 1, 2048, the bonds of the Fifty-ninth Series will be redeemable at the option of the Company, in whole or in part, on not less than 30 nor more than 60 days' notice prior to the Settlement Date, at a redemption price equal to 100% of the principal amount of the bonds of the Fifty-ninth Series to be redeemed, plus accrued and unpaid interest thereon to the Settlement Date.

The bonds of the Fifty-ninth Series are not otherwise subject to voluntary or optional prepayment.

(II) **Allocation of Partial Prepayments.** In the case of each partial prepayment of the bonds of the Fifty-ninth Series, the principal amount of the bonds of the Fifty-ninth Series to be prepaid shall be allocated by the Company among all of the bonds of the Fifty-ninth Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

(III) **Maturity; Surrender, Etc.** In the case of each notice of prepayment of bonds of the Fifty-ninth Series pursuant to this section, if cash sufficient to pay the principal amount to be prepaid on the Settlement Date (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any, is not paid as agreed upon by the Company and each registered owner of the affected bonds, or, to the extent that there is no such agreement entered into with one or more such owners, deposited with the Corporate Trustee on or before the Settlement Date, then such notice of prepayment shall be of no effect. If such cash is so paid or deposited, such principal amount of the bonds of the Fifty-ninth Series shall be deemed paid for all purposes and interest on such principal amount shall cease to accrue. In case the Company pays any registered owner pursuant to an agreement with that registered owner, the Company shall notify the Corporate Trustee as promptly as practicable of such agreement and payment, and shall furnish the Corporate Trustee with a copy of such agreement; in case the Company deposits any cash with the Corporate Trustee, the Company shall provide therewith a list of the registered owners and the amount of such cash each registered owner is to receive. The Trustees shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the information set forth in any such notice, list or agreement, and shall not be chargeable with knowledge of any of the contents of any such agreement. Any bond prepaid in full shall be surrendered to the Company or the Corporate Trustee for cancellation on or before the Settlement Date or, with respect to cash deposited with the Corporate Trustee, before payment of such cash by the Corporate Trustee; any bond prepaid in part shall be surrendered to the Company or the Corporate Trustee on or before the Settlement Date (unless otherwise agreed between the Company and the registered owner) or, with respect to cash deposited with the Corporate Trustee before payment of such cash by the Corporate Trustee, for a substitute bond in the principal amount remaining unpaid.

(IV) **Make-Whole Amount.**

The term "Make-Whole Amount" means, with respect to any bond of the Fifty-ninth Series, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such bond of the Fifty-ninth Series over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"Called Principal" means, with respect to any bond of the Fifty-ninth Series, the principal of such bond that is to be prepaid pursuant to subsection (I) of this section.

"Discounted Value" means, with respect to the Called Principal of any bond of the Fifty-ninth Series, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the bonds of the Fifty-ninth Series is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any bond of the Fifty-ninth Series, the sum of (a) 0.50% plus (b) the yield to maturity implied by the "Ask Yield(s)" reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run benchmark U.S. Treasury securities ("Reported") having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (i) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between the "Ask Yields" Reported for the applicable most recently issued actively traded on-the-run benchmark U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond of the Fifty-ninth Series.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "Reinvestment Yield" means, with respect to the Called Principal of any bond of the Fifty-ninth Series, the sum of (x) 0.50% plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond of the Fifty-ninth Series.

"Remaining Average Life" means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Bond of the Fifty-ninth Series, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the bonds of the Fifty-ninth Series, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to subsection (I) of this section.

"Settlement Date" means, with respect to the Called Principal of any Bond of the Fifty-ninth Series, the date on which such Called Principal is to be prepaid pursuant to subsection (I) of this section.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

(V) At the option of the registered owner, any bonds of the Fifty-ninth Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, together with a written instrument of transfer wherever required by the Company duly executed by the registered owner or by his duly authorized attorney, shall (subject to the provisions of Section 12 of the Mortgage) be exchangeable for a like aggregate unpaid principal amount of bonds of the same series of other authorized denominations.

Bonds of the Fifty-ninth Series shall be transferable (subject to the provisions of Section 12 of the Mortgage) at the office or agency of the Company in the Borough of Manhattan, The City of New York. The Company shall not be required to make transfers or exchanges of bonds of the Fifty-ninth Series for a period of ten (10) days next preceding any designation of bonds of said series to be prepaid, and the Company shall not be required to make transfers or exchanges of any bonds of said series designated in whole or in part for prepayment.

Upon any exchange or transfer of bonds of the Fifty-ninth Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the Fifty-ninth Series.

After the delivery of this Fortieth Supplemental Indenture and upon compliance with the applicable provisions of the Mortgage and receipt of consideration therefor by the Company, there shall be an initial issue of bonds of the Fifty-ninth Series for the aggregate principal amount of $30,000,000.

ARTICLE III
Consent to Amendments

Section 1. Consent to Amendments Each initial and future holder of bonds of the Fifty-eighth Series and the Fifty-ninth Series, by its acquisition of an interest in such bonds, irrevocably (a) consents to the amendments set forth in Article IV of the Thirty-first Supplemental Indenture, dated as of February 1, 2010, without any other or further action by any holder of such bonds, and (b) designates the Corporate Trustee, and its successors, as its proxy with irrevocable instructions to vote and deliver written consents on behalf of such holder in favor of such amendments at any bondholder meeting, in lieu of any bondholder meeting, in any consent solicitation or otherwise.

ARTICLE IV
Reservation of Right to Amend Sections 35(a) and 101 of the Mortgage

Section 1. The Company reserves the right, without any vote, consent or other action by the holders of bonds of the Fifty-eighth Series, the Fifty-ninth Series, or any subsequent series, to amend the Mortgage, as herein or heretofore supplemented as follows:

(A) By deleting from Section 35(a) the phrase "having its principal office and place of business in the Borough of Manhattan, The City of New York" and the word "such" at the location in said Section 35(a) at which such word first appears.

(B) By adding the following at the end of the first sentence of Section 101:

"; provided however, that if all of the bonds at that time Outstanding are registered as to principal and interest or as to principal only, such notice shall be sufficiently given if mailed, postage prepaid to each such registered owner of bonds at his/her last address appearing on the registry books, on or before the date of on which the first publication of such notice would otherwise have been required."

ARTICLE V
Miscellaneous Provisions

Section 1. Section 126 of the Mortgage, as heretofore amended, is hereby further amended by adding the words "and March 1, 2029 and March 1, 2049" after the words "and August 16, 2048."

Section 2. Subject to the amendments provided for in this Fortieth Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Fortieth Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

Section 3. The holders of bonds of the Fifty-eighth Series and the Fifty-ninth Series consent that the Company may, but shall not be obligated to, fix a record date for the purpose of determining the holders of bonds of the Fifty-eighth Series and the Fifty-ninth Series entitled to consent to any amendment, supplement or waiver. If a record date is fixed, those persons who were holders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

Section 4. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions herein and in the Mortgage set forth and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fortieth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVII of the Mortgage shall apply to and form part of this Fortieth Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Fortieth Supplemental Indenture.

Section 5. Whenever in this Fortieth Supplemental Indenture any party hereto is named or referred to, this shall, subject to the provisions of Articles XVI and XVII of the Mortgage, as heretofore supplemented, be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Fortieth Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustees shall, subject as aforesaid, bind and inure to the benefit of the respective successors and assigns of such party whether so expressed or not.

Section 6. Nothing in this Fortieth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy, or claim under or by reason of this Fortieth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Fortieth Supplemental Indenture contained by and on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

Section 7. This Fortieth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8. The Company, the mortgagor named herein, by its execution hereof acknowledges receipt of a full, true and complete copy of this Fortieth Supplemental Indenture.

In witness whereof, ALLETE, Inc. has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President, one of its Vice Presidents, or its Treasurer, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, all in the City of Duluth, Minnesota, and The Bank of New York Mellon has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents or one of its Assistant Vice Presidents and its corporate seal to be attested by one of its Assistant Treasurers, one of its Vice Presidents or one of its Assistant Vice Presidents, and Andres Serrano has hereunto set his hand and affixed his seal, all in The City of New York, as of the day and year first above written.

ALLETE, Inc.

By_____
Robert J. Adams
Senior Vice President and
Chief Financial Officer

Attest:

_____
Bethany M. Owen
Senior Vice President, Chief Legal
and Administrative Officer and
Corporate Secretary

Trustees' Signature Page Follows

The Bank of New York Mellon,
as Trustee

By_____

Attest:

_____

L.S.
[_____]

Executed, sealed and delivered by The Bank of New York Mellon and Andres Serrano in the presence of:

_____

_____

Fortieth Supplemental Indenture dated as of March 1, 2019
To Mortgage and Deed of Trust dated as of September 1, 1945

Trustees' Signature Page

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

On this _____ day of _____, 2019, the foregoing instrument was acknowledged before me by Robert J. Adams, Senior Vice President and Chief Financial Officer of ALLETE, Inc., a Minnesota corporation, on behalf of the Company.

NOTARIAL STAMP OR SEAL

_____

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

On this _____ day of _____, 2019, the foregoing instrument was acknowledged before me by Bethany M. Owen, Senior Vice President, Chief Legal and Administrative Officer and Corporate Secretary of ALLETE, Inc., a Minnesota corporation, on behalf of the Company.

NOTARIAL STAMP OR SEAL

_____

State of New York)
) ss:
County of New York)

On this _____ day of _____, 2019, the foregoing instrument was acknowledged before me by _____ and _____, the _____ and _____, respectively, of The Bank of New York Mellon, the corporation named in the foregoing instrument.

Given under my hand and notarial seal this ____ day of _____, 2019.

Notary Public, State of New York

State of New York)
) ss:
County of New York)

On this _____ day of _____, 2019, the foregoing instrument was acknowledged before me by [_____], the person described in and who executed the foregoing instrument.

Given under my hand and notarial seal this ____ day of _____, 2019.

Notary Public, State of New York

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Alan R. Hodnik, of ALLETE, Inc. (ALLETE), certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2019, of ALLETE;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2019

/s/ Alan R. Hodnik

Alan R. Hodnik

Chairman and Chief Executive Officer

Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert J. Adams, of ALLETE, Inc. (ALLETE), certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2019, of ALLETE;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2019

/s/ Robert J. Adams

Robert J. Adams

Senior Vice President and Chief Financial Officer

Exhibit 32

Section 1350 Certification of Periodic Report
By the Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, each of the undersigned officers of ALLETE, Inc. (ALLETE), does hereby certify that:

1. The Quarterly Report on Form 10-Q of ALLETE for the period ended March 31, 2019, (Report) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ALLETE.

Date: May 2, 2019

/s/ Alan R. Hodnik

Alan R. Hodnik

Chairman and Chief Executive Officer

Date: May 2, 2019

/s/ Robert J. Adams

Robert J. Adams

Senior Vice President and Chief Financial Officer

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability pursuant to that section. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that ALLETE specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ALLETE and will be retained by ALLETE and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 95

Mine Safety Disclosure

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed ($)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Center Mine / 3200218	—	—	—	—	—	—	—	No	No	—	—	—

For the quarter ended March 31, 2019, BNI Energy, owner of Center Mine, received no citations, orders, violations or notices under Sections 104(a), 104(b), 104(d), 107(a), 104(e) or 110(b)(2) of the Mine Safety Act and there were no fatalities.

Exhibit 99

NEWS

For Release: May 2, 2019

Investor Contact: Vince Meyer
218-723-3952
vmeyer@allete.com

ALLETE, Inc. reports first quarter 2019 earnings of $1.37 per share

DULUTH, Minn. - ALLETE, Inc. (NYSE: ALE) today reported first quarter 2019 earnings of $1.37 per share on net income of $70.5 million and operating revenue of $357.2 million. Last year's results were 99 cents per share on net income of $51.0 million and operating revenue of $358.2 million. Results in the first quarter of 2019 included a 19 cents per share gain from the sale of U.S. Water Services.

"We are pleased with our strong financial results for the quarter and the advancement of major strategic initiatives which will drive industry leading growth in coming years. During the first quarter we completed the sale of U.S. Water Services which provides us with over $260 million of added liquidity to fund our clean energy growth initiatives across the Company," said ALLETE Chairman and CEO Al Hodnik. "We are excited about our positioning for further clean energy expansion across all of the ALLETE businesses which will continue to capture value for our shareholders."

ALLETE's Regulated Operations segment, which includes Minnesota Power, Superior Water, Light and Power (SWL&P) and the Company's investment in the American Transmission Co. (ATC), recorded net income of $51.5 million, compared to $43.9 million in the first quarter of 2018. Earnings reflect higher net income at Minnesota Power primarily due to lower operating and maintenance expenses, increased cost recovery rider revenue, lower property tax expense, and higher sales to residential customers resulting from cooler weather conditions than in the first quarter of 2018. These increases were partially offset by lower industrial sales and the timing of fuel adjustment clause recoveries. Net income at SWL&P increased over last year due to higher rates implemented the first of this year, and lower operating and maintenance expense. ALLETE's earnings in ATC were higher than in 2018 primarily due to additional equity investments.

ALLETE's Energy Infrastructure and Related Services businesses, which include ALLETE Clean Energy and U.S. Water Services, recorded first quarter 2019 net income of $5.8 million and a net loss of $1.1 million, respectively. Earnings at ALLETE Clean Energy decreased $2.3 million from 2018, primarily due to lower wind resources and availability at its wind energy facilities which negatively impacted revenue, slightly offset by higher production tax credits generated during the quarter. The net loss at U.S. Water Services was similar to 2018.

Corporate and Other, which includes BNI Energy and ALLETE Properties, recorded net income of $14.3 million for the quarter, compared to net income of $0.4 million in 2018. Net income in 2019 included the gain on the sale of U.S. Water Services of approximately $10 million after-tax. Net income in 2019 also included additional income tax benefits to record income taxes at the estimated annual effective tax rate.

ALLETE will host a conference call and webcast at 10 a.m. Eastern Time this morning to discuss details of its financial performance. Interested parties may listen live by calling (877) 303-5852, passcode 8686276, or by accessing the webcast at www.allete.com. A replay of the call will be available through May 6, 2019 by calling (855) 859-2056, pass code 8686276. The webcast will be accessible for one year at www.allete.com.

ALLETE is an energy company headquartered in Duluth, Minn. In addition to its electric utilities, Minnesota Power and Superior Water, Light and Power of Wisconsin, ALLETE owns ALLETE Clean Energy, based in Duluth, BNI Energy in Bismarck, N.D., and has an eight percent equity interest in the American Transmission Co. More information about ALLETE is available at www.allete.com. *ALE-CORP*

The statements contained in this release and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.

ALLETE's press releases and other communications may include certain non-Generally Accepted Accounting Principles (GAAP) financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in the company's financial statements.

Non-GAAP financial measures utilized by the Company include presentations of earnings (loss) per share. ALLETE's management believes that these non-GAAP financial measures provide useful information to investors by removing the effect of variances in GAAP reported results of operations that are not indicative of changes in the fundamental earnings power of the Company's operations. Management believes that the presentation of the non-GAAP financial measures is appropriate and enables investors and analysts to more accurately compare the company's ongoing financial performance over the periods presented.

ALLETE, Inc.
Consolidated Statement of Income
Millions Except Per Share Amounts - Unaudited

	Three Months Ended March 31,	
	2019	**2018**
Operating Revenue		
Contracts with Customers – Utility	$282.2	$270.2
Contracts with Customers – Non-utility	72.1	82.0
Other – Non-utility	2.9	6.0
Total Operating Revenue	357.2	358.2
Operating Expenses		
Fuel, Purchased Power and Gas – Utility	109.8	100.9
Transmission Services – Utility	18.3	18.4
Cost of Sales – Non-utility	30.6	32.9
Operating and Maintenance	76.2	86.5
Depreciation and Amortization	51.9	45.8
Taxes Other than Income Taxes	13.6	16.3
Total Operating Expenses	300.4	300.8
Operating Income	56.8	57.4
Other Income (Expense)		
Interest Expense	(16.5)	(16.9)
Equity Earnings in ATC	5.6	4.7
Gain on Sale of U.S. Water Services	20.1	—
Other	7.4	2.1
Total Other Income (Expense)	16.6	(10.1)
Income Before Income Taxes	73.4	47.3
Income Tax Expense (Benefit)	2.9	(3.7)
Net Income	$70.5	$51.0
Average Shares of Common Stock		
Basic	51.6	51.2
Diluted	51.7	51.4
Basic Earnings Per Share of Common Stock	$1.37	$1.00
Diluted Earnings Per Share of Common Stock	$1.37	$0.99
Dividends Per Share of Common Stock	$0.5875	$0.56

Consolidated Balance Sheet
Millions - Unaudited

	Mar. 31, 2019	**Dec. 31, 2018**		**Mar. 31, 2019**	**Dec. 31, 2018**
Assets			**Liabilities and Shareholders' Equity**		
Cash and Cash Equivalents	$353.3	$69.1	Current Liabilities	$322.4	$405.1
Other Current Assets	203.1	265.2	Long-Term Debt	1,525.0	1,428.5
Property, Plant and Equipment – Net	3,940.5	3,904.4	Deferred Income Taxes	215.5	223.6
Regulatory Assets	385.1	389.5	Regulatory Liabilities	504.1	512.1
Equity Investments	154.8	161.1	Defined Benefit Pension and Other Postretirement Benefit Plans	165.2	177.3
Goodwill and Intangibles – Net	1.1	223.3	Other Non-Current Liabilities	287.9	262.6
Other Non-Current Assets	180.9	152.4	Shareholders' Equity	2,198.7	2,155.8
Total Assets	$5,218.8	$5,165.0	**Total Liabilities and Shareholders' Equity**	$5,218.8	$5,165.0

ALLETE, Inc. Income (Loss)	Three Months Ended March 31, 2019	2018
Millions		
Regulated Operations	$51.5	$43.9
Energy Infrastructure and Related Services		
ALLETE Clean Energy	5.8	8.1
U.S. Water Services	(1.1)	(1.4)
Corporate and Other	14.3	0.4
Net Income	$70.5	$51.0
Diluted Earnings Per Share	$1.37	$0.99

Statistical Data		
Corporate		
Common Stock		
High	$84.26	$74.42
Low	$72.50	$66.64
Close	$82.23	$72.25
Book Value	$42.59	$40.91

Kilowatt-hours Sold		
Millions		
Regulated Utility		
Retail and Municipal		
Residential	349	342
Commercial	366	367
Industrial	1,814	1,843
Municipal	203	219
Total Retail and Municipal	2,732	2,771
Other Power Suppliers	822	1,003
Total Regulated Utility Kilowatt-hours Sold	3,554	3,774

Regulated Utility Revenue		
Millions		
Regulated Utility Revenue		
Retail and Municipal Electric Revenue		
Residential	$39.7	$35.5
Commercial	36.5	34.0
Industrial	120.6	113.3
Municipal	15.4	14.0
Total Retail and Municipal Electric Revenue	212.2	196.8
Other Power Suppliers	39.4	43.7
Other (Includes Water and Gas Revenue)	30.6	29.7
Total Regulated Utility Revenue	$282.2	$270.2

This exhibit has been furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.