



## **ALLETE Properties closes on first phase of property sale to Lowe**

ALLETE Properties has closed a \$13 million sale of land representing the first phase of Sawmill Creek, an upscale residential golf course community to be developed by Lowe Destination Development in Palm Coast, Florida. The closing, which had been expected, will be included in ALLETE's second quarter earnings report.

The sale involved 698 acres of property in Palm Coast Park purchased from the ALLETE (NYSE: ALE) affiliate by Lowe Enterprise Investors, a subsidiary of Los Angeles-based Lowe Enterprises, a leading national real estate firm.

Lowe's overall development plan for Sawmill Creek includes 1,469 housing units, a retail and office marketplace and a Jim Furyk signature golf course, along with a community park and school site. Phase one includes the construction of 406 residential units, the golf course, clubhouse and other amenities. Work is expected to begin this year, with the golf course scheduled to open for play in 2008.

"We're proud of the relationship we've built with Lowe that will allow this high-quality community to be developed over the next few years," said ALLETE Properties President Laura Holquist. "This development will enhance the value of the surrounding property we are marketing in Palm Coast Park."

The Sawmill Creek project is located within Palm Coast Park, a 4,700-acre ALLETE Properties mixed use development adjacent to U.S. Highway 1 in the City of Palm Coast. At build-out, Palm Coast Park is expected to include 3,600 residential units and 3.2 million square feet of commercial space.

ALLETE Properties entered into the contract with Lowe in May 2006. The sales agreement calls for Lowe to purchase the land in phases over the next several years.

Palm Coast Park is one of three major real estate development projects that ALLETE Properties has underway in northeast Florida. Other projects include Town Center at Palm Coast and Ormond Crossings. These three projects account for more than 11,000 acres and approximately three-fourths of ALLETE Properties' Florida land inventory.

Lowe Enterprises Investors and Lowe Destination Development are wholly-owned subsidiaries of Los Angeles-based Lowe Enterprises. A leading real estate development, investment and management firm, Lowe has developed, acquired or managed more than \$8.5 billion in real estate over the past 35 years.

ALLETE's corporate headquarters are located in Duluth, Minnesota. ALLETE provides energy services in the upper Midwest and has significant real estate holdings in Florida. More information about the company is available on ALLETE's Web site at [www.allete.com](http://www.allete.com).

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.