

3M CO
Form 424B2
May 23, 2016

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Registration Statement No. 333-196003**

The information in this pricing supplement is not complete and may be changed. We may not deliver these securities until a final pricing supplement is delivered. This pricing supplement and the accompanying prospectus supplement and prospectus do not constitute an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Preliminary Pricing Supplement dated May 23, 2016

**PRICING SUPPLEMENT dated May , 2016
To Prospectus dated May 16, 2014 and
Prospectus Supplement dated May 19, 2016**

3M Company

Medium-Term Notes, Series F

€ % Notes due 2022

€ % Notes due 2031

We are offering for sale two new tranches of our medium-term notes, Series F, consisting of € aggregate principal amount of % notes due 2022 (the "2022 notes") and € aggregate principal amount of % notes due 2031 (the "2031 notes" and, together with the 2022 notes, the "notes"). We will pay interest on the 2022 notes on of each year, commencing , 2017, and interest on the 2031 notes on of each year, commencing , 2017.

Unless earlier redeemed, the 2022 notes will mature on , 2022 and the 2031 notes will mature on , 2031. We may redeem the notes of each tranche prior to maturity in whole but not in part at the applicable redemption prices described in this pricing supplement under "Description of Notes Optional Redemption." In addition, the notes of each tranche may be redeemed in whole but not in part, at any time at our option, in the event of certain developments affecting U.S. taxation. See "Description of Notes Redemption for Tax Reasons."

The notes will be our unsecured and unsubordinated obligations and will rank equally with all of our other existing and future unsecured and unsubordinated indebtedness. The notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

We intend to apply to list the notes on the New York Stock Exchange. Currently, there is no public market for the notes.

You should read carefully this pricing supplement, the accompanying prospectus supplement and the accompanying prospectus before you invest.

Investing in the notes involves risks that are described in the "Risk Factors" sections beginning on page PS-4 of this pricing supplement, on page S-24 of accompanying prospectus supplement, on page 9 of our most recent Annual Report on Form 10-K, as updated by our Current Report on Form 8-K dated May 17, 2016, and on page 68 of our most recent Quarterly Report on Form 10-Q.

	Public Offering Price(1)	Underwriting Discount	Proceeds before Expenses
Per 2022 note	%	%	%
Total for 2022 notes	€	€	€
Per 2031 note	%	%	%
Total for 2031 notes	€	€	€

(1) Plus accrued interest from _____, 2016 if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state or other securities commission has approved or disapproved of these securities or determined if this pricing supplement, the accompanying prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form through Clearstream Banking, S.A., and Euroclear Bank S.A./N.V., as operator of the Euroclear System, on or about _____, 2016.

Joint Book-Running Managers

Barclays

Credit Suisse

Deutsche Bank

The date of this pricing supplement is May _____, 2016.

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You should rely only on the information contained or incorporated by reference in this pricing supplement, the accompanying prospectus supplement, the accompanying prospectus and any "free writing prospectus" we authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this pricing supplement, the accompanying prospectus supplement, the accompanying prospectus and any such "free writing prospectus." We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should not assume that the information appearing in this pricing supplement, the accompanying prospectus supplement, the accompanying prospectus, any such "free writing prospectus" or the documents incorporated therein by reference is accurate as of any date other than

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their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This document is in three parts. The first part is this pricing supplement, which describes the specific terms of the securities offered hereby. The second part is the prospectus supplement, which relates to our Series F medium-term notes and adds to and updates information contained in the accompanying prospectus. The third part, the prospectus, provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to all three parts of this document combined. To the extent there is a conflict between the information contained in this pricing supplement, on the one hand, and the information contained in the accompanying prospectus supplement and the accompanying prospectus, on the other hand, you should rely on the information in this pricing supplement.

The notes are being offered only for sale in jurisdictions where it is lawful to make such offers. The distribution of this pricing supplement, the accompanying prospectus supplement, the accompanying prospectus and any "free writing prospectus" and the offering of the notes in other jurisdictions may also be restricted by law. Persons who receive this pricing supplement, the accompanying prospectus supplement, the accompanying prospectus and any "free writing prospectus" should inform themselves about and observe any such restrictions. This pricing supplement, the accompanying prospectus supplement, the accompanying prospectus and any "free writing prospectus" do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Before purchasing any securities, you should carefully read this pricing supplement, the accompanying prospectus supplement, the accompanying prospectus and any "free writing prospectus" we authorize to be delivered to you, together with the additional information described under the heading "Where You Can Find Additional Information" in the accompanying prospectus.

References in this pricing supplement to "\$," "dollars," "U.S.\$" or "U.S. dollars" are to the currency of the United States of America and to "€" or "euro" are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Union, as amended from time to time.

Notice to Prospective Investors in the European Economic Area

This pricing supplement, the accompanying prospectus supplement and the accompanying prospectus are not prospectuses for purposes of the European Union's Directive 2003/71/EC, as amended (the "Prospectus Directive"). This pricing supplement, the accompanying prospectus supplement and the accompanying prospectus are only addressed to and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive.

Notice to Prospective Investors in the United Kingdom

Without limitation to the other restrictions referred to herein, this document and any other documents and/or materials relating to the notes are directed only at and distributed only to persons located or resident outside the United Kingdom or, if located or resident in the United Kingdom, to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (ii) high net worth companies, unincorporated associations and other persons falling within Article 49(2)(a) to (d) of the Order or (iii) any other persons to whom this pricing supplement and such other documents or materials may otherwise lawfully be communicated in accordance with the Order (all such persons together being referred to as

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"relevant persons"). Without limitation to the other restrictions referred to herein, any investment or investment activity to which this document relates is available only to, and will be engaged in only with relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

IN CONNECTION WITH THE ISSUE OF THE NOTES, DEUTSCHE BANK AG, LONDON BRANCH (IN THIS CAPACITY, THE "STABILIZING MANAGER") (OR ANY PERSON ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE ANY STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE, AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

ANY STABILIZATION ACTION COMMENCED WILL BE CARRIED OUT IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS.

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Currency of Payment	All payments of principal of, and premium, if any, and interest on, the notes, including any payments made upon any redemption of the notes, will be made in euro. If euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or the euro is no longer used by the member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. See "Description of Notes Issuance in Euro."
Denomination	The notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Ranking	The notes will be our unsecured and unsubordinated obligations and will rank equally with all of our other existing and future unsecured and unsubordinated indebtedness. See "Description of Notes."
Use of Proceeds	We intend to use the net proceeds of this offering for general corporate purposes. See "Use of Proceeds" in this pricing supplement.
Payment of Additional Interest	We will, subject to the exceptions and limitations set forth herein, pay as additional interest to a noteholder that is a United States Alien (as defined in "Description of Notes Payment of Additional Interest") such amounts as may be necessary so that every net payment on such note after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge of whatever nature imposed upon or as a result of such payment by the United States (or any political subdivision or taxing authority thereof or therein), will not be less than the amount provided for in such note to be then due and payable. See "Description of Notes Payment of Additional Interest."
Redemption for Tax Reasons	We may redeem all, but not less than all, of the notes of each tranche in the event of certain changes in the tax law of the United States (or any taxing authority thereof or therein) if, in the written opinion of independent counsel chosen by us, there is a substantial probability that we will become obligated to pay additional interest on the notes as described above. This redemption would be at a redemption price equal to 100% of the principal amount of the notes, together with accrued and unpaid interest on the notes to, but not including, the date fixed for redemption. See "Description of Notes Redemption for Tax Reasons."
Listing	We intend to apply to list the notes on the New York Stock Exchange.
Trustee	The Bank of New York Mellon Trust Company, N.A.

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London Paying Agent

The Bank of New York Mellon, London Branch

Book-Entry

The notes will be issued in book-entry form and will be represented by global notes deposited with, or on behalf of, a common depository on behalf of Clearstream Banking, S.A. ("Clearstream") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and registered in the name of the common depository or its nominee. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by Clearstream and Euroclear and their participants, and these beneficial interests may not be exchanged for certificated notes, except in limited circumstances. See "Description of Notes Book-Entry Delivery and Settlement."

Risk Factors

See "Risk Factors" and the other information included in or incorporated by reference into this pricing supplement, the accompanying prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to purchase the notes.

Governing Law

New York.

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RISK FACTORS

Your investment in the notes involves certain risks. In consultation with your own financial, tax, accounting and legal advisers, you should carefully consider, among other matters, the factors set forth below as well as the risk factors discussed in the accompanying prospectus supplement, the accompanying prospectus and in our most recent annual and quarterly reports which are incorporated by reference into this pricing supplement, the accompanying prospectus supplement and the accompanying prospectus before deciding whether to make an investment in the notes.

An investment in the notes by a purchaser whose home currency is not euro entails significant risks.

An investment in securities which are denominated and payable in a currency other than the currency of the country in which the purchaser is resident or the currency in which the purchaser primarily conducts its business or activities (in each case, the "home currency") entails significant risks not associated with securities denominated and payable in the home currency. Accordingly, an investment in the notes by a purchaser whose home currency is not euro entails significant risks. These risks include the possibility of significant changes in rates of exchange between the holder's home currency and the euro and the possibility of the imposition or subsequent modification of foreign exchange controls. These risks generally depend on factors over which we have no control, such as economic, financial and political events and the supply of and demand for the relevant currencies. In recent years, rates of exchange between euro and certain currencies have been highly volatile, and each holder should be aware that such volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of the notes. Depreciation of euro against the holder's home currency would result in a decrease in the effective yield of the notes below its coupon rate and, in certain circumstances, could result in a loss to the holder.

If as permitted by the notes, we make payments in U.S. dollars when we are unable to obtain euro, you will be exposed to significant risks if your home currency is not U.S. dollars.

If euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or the euro is no longer used by the member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until euro is again available to us or so used. The amount payable on any date in euro will be converted into U.S. dollars on the basis of the then most recently available market exchange rate for euro. See "Description of Notes Issuance in Euro." Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the indenture governing the notes. If your home currency is not U.S. dollars, any such payment will expose you to the significant risks described above under " *An investment in the notes by a purchaser whose home currency is not euro entails significant risks.*"

In a lawsuit for payment on the notes, a noteholder may bear currency exchange risk.

The notes will be governed by, and construed in accordance with, the laws of the State of New York. Under New York law, a New York state court rendering a judgment on the notes would be required to render the judgment in euro. However, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the notes, investors would bear currency exchange risk until a New York state court judgment is entered, which could be a long time. A Federal court sitting in New York with diversity jurisdiction over a dispute arising in connection with the notes would apply the foregoing New York law.

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In courts outside of New York, noteholders may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the notes in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of euro into U.S. dollars would depend upon various factors, including which court renders the judgment.

The trading market for the notes may be limited.

The notes are a new issue of securities for which no established trading market exists. Although we intend to apply to list the notes on the New York Stock Exchange, no assurance can be given that we will be able to list the notes. Even if the notes are listed, no assurance can be given that a trading market for the notes will develop or be maintained. If an active trading market does not develop for the notes, noteholders may not be able to resell them at all or at prices acceptable to them. Although the underwriters for this offering have advised us that they intend to make a market in the notes after completion of the offering, they are not obligated to do so and may discontinue market making at any time. The liquidity of any trading market for, and future trading prices of, the notes will depend on many factors, including, among other things, the number of holders of the notes, our operating results, cash flows, financial performance and prospects, prevailing interest rates, changes in our credit rating or outlook, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Therefore, no assurance can be given as to the liquidity of any trading market for the notes.

Noteholders are exposed to the consequences of denomination of a minimum specified denomination plus a higher integral multiple.

The notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. As is the case with any issue of notes that have a denomination consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination may not receive a definitive note in respect of such holding (should definitive notes be printed) and would need to purchase a principal amount of notes such that its holding amounts to the minimum specified denomination.

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Principal, premium, if any, and interest payments in respect of the notes will be payable in euro. If euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or the euro is no longer used by the member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until euro is again available to us or so used. The amount payable on any date in euro will be converted into U.S. dollars on the basis of the most recently available market exchange rate for euro. See "Description of Notes Issuance in Euro." Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the indenture governing the notes.

Investors will be subject to foreign exchange risks as to payments of principal of, and premium, if any, and interest on, the notes that may have important economic and tax consequences to them. See "Risk Factors." You should consult your own financial and legal advisors as to the risks involved in an investment in the notes.

On May 19, 2016, the euro/U.S.\$ rate of exchange as reported by Bloomberg was €1.00/U.S.\$1.1203.

USE OF PROCEEDS

We expect to receive net proceeds from the sale of the notes, after deducting the underwriting discount and expenses payable by us, of approximately € , or \$, based on the euro/U.S.\$ rate of exchange as of May 19, 2016. We intend to use the net proceeds of this offering for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

The following table presents the ratio of earnings to fixed charges for us and our consolidated subsidiaries for the periods indicated.

	Three months ended		Year ended December 31,			
	March 31, 2016	2015	2014	2013	2012	2011
Ratio of earnings to fixed charges(1)	24.3x	27.0x	27.7x	25.4x	23.2x	21.7x

(1)

For purposes of computing the ratio of earnings to fixed charges, earnings represent income from continuing operations before income taxes and net income attributable to noncontrolling interest, plus fixed charges and amortization of capitalized interest less equity in undistributed income of 20-50% owned companies and capitalized interest. Fixed charges include interest on debt, including capitalized interest and the portion of rent under operating leases representative of the interest component.

Table of Contents**DESCRIPTION OF NOTES**

Each tranche of notes is part of our medium-term notes, Series F, of which approximately \$8,204,156,000 aggregate principal amount was outstanding on May 19, 2016. The notes will be issued under an indenture dated November 17, 2000, as amended on July 29, 2011, between us and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (the "Indenture"). The terms of the notes include those provisions contained in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). We have summarized selected terms and provisions of the Indenture and the Trust Indenture Act below. This summary supplements the description of the notes that we may offer in the accompanying prospectus supplement and of the debt securities in the accompanying prospectus. The following summary of specified provisions of the Indenture and the notes does not purport to be complete and is subject to, and qualified in its entirety by reference to, the actual provisions of the Indenture, including the definitions contained in the Indenture of some of the terms used below, and the notes. If you would like more information on any of these provisions, you should read the relevant sections of the Indenture. Copies of the Indenture are available from us upon request.

The 2022 notes and the 2031 notes initially will be limited to an aggregate principal amount of € and € , respectively. See " Further Issuances" below.

The notes will be our direct, unsecured and unsubordinated obligations and will rank equally with all our other unsecured and unsubordinated indebtedness from time to time outstanding. The Indenture does not limit the amount of notes, debentures or other evidence of indebtedness that we may issue under the Indenture or otherwise and provides that debt securities under the Indenture may be issued from time to time in one or more series.

The entire principal amount of the 2022 notes will mature and become payable, together with accrued and unpaid interest, on , 2022 and the entire principal amount of the 2031 notes will mature and become payable, together with accrued and unpaid interest, on , 2031 (each, a "Maturity Date" with respect to the applicable tranche of notes), in each case, unless redeemed earlier as described below under " Optional Redemption," and " Redemption for Tax Reasons." The notes will not be subject to any sinking fund provisions and will not be convertible into or exchangeable for any of our equity interests. The notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

The principal of each note payable at maturity or earlier redemption will be paid in euro against presentation and surrender at the office or agency maintained for such purpose in London, initially the corporate trust office of the London Paying Agent, located at One Canada Square, London E14 3AL, United Kingdom.

Under the Indenture, holders of the notes will vote with holders of all other tranches of our medium-term notes, Series F, as a single class. As of May 19, 2016, we had approximately \$8,204,156,000 aggregate principal amount (€7,323,177,720 aggregate principal amount based on the euro/U.S.\$ rate of exchange of €1.00/U.S.\$1.1203 as of May 19, 2016 as reported by Bloomberg) of medium-term notes, Series F, outstanding under the Indenture.

The Indenture contains provisions that require the consent of or action by a specified percentage of the aggregate principal amount of our medium-term notes, Series F, acting as a single class. For example, holders of a majority in aggregate principal amount of our medium-term notes, Series F, as a single class, may consent to certain modifications to the Indenture and waivers of past defaults under the Indenture, as described under "Debt Securities Modification and Waiver" in the accompanying prospectus, and holders of at least 25% in aggregate principal amount of our medium-term notes, Series F, as a single class, may declare the entire principal of our medium-term notes, Series F, to be due and payable upon the occurrence of an event of default, as described under "Debt Securities Events of Default" in the

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accompanying prospectus. Therefore, because the medium-term notes, Series F, vote as a single class, a greater percentage of the principal amount of the 2022 notes or the 2031 notes, respectively, may be required to take action under the Indenture and the aggregate principal amount of the 2022 notes or the 2031 notes, acting alone or jointly, may not be sufficient to take action under the Indenture. In addition, we are able to issue up to \$18,000,000,000 aggregate principal amount (€16,067,124,877 aggregate principal amount based on the euro/U.S.\$ rate of exchange of €1.00/U.S.\$1.1203 as of May 19, 2016 as reported by Bloomberg) of medium-term notes, Series F, under the Indenture (of which approximately \$8,204,156,000 principal amount has already been issued). We may increase the authorized amount of our medium-term notes Series F at any time without your consent.

2022 Notes

The 2022 notes will bear interest at % per year from , 2016 or from the immediately preceding interest payment date to which interest has been paid. Interest on the 2022 notes is payable annually in arrears on , commencing , 2017 (the "2022 Interest Payment Date"). Interest on a 2022 Interest Payment Date will be paid to the persons, or "holders," in whose names the 2022 notes are registered on the security register at the close of business on the regular record date. The regular record date for the 2022 notes will be the fifteenth calendar day, whether or not a Business Day, immediately preceding the related 2022 Interest Payment Date. Interest on the 2022 notes will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the 2022 notes (or , 2016, if no interest has been paid on the 2022 notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

If any 2022 Interest Payment Date, the Maturity Date for the 2022 notes or earlier date of redemption falls on a day that is not a Business Day, the required payment will be made on the next Business Day as if it were made on the date the payment was due and no interest will accrue on the amount so payable for the period from and after that 2022 Interest Payment Date, that Maturity Date or that date of redemption, as the case may be. For purposes of the 2022 notes, "Business Day" means any day other than a Saturday or Sunday, (1) which is not a day on which banking institutions in The City of New York or London are authorized or required by law, regulation or executive order to close and (2) on which the TARGET2 system, or any successor thereto, is open.

2031 Notes

The 2031 notes will bear interest at % per year from , 2016 or from the immediately preceding interest payment date to which interest has been paid. Interest on the 2031 notes is payable annually in arrears on , commencing , 2017 (the "2031 Interest Payment Date"). Interest on a 2031 Interest Payment Date will be paid to the persons, or "holders," in whose names the 2031 notes are registered on the security register at the close of business on the regular record date. The regular record date for the 2031 notes will be the fifteenth calendar day, whether or not a Business Day, immediately preceding the related 2031 Interest Payment Date. Interest on the 2031 notes will be computed on the basis of the ACTUAL/ACTUAL (ICMA) payment convention described above under "Description of Notes 2022 Notes."

If any 2031 Interest Payment Date, the Maturity Date for the 2031 notes or earlier date of redemption falls on a day that is not a Business Day, the required payment will be made on the next Business Day as if it were made on the date the payment was due and no interest will accrue on the amount so payable for the period from and after that 2031 Interest Payment Date, that Maturity Date or that date of redemption, as the case may be. For purposes of the 2031 notes, "Business Day" means any day other than a Saturday or Sunday, (1) which is not a day on which banking institutions in The

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City of New York or London are authorized or required by law, regulation or executive order to close and (2) on which the TARGET2 system, or any successor thereto, is open.

Issuance in Euro

Initial holders will be required to pay for the notes in euro, and principal, premium, if any, and interest payments in respect of the notes will be payable in euro.

If euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or the euro is no longer used by the member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until euro is again available to us or so used. The amount payable on any date in euro will be converted to U.S. dollars on the basis of the Market Exchange Rate (as defined below). Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the Indenture. Neither the Trustee nor the London Paying Agent shall be responsible for obtaining exchange rates, effecting conversions or otherwise handling redenominations.

"Market Exchange Rate" means the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second Business Day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent euro/U.S. dollar exchange rate available on or prior to the second Business Day prior to the relevant payment date, as reported by Bloomberg.

Further Issuances

We may, from time to time, without the consent of or notice to existing note holders, create and issue further notes having the same terms and conditions as the notes of either tranche in all respects, except for issue date, issue price and, to the extent applicable, the first payment of interest. Additional notes issued in this manner will be consolidated with and will form a single tranche of debt securities with the related previously outstanding notes of the related tranche; *provided, however*, that the issuance of such additional notes will not be so consolidated for United States federal income tax purposes unless such issuance constitutes a "qualified reopening" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury regulations promulgated thereunder.

Optional Redemption

The notes of each tranche will be redeemable, in whole but not in part at our option, at any time prior to _____, 2021, in the case of the 2022 notes (three months prior to the maturity date of such notes), and _____, 2031 in the case of the 2031 notes (three months, prior to the maturity of such notes), at a redemption price equal to the greater of (i) 100% of the principal amount of the notes of the applicable tranche or (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on an annual basis (based on the actual number of days elapsed divided by 365 (or, if any of those days elapsed fall in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365)) at the Reference Dealer Rate (as defined below), plus, in the case of the 2022 notes, _____ basis points, and in the case of the 2031 notes, _____ basis points, plus in each case, accrued interest thereon to the date of redemption.

In addition, at any time on or after _____, 2021, in the case of the 2022 notes (three months prior to the maturity date of such notes), and _____, 2031 in the case of the 2031 notes (three months prior to the maturity date of such notes), the notes will be redeemable, in whole but not in part

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at our option, at a redemption price equal to 100% of the principal amount of the notes of the applicable tranche plus accrued interest thereon to the date of redemption.

For the purposes of this "Optional Redemption" section,

"Business Day" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place.

"Quotation Agent" means the Reference Dealer (as defined below) specified by us.

"Reference Dealer" means any of Barclays Bank PLC, Credit Suisse Securities (Europe) Limited and Deutsche Bank AG, London Branch or their respective successors.

"Reference Dealer Rate" means with respect to the Reference Dealer and any redemption date, the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield (as calculated by the Reference Dealer) on the notes to be redeemed, if they were to be purchased at such price on the third Business Day prior to the date fixed for redemption, would be equal to the gross redemption yield on such Business Day of the Reference Bond on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such Business Day as determined by the Reference Dealer.

"Reference Bond" means, in relation to the Reference Dealer Rate, at the discretion of the Reference Dealer, an European government bond whose maturity is closest to the maturity of the notes to be redeemed, or such other European government bond as the Reference Dealer, may, with the advice of three brokers of, or market makers in, European government bonds selected by the Reference Dealer, determine to be appropriate for determining the Reference Dealer Rate.

Notice of any redemption will be given to the noteholders at least 30 days but not more than 60 days before the redemption date. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes called for redemption.

The notes are also subject to redemption prior to maturity if certain events occur involving United States taxation. If any of these special tax events do occur, the notes may be redeemed at a redemption price of 100% of their principal amount plus accrued and unpaid interest to, but not including, the date fixed for redemption. See "Redemption for Tax Reasons."

Payment of Additional Interest

We will, subject to the exceptions and limitations set forth below, pay as additional interest to a noteholder that is a United States Alien (as defined below) such amounts as may be necessary so that every net payment on such note after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge of whatever nature imposed upon or as a result of such payment by the United States (or any political subdivision or taxing authority thereof or therein), will not be less than the amount provided for in such note to be then due and payable. However, we will not be required to make any payment of additional interest for or on account of:

- (a) any tax, assessment or other governmental charge that would not have been imposed but for (i) the existence of any present or former connection between such holder (or between a fiduciary, settlor or beneficiary of, or a person holding a power over, such holder, if such holder is an estate or a trust, or a member or shareholder of such holder, if such holder is a partnership or corporation) and the United States, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) being or having been a citizen or resident or treated as a resident thereof or being or having been engaged in trade or business or present therein or having or having had a permanent establishment therein, or (ii) the presentation by the holder of a note for payment more than

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15 days after the date on which such payment became due and payable or on which payment thereof was duly provided for, whichever occurs later;

- (b) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge;
- (c) any tax, assessment or other governmental charge that would not have been imposed but for such holder's past or present status as a controlled foreign corporation, passive foreign investment company (including a qualified election fund) or foreign private foundation or other tax exempt organization with respect to the United States or as a corporation that accumulates earnings to avoid United States federal income tax;
- (d) any tax, assessment or other governmental charge that is payable otherwise than by deduction or withholding from a payment on a note;
- (e) any tax, assessment or other governmental charge required to be deducted or withheld by any paying agent from any payment on a note, if such payment can be made without such deduction or withholding by any other paying agent;
- (f) any tax, assessment or other governmental charge that would not have been imposed but for the holder's failure to comply with any applicable certification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of a note if, without regard to any tax treaty, such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- (g) any tax, assessment or other governmental charge imposed by reason of the holder (i) owning or having owned, directly or indirectly, actually or constructively, 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (ii) receiving interest described in Section 881(c)(3)(A) of the United States Internal Revenue Code or (iii) being a controlled foreign corporation with respect to the United States that is related to the Company by actual or constructive stock ownership;
- (h) any tax, assessment or other governmental charge that is imposed on a payment pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code (FATCA), any Treasury regulations and official interpretations thereof, and any regulations or official law, agreement or interpretations thereof implementing an intergovernmental approach thereto; or
- (i) any combination of items (a), (b), (c), (d), (e), (f) (g) and (h);

nor shall such additional interest be paid with respect to any payment on a note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the additional interest had such beneficiary, settlor, member or beneficial owner been the holder of such note.

For purposes of the foregoing, the holding of or the receipt of any payment with respect to a note shall not constitute a connection between the holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or a person having power over, such holder if such holder is an estate, a trust, a partnership or a corporation) and the United States.

The term "United States Alien" means any person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a nonresident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

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Redemption for Tax Reasons

If, in the written opinion of independent counsel chosen by the Company, there is a substantial probability that the Company has or will become obligated to pay additional interest on the notes as described above under the heading " Payment of Additional Interest," as a result of any of the following events occurring on or after _____, 2016 (a) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings, (b) any action taken by a taxing authority of the United States or any political subdivision thereof or therein affecting taxation, which action is generally applied or is taken with respect to the Company, (c) a decision rendered by a court of competent jurisdiction in the United States or any political subdivision thereof or therein, whether or not such decision was rendered with respect to the Company, (d) a private letter ruling or technical advice memorandum issued by the National Office of the United States Internal Revenue Service on substantially the same facts as those affecting the Company or (e) any change, amendment, application, interpretation or execution of the laws of the United States (or any regulations or rulings promulgated thereunder) shall have been officially proposed, which change, amendment, action, application, interpretation or execution would have effect after _____, 2016 and the Company determines that such obligation cannot be avoided by the use of reasonable measures then available to the Company, then the Company may, at its option, upon not less than 30 nor more than 60 days' prior notice to the holders for the time being of the notes, redeem the notes in whole, but not in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date fixed for redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obligated to pay such additional interest if a payment in respect to the notes were due on such date and, at the time such notification of redemption is given, such obligation to pay such additional interest remains in effect. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Trustee (i) a certificate stating that the Company is entitled to effect such redemption and that the conditions precedent to the right of the Company to so redeem have occurred and (ii) an opinion of independent counsel chosen by the Company to the effect that there is a substantial probability that the Company has or will become obligated to pay additional interest on the notes.

Modification of the Indenture

See "Debt Securities Modification and Waiver" in the accompanying prospectus.

Events of Default, Notice and Waiver

See "Debt Securities Events of Default" in the accompanying prospectus.

Discharge, Defeasance and Covenant Defeasance

The defeasance provisions described in the accompanying prospectus under "Debt Securities Defeasance" will be applicable to the notes.

Governing Law

The Indenture is governed by, and construed in accordance with, the laws of the State of New York, and once issued the notes will be as well.

Book-Entry Delivery and Settlement

We have obtained the information in this section concerning Clearstream and Euroclear and their book-entry systems and procedures from sources that we believe to be reliable. We take no

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responsibility for an accurate portrayal of this information. In addition, the description of the clearing systems in this section reflects our understanding of the rules and procedures of Clearstream and Euroclear as they are currently in effect. Those systems could change their rules and procedures at any time.

Global Clearance and Settlement

The notes will be issued in the form of one or more global notes in fully registered form, without coupons, and will be deposited with, or on behalf of, a common depository for, and in respect of interests held through, Euroclear and Clearstream. Except as described herein, certificates will not be issued in exchange for beneficial interests in the global notes.

Except as set forth below, the global notes may be transferred, in whole and not in part, only to the common depository, its successors and their respective nominees.

Beneficial interests in the global notes will be represented, and transfers of such beneficial interests will be effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Euroclear or Clearstream. Those beneficial interests will be in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Investors may hold notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems.

Owners of beneficial interests in the global notes will not be entitled to have notes registered in their names, and, except as described herein, will not receive or be entitled to receive physical delivery of notes in definitive form. So long as the common depository for Euroclear and Clearstream or such common depository's nominee is the registered owner of the global notes, the common depository or such nominee for all purposes will be considered the sole holder of the notes represented by the global notes under the Indenture and the global notes. Except as provided below, beneficial owners will not be considered the owners or holders of the notes under the Indenture, including for purposes of receiving any reports delivered by us or the Trustee pursuant to the Indenture. Accordingly, each beneficial owner must rely on the procedures of the clearing systems and, if such person is not a participant of the clearing systems, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Indenture. Under existing industry practices, if we request any action of holders or a beneficial owner desires to give or take any action which a holder is entitled to give or take under the Indenture, the clearing systems would authorize their participants holding the relevant beneficial interests to give or take action and the participants would authorize beneficial owners owning through the participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the clearing systems to their participants, by the participants to indirect participants and by the participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. These limits and laws may impair the ability to transfer beneficial interests in global notes.

Clearstream

Clearstream has advised that it is incorporated under the laws of Luxembourg and licensed as a bank and professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities

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lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream has established an electronic bridge with the Euroclear Operator (as defined below) to facilitate the settlement of trades between Clearstream and Euroclear. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a Clearstream participant, either directly or indirectly.

Distributions with respect to notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures.

Euroclear

Euroclear has advised that it was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms anpt for the administrative trustees. All of the common trust securities of ALLETE Capital will be owned by ALLETE. ALLETE will fully and unconditionally guarantee payments due on the preferred trust securities through a combination of the following: o ALLETE's obligations under the junior subordinated debentures; o the rights of holders of preferred trust securities to enforce ALLETE's obligations under the junior subordinated debentures; o ALLETE's agreement to pay the expenses of ALLETE Capital; and o ALLETE's guarantee of payments due on the preferred trust securities to the extent of ALLETE Capital's assets. No single one of the documents listed above standing alone or operating in conjunction with fewer than all of the other documents constitutes the guarantee by ALLETE. It is only the combined operation of these documents that has the effect of providing a full and unconditional guarantee by ALLETE of the preferred trust securities. If and to the extent described in the prospectus supplement, ALLETE may assign its rights and obligations relating to preferred trust securities. The obligations which ALLETE could assign would include its obligations under the junior subordinated debentures, its agreement to pay the expenses of ALLETE Capital and its guarantee of payments due on the preferred trust securities to the extent of ALLETE Capital's assets. The terms and conditions and any material United States federal income tax consequences of any permitted assignment shall be described in the prospectus supplement relating to the preferred trust securities of ALLETE Capital. ALLETE Capital will use the proceeds from the sale of the preferred trust securities and common trust securities to purchase junior subordinated debentures from ALLETE in an aggregate principal amount equal to the aggregate liquidation preference amount of the preferred trust securities and the common trust securities. The junior subordinated debentures will be issued under a subordinated indenture between ALLETE and The Bank of New York, as debenture trustee under the subordinated indenture. The property trustee will hold the junior subordinated debentures in trust for the benefit of the holders of the preferred trust securities and common trust securities. (See Trust Agreement, Section 2.09.) A prospectus supplement relating to the preferred trust securities will include specific terms of those securities and of the junior subordinated debentures. For a description of some specific terms that will affect both the preferred trust securities and the junior subordinated debentures and your rights under each, see "Description of Junior Subordinated Debentures" below. Distributions. The only income of ALLETE Capital available for distribution to the holders of preferred trust securities will be payments on the junior subordinated debentures. If ALLETE does not make interest payments on the junior subordinated debentures (or does not pay the expenses of ALLETE Capital), ALLETE Capital will not have funds available to pay distributions on the preferred trust securities. The payment of distributions, if and to the extent ALLETE Capital has sufficient funds available for the payment of such distributions, is guaranteed on a limited basis by ALLETE. So long as there is no default in the payment of interest on the junior subordinated debentures, ALLETE may extend the interest payment period from time to time on the junior subordinated debentures for one or more periods. As a consequence, distributions on the preferred trust securities would be deferred during any such period. Interest would, however, continue to accrue. If ALLETE 24 extends the interest period or is in default under the guarantee or with respect to payments on the junior subordinated debentures, ALLETE may not: o declare or pay any dividend or distribution on its capital stock, other than dividends paid in shares of common stock of ALLETE; o redeem, purchase, acquire or make a liquidation payment with respect to any of its capital stock; o redeem any indebtedness that is equal in right of payment with the junior subordinated debentures; and o make any guarantee payments with respect to any of the above. Any extension period with respect to payment of interest on the junior subordinated debentures, or any extended interest payment period in respect of other securities issued under the subordinated indenture or on any similar securities, will apply to all securities of the same type. Those extensions will also apply to distributions on preferred trust securities and common trust securities and all other securities with terms substantially the same as preferred trust securities and common trust securities. Before an extension period ends, ALLETE may further extend the interest payment period. No extension period as further extended may exceed 20 consecutive quarters. After any extension period and the payment of all amounts then due, ALLETE may select a new extended interest payment period. No interest period may be extended beyond the maturity of the junior subordinated debentures. Redemption of Preferred Trust

Securities and Common Trust Securities. Whenever any of the junior subordinated debentures are repaid, whether at maturity or earlier redemption, the proceeds will be applied to redeem a like amount of preferred trust securities and common trust securities. Holders of preferred trust securities and common trust securities will be given not less than 30 nor more than 60 days' notice of any redemption. Redemption Procedures. Preferred trust securities will be redeemed at the redemption price plus accrued and unpaid distributions with the proceeds from the contemporaneous redemption of junior subordinated debentures. Redemptions of the preferred trust securities shall be made on a redemption date only if ALLETE Capital has funds available for the payment of the redemption price plus accrued and unpaid distributions. (See Trust Agreement, Section 4.02(c).) Notice of redemption of preferred trust securities will be irrevocable. On or before the redemption date, ALLETE Capital will irrevocably deposit with the paying agent for the preferred trust securities sufficient funds and will give the paying agent irrevocable instructions and authority to pay the redemption price plus accrued and unpaid distributions to the holders upon surrender of their preferred trust securities. Distributions payable on or before a redemption date will be payable to the holders on the record date for the distribution payment. If notice is given and funds are deposited as required, then on the redemption date all rights of holders of the preferred trust securities called for redemption will cease, except the right of the holders to receive the redemption price plus accrued and unpaid distributions, and the preferred trust securities will cease to be outstanding. No interest will accrue on amounts payable on the redemption date. In the event that any date fixed for redemption of preferred trust securities is not a business day, then payment will be made on the next business day. No interest will be payable because of any such delay. If payment of the preferred trust securities called for redemption is improperly withheld or refused and not paid either by ALLETE Capital or by ALLETE pursuant to the guarantee, distributions on such preferred trust securities will continue to accrue to the date of payment. That date will be considered the date fixed for redemption for purposes of calculating the redemption price plus accrued and unpaid distributions. (See Trust Agreement, Section 4.02(d).) Subject to applicable law, including United States federal securities law, ALLETE may purchase outstanding preferred trust securities by tender, in the open market or by private agreement. If preferred trust securities are partially redeemed on a redemption date other than as a result of an event of default under the trust agreement, a corresponding percentage of the common trust securities will be redeemed. The particular preferred trust securities to be redeemed shall be selected not more than 60 days before the redemption date by the property trustee by such method as the property trustee shall deem fair, taking into account the denominations 25 in which they were issued. The property trustee shall promptly notify the preferred trust security registrar in writing of the preferred trust securities selected for redemption and, where applicable, the partial amount to be redeemed. (See Trust Agreement, Section 4.02(f).) Subordination of Common Trust Securities. Payment of distributions on, and the redemption price, plus accrued and unpaid distributions, of the preferred trust securities and common trust securities shall be made proportionally based on the liquidation preference amount. However, if on any distribution payment date or redemption date an event of default under the trust agreement has occurred and is continuing, no payment on any common trust security shall be made until all payments due on the preferred trust securities have been made. In that case, funds available to the property trustee will first be applied to the payment in full of all distributions on, or the redemption price plus accrued and unpaid distributions, of preferred trust securities then due and payable. (See Trust Agreement, Section 4.03(a).) If an event of default under the trust agreement results from an event of default under the subordinated indenture, the holders of common trust securities cannot take action with respect to the trust agreement default until the effect of all defaults with respect to preferred trust securities has been cured, waived or otherwise eliminated. Until the event of default under the trust agreement with respect to preferred trust securities has been cured, waived or otherwise eliminated, the property trustee shall act solely on behalf of the holders of preferred trust securities and not the holders of the common trust securities. Only holders of preferred trust securities will have the right to direct the property trustee to act on their behalf. (See Trust Agreement, Section 4.03(b).) Liquidation Distribution upon Dissolution. ALLETE Capital will be dissolved and shall be liquidated by the property trustee on the first to occur of: o the expiration of the term of ALLETE Capital; o the bankruptcy, dissolution or liquidation of ALLETE; o redemption of all of the preferred trust securities; o the entry of an order for dissolution of ALLETE Capital by a court of competent jurisdiction; or o at any time, at the election of ALLETE. (See Trust Agreement, Sections 9.01 and 9.02.) If a dissolution of ALLETE Capital occurs because of bankruptcy, dissolution or liquidation of ALLETE, if all the preferred trust securities are redeemed, or if ALLETE so elects, ALLETE Capital will be liquidated by the property trustee as expeditiously as the property trustee determines to be appropriate. The property trustee will provide for the satisfaction of liabilities of creditors, if any, and distribute to each holder of the preferred trust securities and common trust securities a proportionate amount of junior subordinated debentures. If a distribution of junior subordinated debentures is determined by the property trustee not to be practical, holders of the preferred trust securities will be entitled to receive, out of the assets of ALLETE Capital after adequate provision for the satisfaction of liabilities of creditors, if any, an amount equal to the aggregate liquidation preference of the preferred trust securities plus accrued and unpaid distributions thereon to the date of payment. If this liquidation distribution can be paid only in part because ALLETE Capital has insufficient assets available to pay in full the aggregate liquidation distribution, then the amounts payable directly by ALLETE Capital on the preferred trust securities shall be paid to the holders proportionally based on the total liquidation preference amount of the preferred trust securities they hold. ALLETE, as holder of the common trust securities, will be entitled to receive distributions upon any dissolution proportionally with the holders of the preferred trust securities, except that if an event of default has occurred and is continuing under the subordinated indenture or if a default has occurred under the subordinated indenture but has not become an event of default solely because of the requirement that time lapse or notice be given, the preferred trust securities shall have a preference over the common trust securities upon dissolution of ALLETE Capital. (See Trust Agreement, Section 9.04.) 26 Events of Default; Notice. Any one of the following events will be an event of default under the trust agreement whether it be voluntary or involuntary or effected by operation of law or in accordance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body: o the occurrence of an event of default under the subordinated indenture; o default by ALLETE Capital in the payment of any distribution when it becomes due and payable, and continuation of that default for a period of 30 days; o default by ALLETE Capital in the payment of any redemption price, plus accrued and unpaid distributions, of any preferred trust security or common trust security when it becomes due and payable; o default in the performance, or breach, in any material respect, of any covenant or warranty of the trustees in the trust agreement which is not dealt with above, and the continuation of that default or breach for a period of 60 days after notice to ALLETE Capital by the holders of preferred trust securities having at least 10 percent of the total liquidation preference amount of the outstanding preferred trust securities; or o the occurrence of specified events of bankruptcy or insolvency with respect to ALLETE Capital. (See Trust Agreement, Section 1.01.) Within 90 business days after the occurrence

of any event of default under the trust agreement, the property trustee will transmit to the holders of preferred trust securities and common trust securities and ALLETE notice of any default actually known to the property trustee, unless that default has been cured or waived. (See Trust Agreement, Section 8.02.) A holder of preferred trust securities may directly institute a proceeding to enforce payment when due directly to the holder of the preferred trust securities of the principal of or interest on junior subordinated debentures having a principal amount equal to the aggregate liquidation preference amount of the holder's preferred trust securities. The holders of preferred trust securities have no other rights to exercise directly any other remedies available to the holder of the junior subordinated debentures unless the trustees under the trust agreement fail to do so. (See Trust Agreement, Section 6.01(a).) Unless an event of default under the subordinated indenture has occurred and is continuing, the holder of the common trust securities may remove the property trustee at any time. If an event of default under the subordinated indenture has occurred and is continuing, the holders of a majority of the total liquidation preference amount of the outstanding preferred trust securities may remove the property trustee. Any resignation or removal of the property trustee will take effect only on the acceptance of appointment by the successor property trustee. (See Trust Agreement, Section 8.10.) Merger or Consolidation of the Property Trustee or the Delaware Trustee. If the property trustee or the Delaware trustee merge, consolidate with another entity, or if any entity succeeds to all or substantially all the corporate trust business of the property trustee or the Delaware trustee, the successor or surviving company shall be the successor to the property trustee or the Delaware trustee under the trust agreement, so long as it is otherwise qualified and eligible. (See Trust Agreement, Section 8.12.) Voting Rights. Except with respect to amendments to the trust agreement and amendments and assignment of the guarantee, the holders of preferred trust securities will have no voting rights not otherwise required by law or the trust agreement. (See Trust Agreement, Section 6.01(a).) While junior subordinated debentures are held by the property trustee, the property trustee will not: o direct the time, method and place to conduct any proceeding for any remedy available to the debenture trustee, or to execute any trust or power conferred on the debenture trustee with respect to the junior subordinated debentures, 27 o waive any past default under the subordinated indenture, o exercise any right to rescind or annul a declaration that the principal of all the junior subordinated debentures will be due and payable, or o consent to any amendment, modification or termination of the subordinated indenture or the junior subordinated debentures, where that consent will be required without, in each case, obtaining the prior approval of the holders of preferred trust securities having at least 66-2/3 percent of the liquidation preference amount of the outstanding preferred trust securities. Where the consent of each holder of junior subordinated debentures affected is required, no consent will be given by the property trustee without the prior consent of each holder of the preferred trust securities. The property trustee shall not revoke any action previously authorized or approved by a vote of the holders of preferred trust securities. If the property trustee fails to enforce its rights under the junior subordinated debentures or the trust agreement, to the fullest extent permitted by law, a holder of the preferred trust securities may institute a legal proceeding directly against ALLETE to enforce the property trustee's rights under the junior subordinated debentures or the trust agreement without first instituting any legal proceeding against the property trustee or any one else. The property trustee shall notify all holders of preferred trust securities of any notice of default received from the debenture trustee. The property trustee will not take any action approved by the consent of the holders of the preferred trust securities without an opinion of counsel experienced in those matters to the effect that ALLETE Capital will not be classified as an association taxable as a corporation for United States federal income tax purposes on account of that action. (See Trust Agreement, Sections 6.01(a) and 6.01(b).) Holders of preferred trust securities may give any required approval at a meeting convened for that purpose or by written consent without prior notice. (See Trust Agreement, Section 6.06.) The administrative trustees will give notice of any meeting at which holders of preferred trust securities are entitled to vote (See Trust Agreement, Section 6.01). No vote or consent of the holders of preferred trust securities will be required for ALLETE Capital to redeem and cancel preferred trust securities in accordance with the trust agreement. Although holders of preferred trust securities are entitled to vote or consent under any of the circumstances described above, any of the preferred trust securities that are owned by ALLETE, any trustee under the trust agreement or any affiliate of ALLETE, shall be treated as if they were not outstanding for purposes of that vote or consent. (See Trust Agreement, Section 1.01.) Holders of preferred trust securities will have no rights to appoint or remove the administrative trustees of ALLETE Capital, who may be appointed, removed or replaced solely by ALLETE as the holder of the common trust securities. (See Trust Agreement, Section 8.10.) Amendments. The trust agreement may be amended from time to time by ALLETE and the administrative trustees, without the consent of any holders of preferred trust securities and common trust securities or the other trustees: o to cure any ambiguity, correct or supplement inconsistent provisions, make any other provisions with respect to matters or questions arising under the trust agreement that do not conflict with the other provisions of the trust agreement or any amendments of the trust agreement; o to change the name of the trust; or o to modify, eliminate or add to any provisions of the trust agreement to the extent necessary to ensure that ALLETE Capital will not be classified for United States federal income tax purposes as an association taxable as a corporation at any time that any preferred trust securities and common trust securities are outstanding or to ensure ALLETE Capital's exemption from the status of an "investment company" under the Investment Company Act of 1940. 28 No amendment described above may materially adversely affect the interests of any holder of preferred trust securities or common trust securities. The amendments of the trust agreement which cure ambiguity, correct inconsistencies or supplement existing provisions will become effective when notice of the amendment is given to the holders of preferred trust securities and common trust securities. Except as provided below, any provision of the trust agreement may be amended by the trustees and ALLETE with: o the consent of holders of preferred trust securities and common trust securities representing not less than a majority in aggregate liquidation preference amount of the preferred trust securities and common trust securities then outstanding; and o receipt by the trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the trustees in accordance with the amendment will not cause ALLETE Capital to be classified for United States federal income tax purposes as an association taxable as a corporation or affect ALLETE Capital's exemption from status of an "investment company" under the Investment Company Act of 1940. Each holder of preferred trust securities or common trust securities must consent to any amendment to the trust agreement that: o changes the amount or timing of any distribution with respect to preferred trust securities or common trust securities or otherwise adversely affects the amount of any distribution required to be made in respect of preferred trust securities and common trust securities as of a specified date; or o restricts the right of a holder of preferred trust securities or common trust securities to institute suit for the enforcement of any such payment on or after that date. (See Trust Agreement, Section 10.03.) Co-trustees and Separate Trustee. If no event of default under the trust agreement has occurred and is continuing, for the purpose of meeting the legal requirements of the Trust Indenture Act of 1939 or of any jurisdiction in which any part of the trust property of ALLETE Capital may at

the time be located, ALLETE, as depositor, and the property trustee may appoint one or more persons approved by the property trustee either to act as co-trustee, jointly with the property trustee, of all or any part of the trust property, or to act as separate trustee of any trust property. Upon the written request of the property trustee, ALLETE, as depositor, will for that purpose join with the property trustee in the execution, delivery and performance of all instruments necessary or proper to make that appointment. The appointment will vest in that person or persons in that capacity, any property, title, right or power deemed necessary or desirable, subject to the provisions of the trust agreement. If ALLETE, as depositor, does not join in that appointment within 15 days after the receipt by it of a request so to do, or in case an event of default under the subordinated indenture has occurred and is continuing, the property trustee alone shall have power to make that appointment. (See Trust Agreement, Section 8.09.) Form, Exchange, and Transfer. Preferred trust securities of ALLETE Capital may be exchanged for other preferred trust securities of that trust in any authorized denomination and with the same terms and total liquidation preference. Subject to the terms of the trust agreement, preferred trust securities may be presented for exchange as provided above or for registration of transfer, duly endorsed or accompanied by a duly executed instrument of transfer, at the office of the preferred trust security registrar or at the office of any transfer agent designated by ALLETE for such purpose. ALLETE may designate itself the preferred trust security registrar. Unless otherwise provided in the prospectus supplement, no service charge will be made for any transfer or exchange of the preferred trust securities. However, ALLETE may require payment to cover any tax or other governmental charge that may be imposed. In that case, the holder requesting transfer must pay the tax or charges and give any indemnity that ALLETE Capital or ALLETE may require. (See Trust Agreement, Section 5.04.) A transfer or exchange will be made when the transfer agent is satisfied with the documents of title and identity of the person making the request. ALLETE may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that ALLETE will be required to maintain a transfer agent in each place of payment for preferred trust securities. ALLETE Capital will not be required to issue, register the transfer of, or exchange any preferred trust securities during the period beginning 15 calendar days before the mailing of a notice of redemption of any preferred trust securities called for redemption and ending at the close of business on the day the notice is mailed or register the transfer of or exchange any preferred trust securities so selected for redemption, in whole or in part, except the unredeemed portion of any preferred trust securities being redeemed in part. (See Trust Agreement, Section 5.04) Registrar and Transfer Agent. Unless otherwise specified in the prospectus supplement, The Bank of New York will act as registrar and transfer agent for the preferred trust securities. Registration of transfers of the preferred trust securities will be made without charge by ALLETE Capital, unless tax or other governmental charges are imposed. In that case, the holder requesting transfer must pay the tax or charges and give such indemnity as ALLETE Capital or ALLETE may require. Information about the Property Trustee and the Delaware Trustee. The property trustee and the Delaware trustee under the trust agreement will be The Bank of New York and The Bank of New York (Delaware), respectively. In addition to acting as property trustee, The Bank of New York, as described in this prospectus, also acts as trustee under the mortgage, the guarantee trustee under the guarantee and the debenture trustee under the subordinated indenture. The Bank of New York also acts, and may act, as trustee under various other indentures, trusts and guarantees of ALLETE and its affiliates. ALLETE and its affiliates maintain deposit accounts and conduct other banking transactions with the property trustee in the ordinary course of their businesses. Duties of the Trustees. The Delaware trustee will act as the resident trustee in the State of Delaware and will have no other significant duties. (See Trust Agreement, Section 2.06.) The property trustee will hold the junior subordinated debentures on behalf of ALLETE Capital and will maintain a payment account with respect to the preferred trust securities and common trust securities, and will also act as trustee under the trust agreement for the purposes of the Trust Indenture Act of 1939. The administrative trustees of ALLETE Capital are authorized and directed to conduct the affairs of ALLETE Capital and to operate ALLETE Capital so that ALLETE Capital will not be deemed to be an "investment company" required to be registered under the Investment Company Act of 1940 or taxed as a corporation for United States federal income tax purposes and so that the junior subordinated debentures will be treated as indebtedness of ALLETE for United States federal income tax purposes. In this regard, the administrative trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust or the trust agreement, that the administrative trustees determine in their discretion to be necessary or desirable for those purposes, as long as the action does not materially adversely affect the interests of the holders of the preferred trust securities. (See Trust Agreement, Section 2.07(d).) Governing Law. The trust agreement and the preferred trust securities will be governed by, and construed in accordance with, the laws of the State of Delaware. (See Trust Agreement, Section 10.05.) Miscellaneous. Holders of the preferred trust securities have no preemptive or similar rights. 30 DESCRIPTION OF THE GUARANTEE General. Material terms of the guarantee that ALLETE will execute and deliver for the benefit of the holders of the preferred trust securities are summarized below. The following description of the guarantee is a summary and is qualified by reference to the guarantee. The form of the guarantee is being filed as an exhibit to the registration statement, and you should read the guarantee for provisions that may be important to you. References to certain sections of the guarantee are included in parentheses. Whenever particular provisions or defined terms in the guarantee are referred to under this "Description of the Guarantee," those provisions or defined terms are incorporated by reference in this prospectus. The guarantee will be qualified under the Trust Indenture Act of 1939. You should refer to the Trust Indenture Act of 1939 for provisions that apply to the debt securities. The Bank of New York will act as guarantee trustee under the guarantee. The guarantee trustee will hold the guarantee for the benefit of the holders of the preferred trust securities. General Terms of the Guarantee. ALLETE will irrevocably and unconditionally agree to make the guarantee payments listed below in full to the holders of the preferred trust securities if they are not made by ALLETE Capital, as and when due, regardless of any defense, right of set-off or counterclaim that ALLETE may have or assert. The following payments will be subject to the guarantee (without duplication): o any accrued and unpaid distributions required to be paid on preferred trust securities, to the extent ALLETE Capital has funds available therefor; o the redemption price, plus all accrued and unpaid distributions, for any preferred trust securities called for redemption by ALLETE Capital, to the extent ALLETE Capital has sufficient funds for payments; and o upon a voluntary or involuntary dissolution, winding-up or termination of ALLETE Capital except in connection with the distribution of junior subordinated debentures to the holders in exchange for preferred trust securities as provided in the trust agreement or upon a redemption of all of the preferred trust securities upon maturity or redemption of the junior subordinated debentures as provided in the trust agreement, the lesser of: - the aggregate of the liquidation preference and all accrued and unpaid distributions on preferred trust securities to the date of payment, to the extent that ALLETE Capital has funds available therefor; and - the amount of assets of ALLETE Capital remaining available for distribution to holders of preferred trust securities in liquidation of ALLETE Capital. ALLETE's obligation to make a guarantee

payment may be satisfied by direct payment of the required amounts by ALLETE to the holders of preferred trust securities or by causing ALLETE Capital to pay those amounts to those holders. (See Guarantee Agreement, Sections 1.01 and 5.01.) The guarantee will be a guarantee with respect to the preferred trust securities, but will not apply to any payment of distributions if and to the extent that ALLETE Capital does not have funds available to make those payments or to any collection of payment. If ALLETE does not make interest payments on the junior subordinated debentures held by ALLETE Capital, ALLETE Capital will not have funds available to pay distributions on the preferred trust securities. The guarantee will rank subordinate and junior in right of payment to all liabilities of ALLETE except liabilities that are equal in right of payment by their terms. (See Guarantee Agreement, Section 6.01.) ALLETE will enter into an agreement as to expenses and liabilities with ALLETE Capital, to provide funds to ALLETE Capital as needed to pay obligations of ALLETE Capital to parties other than holders of preferred trust securities. The junior subordinated debentures and the guarantee, together with the obligations of ALLETE with respect to the preferred trust securities under the 31 subordinated indenture, the trust agreement, the guarantee and the agreement as to expenses and liabilities, constitute a full and unconditional guarantee of the preferred trust securities by ALLETE. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes that guarantee. It is only the combined operation of these documents that has the effect of providing a full and unconditional guarantee by ALLETE of the preferred trust securities. Amendments and Assignment. No vote is required for changes to the guarantee that do not materially adversely affect the rights of holders of preferred trust securities. Other terms of the guarantee may be changed only with the prior approval of the holders of the preferred trust securities having at least 66-2/3 percent of the total liquidation preference amount of the outstanding preferred trust securities. (See Guarantee Agreement, Section 8.02.) All guarantees and agreements contained in the guarantee will bind the successors, assigns, receivers, trustees and representatives of ALLETE and will inure to the benefit of the holders of the preferred trust securities then outstanding. (See Guarantee Agreement, Section 8.01.) If and to the extent described in the prospectus supplement, ALLETE may assign its obligations under the guarantee. The terms and conditions and any material United States federal income tax consequences of any permitted assignment shall be described in the prospectus supplement relating to the preferred trust securities. Events of Default. An event of default under the guarantee will occur if ALLETE fails to perform any of its payment obligations under the guarantee. The holders of the preferred trust securities having a majority of the liquidation preference of the preferred trust securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee under the guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the guarantee. (See Guarantee Agreement, Section 5.04.) If the guarantee trustee fails to enforce the guarantee, any holder of the preferred trust securities may enforce the guarantee, or institute a legal proceeding directly against ALLETE to enforce the guarantee trustee's rights under the guarantee without first instituting a legal proceeding against ALLETE Capital, the guarantee trustee or anyone else. (See Guarantee Agreement, Section 5.04.) Annual Notice to Guarantee Trustee. ALLETE will be required to file annually with the guarantee trustee an officer's certificate as to ALLETE's compliance with all conditions under the guarantee. (See Guarantee Agreement, Section 2.04.) Information about the Guarantee Trustee. The guarantee trustee will undertake to perform only those duties specifically set forth in the guarantee until a default occurs. After a default under the guarantee, the guarantee trustee must exercise the same degree of care in its duties as a prudent individual would exercise in the conduct of his or her own affairs. (See Guarantee Agreement, Section 3.01(b).) Otherwise, the guarantee trustee is under no obligation to exercise any of the powers vested in it by the guarantee at the request of any holder of the preferred trust securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that it might incur. (See Guarantee Agreement, Section 3.01(c).) The guarantee trustee under the guarantee will be The Bank of New York. In addition to acting as guarantee trustee, The Bank of New York, as described in this prospectus, also acts as trustee under the mortgage, property trustee under the trust agreement, the debenture trustee under the subordinated indenture; The Bank of New York (Delaware) acts as the Delaware trustee under the trust agreement. The Bank of New York also acts, and may act, as trustee under various other indentures, trusts and guarantees of ALLETE and its affiliates. ALLETE and its affiliates maintain deposit accounts and conduct other banking transactions with the guarantee trustee in the ordinary course of their businesses. Termination of the Guarantee. The guarantee will terminate and be of no further force and effect upon: o full payment of the redemption price, plus accrued and unpaid distributions, for all the preferred trust securities; o the distribution of junior subordinated debentures to holders of the preferred trust securities in exchange for all of the preferred trust securities; or 32 o full payment of the amounts payable upon liquidation of ALLETE Capital. The guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of preferred trust securities must restore payment of any sums paid under the preferred trust securities or the guarantee. (See Guarantee Agreement, Section 7.01.) Status of the Guarantee. The guarantee will be an unsecured obligation of ALLETE and will rank: o subordinate and junior in right of payment to all liabilities of ALLETE, except any liabilities that are equal in right of payment by their terms; o equal in right of payment with the most senior preferred stock that may be issued by ALLETE and with any guarantee that may be entered into by ALLETE in respect of any preferred stock of any affiliate of ALLETE; and o senior to ALLETE's common stock. (See Guarantee Agreement, Section 6.01.) The trust agreement provides that by accepting preferred trust securities, a holder agrees to the subordination provisions and other terms of the guarantee. The guarantee will be a guarantee of payment and not of collection, that is, the guaranteed party may institute a legal proceeding directly against ALLETE to enforce its rights under the guarantee without first instituting a legal proceeding against anyone else. Governing Law. The guarantee will be governed by and construed in accordance with the laws of the State of New York. (See Guarantee Agreement, Section 8.06.) DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES General. The junior subordinated debentures which the property trustee will hold on behalf of ALLETE Capital as trust assets will be subordinated obligations of ALLETE. The junior subordinated debentures will be issued in one or more series under a subordinated indenture ("subordinated indenture") between ALLETE and The Bank of New York, as debenture trustee ("debenture trustee") with respect to the junior subordinated debentures. The following description of the junior subordinated debentures and the subordinated indenture are summaries and are qualified by reference to the subordinated indenture. The form of the subordinated indenture is being filed as an exhibit to the registration statement, and you should read the subordinated indenture for provisions that may be important to you. References to certain sections of the subordinated indenture are included in parentheses. Whenever particular provisions or defined terms in the subordinated indenture are referred to under this "Description of Junior Subordinated Debentures," those provisions or defined terms are incorporated by reference in this prospectus. The subordinated indenture will be qualified under the Trust Indenture Act of 1939. You should refer to the Trust Indenture Act of 1939 for provisions that apply to the junior subordinated debentures. The subordinated indenture provides for the issuance of

junior subordinated debentures and other subordinated debt in an unlimited amount from time to time. The junior subordinated debentures issued to ALLETE Capital will constitute a separate series of junior subordinated debentures under the subordinated indenture. The prospectus supplement and an officer's certificate relating to the junior subordinated debentures being offered will include specific terms relating to that offering. These terms will include any of the following terms that apply to that series: o the title of the junior subordinated debentures; 33 o any limit upon the total principal amount of the junior subordinated debentures; o the date or dates on which the principal of the junior subordinated debentures will be payable and how it will be paid; o the rate or rates at which the junior subordinated debentures will bear interest, or how the rate or rates will be determined; o the date or dates from which interest on the junior subordinated debentures will accrue, the interest payment dates on which interest will be paid, and the record dates for such interest payments; o any right to extend the interest payment periods for the junior subordinated debentures; o the percentage, if less than 100 percent, of the principal amount of the junior subordinated debentures which will be payable if the maturity of the junior subordinated debentures is accelerated; o any date or dates on which, and the price or prices at which, the junior subordinated debentures may be redeemed at the option of ALLETE and any restrictions on such redemptions; o any sinking fund or other provisions or options held by holders of junior subordinated debentures that would obligate ALLETE to repurchase or otherwise redeem the junior subordinated debentures; o any changes or additions to the events of default under the subordinated indenture or changes or additions to the covenants of ALLETE under the subordinated indenture; o if the junior subordinated debentures will be issued in denominations other than \$25 or a multiple thereof; o if payments on the junior subordinated debentures may be made in a currency or currencies other than United States dollars; o any rights or duties of another person to assume the obligations of ALLETE with respect to the junior subordinated debentures; o any collateral, security, assurance or guarantee for the junior subordinated debentures; o any rights to change, or eliminate any provision under the subordinated indenture or to add any new provision to the subordinated indenture without the consent of the holders of the junior subordinated debentures of such series; and o any other terms of the junior subordinated debentures not inconsistent with the terms of the subordinated indenture. (See Subordinated Indenture, Section 301.) The junior subordinated debentures of each series will be limited in total principal amount to the sum of the aggregate liquidation preference amount of the preferred trust securities and the consideration paid by ALLETE for the common trust securities of ALLETE Capital. The junior subordinated debentures are unsecured, subordinated obligations of ALLETE which rank junior to all of ALLETE's Senior Indebtedness. (Subordinated Indenture, Section 1501.) Senior Indebtedness is defined in the subordinated indenture to include all notes and other obligations, including guarantees of ALLETE, for borrowed money that is not subordinate or junior in right of payment to any other indebtedness of ALLETE unless by its terms it is equal in right of payment to the junior subordinated debentures. The obligations of ALLETE under the guarantee and the junior subordinated debentures will not be deemed to be Senior Indebtedness. (See Subordinated Indenture, Section 101.) The amounts payable as principal and 34 interest on the junior subordinated debentures will be sufficient to provide for payment of distributions payable on preferred trust securities and common trust securities. If junior subordinated debentures are distributed to holders of preferred trust securities in a dissolution of ALLETE Capital, the junior subordinated debentures will be issued in fully registered certificated form in the denominations and integral multiples of the denominations in which the preferred trust securities have been issued, and they may be transferred or exchanged at the offices of the debenture trustee. (See Subordinated Indenture, Section 201.) Payment and Paying Agents. Except as may be provided in the prospectus supplement, interest, if any, on each junior subordinated debenture payable on each interest payment date will be paid to the person in whose name such junior subordinated debenture is registered as of the close of business on the regular record date for the interest payment date. However, interest payable at maturity will be paid to the person to whom the principal is paid. If there has been a default in the payment of interest on any junior subordinated debenture, the defaulted interest may be paid to the holder of such junior subordinated debenture as of the close of business on a date to be fixed by the debenture trustee, which will be between 10 and 15 days prior to the date proposed by ALLETE for payment of such defaulted interest or in any other manner permitted by any securities exchange on which such junior subordinated debenture may be listed, if the debenture trustee finds it practicable. (See Subordinated Indenture, Section 307.) Unless otherwise specified in the prospectus supplement, principal of, and premium, if any, and interest on the junior subordinated debentures at maturity will be payable upon presentation of the junior subordinated debentures at the corporate trust office of the debenture trustee as Paying Agent for ALLETE. ALLETE may change the place of payment on the junior subordinated debentures, may appoint one or more additional Paying Agents, including ALLETE, and may remove any Paying Agent, all at the discretion of ALLETE. (See Subordinated Indenture, Section 602.) Registration and Transfer. Unless otherwise specified in the prospectus supplement, the transfer of junior subordinated debentures may be registered, and junior subordinated debentures may be exchanged for other junior subordinated debentures of the same series of authorized denominations and with the same terms and principal amount, at the corporate trust office of the debenture trustee. ALLETE may change the place for registration of transfer and exchange of the junior subordinated debentures and may designate additional places for such registration and exchange. Unless otherwise provided in the prospectus supplement, no service charge will be made for any transfer or exchange of the junior subordinated debentures. However, ALLETE may require payment to cover any tax or other governmental charge that may be imposed. ALLETE will not be required to execute or to provide for the registration of transfer of, or the exchange of, o any junior subordinated debenture during a period of 15 days prior to giving any notice of redemption or o any junior subordinated debenture selected for redemption except the unredeemed portion of any junior subordinated debenture being redeemed in part. (See Subordinated Indenture, Section 305.) Optional Redemption. For so long as ALLETE Capital is the holder of all the related outstanding junior subordinated debentures, the proceeds of any optional redemption will be used by ALLETE Capital to redeem preferred trust securities and common trust securities in accordance with their terms. The debenture trustee will give notice to the holders of any optional redemption of junior subordinated debentures, not less than 30 nor more than 60 days prior to that redemption. All notices of redemption will state the redemption date and the redemption price plus accrued and unpaid interest. If less than all the junior subordinated debentures are to be redeemed, the notice will identify those to be redeemed and the portion of the principal amount of any junior subordinated debentures to be redeemed in part. The notice will state that on the redemption date, subject to the debenture trustee's receipt of the redemption monies, the redemption price plus accrued and unpaid interest will become due and payable on each junior subordinated debenture to be redeemed and that interest thereon will cease to accrue on and after that date. It will name the place or places where the junior subordinated debentures are to be surrendered for payment of the redemption price plus accrued and unpaid interest. (See Subordinated Indenture, Section 4.04.) Interest. The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months and for any period shorter

than a full month, on the basis of the actual number of days elapsed. In the event that any date on which interest is payable on the junior subordinated debentures is not a business day, then payment will be made on the next business day. No interest will be paid in respect of any such delay. However, if the delayed payment date is in the next calendar year, the payment will be made on the last business day of the earlier year. These payments will have the same force and effect as if made on the date the payment was originally payable. (See Subordinated Indenture, Section 113.) Option to Extend Interest Payment Period. So long as there is no default in the payment of interest on the junior subordinated debentures, ALLETE may extend the interest payment period from time to time on the junior subordinated debentures for one or more periods. As a consequence, distributions on preferred trust securities would be deferred during any extension period. Interest would, however, continue to accrue. If ALLETE extends the interest period or is in default under the guarantee or with respect to payments on the junior subordinated debentures, ALLETE may not: o declare or pay any dividend or distribution on its capital stock, other than dividends paid in shares of common stock of ALLETE; o redeem, purchase, acquire or make a liquidation payment with respect to any of its capital stock; o redeem any indebtedness that is equal in right of payment with the junior subordinated debentures; or o make any guarantee payments with respect to any of the above. (See Subordinated Indenture, Section 608.) Any extension period with respect to payment of interest on the junior subordinated debentures, or any extended interest payment period in respect of other securities issued under the subordinated indenture or on any similar securities, will apply to all securities of the same type. Those extensions will also apply to distributions on preferred trust securities and common trust securities and all other securities with terms substantially the same as preferred trust securities and common trust securities. Before an extension period ends, ALLETE may further extend the interest payment period. No extension period as further extended may exceed 20 consecutive quarters. After any extension period and the payment of all amounts then due, ALLETE may select a new extension period. No interest period may be extended beyond the maturity of the junior subordinated debentures. ALLETE will give ALLETE Capital and the debenture trustee notice of its election of an extension period prior to the earlier of o one business day before the record date for the distribution which would occur if ALLETE did not make the election to extend or o the date ALLETE is required to give notice to the New York Stock Exchange or any other applicable self-regulatory organization of the record date. ALLETE will cause ALLETE Capital to send notice of that election to the holders of preferred trust securities. Additional Interest. So long as any preferred trust securities remain outstanding, if ALLETE Capital is required to pay any taxes, duties, assessments or governmental charges imposed by the United States or any other taxing authority on income derived from the interest payments on the junior subordinated debentures, then ALLETE will pay as interest on the junior subordinated debentures any additional interest that may be necessary in order that the net amounts retained by ALLETE Capital after the payment of those taxes, duties, assessments or governmental charges will be the same as ALLETE Capital would have had in the absence of the payment of those taxes, duties, assessments or governmental charges. (See Subordinated Indenture, Section 312.) 36 Assignment of Obligations. If and to the extent described in the prospectus supplement, ALLETE may assign its obligations under the junior subordinated debentures and the subordinated indenture. The terms and conditions and any material United States federal income tax consequences of any permitted assignment shall be described in the prospectus supplement relating to the preferred trust securities. Satisfaction and Discharge. ALLETE will be discharged from its obligations on the junior subordinated debentures of a particular series, or any portion thereof of the principal amount of the junior subordinated debentures of such series, if it irrevocably deposits with the debenture trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums when due on the junior subordinated debentures of such series at their stated maturity date or a redemption date. (See Subordinated Indenture, Section 701.) The subordinated indenture will be deemed satisfied and discharged when no junior subordinated debentures remain outstanding and when ALLETE has paid all other sums payable by ALLETE under the subordinated indenture. (See Indenture, Section 702.) All moneys ALLETE pays to the debenture trustee or any Paying Agent on the junior subordinated debentures which remain unclaimed at the end of two years after payments have become due will be paid to or upon the order of ALLETE. Thereafter, the holder of such junior subordinated debenture may look only to ALLETE for payment thereof. (See Subordinated Indenture, Section 603.) Subordination. The junior subordinated debentures will be subordinate and junior in right of payment to all Senior Indebtedness of ALLETE. (See Subordinated Indenture, Section 1501.) No payment of the principal of the junior subordinated debentures (including redemption and sinking fund payments), or interest on the junior subordinated debentures may be made until all holders of Senior Indebtedness have been paid, if any of the following occurs: o specified events of bankruptcy, insolvency or reorganization of ALLETE; o any Senior Indebtedness is not paid when due and that default continues without waiver; o any other default has occurred and continues without waiver pursuant to which the holders of Senior Indebtedness have accelerated the maturity of the indebtedness; or o the maturity of any other series of junior subordinated debentures under the subordinated indenture has been accelerated, because of an event of default under the subordinated indenture which remains uncured. (See Subordinated Indenture, Section 1501.) Upon any distribution of assets of ALLETE to creditors in connection with any insolvency, bankruptcy or similar proceeding, all principal of, and premium, if any, and interest due or to become due on all Senior Indebtedness must be paid in full before the holders of the junior subordinated debentures are entitled to receive or retain any payment. (See Subordinated Indenture, Section 1504.) The subordinated indenture does not limit the aggregate amount of Senior Indebtedness that may be issued. As of February 28, 2001 ALLETE had approximately \$1.3 billion principal amount of indebtedness for borrowed money constituting Senior Indebtedness. Consolidation, Merger, and Sale of Assets. Under the terms of the subordinated indenture, ALLETE may not consolidate with or merge into any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any entity, unless: o the surviving or successor entity is organized and validly existing under the laws of any domestic jurisdiction and it expressly assumes ALLETE's obligations on all junior subordinated debentures and under the subordinated indenture; 37 o immediately after giving effect to the transaction, no event of default under the subordinated indenture or no event which, after notice or lapse of time or both, would become an event of default under the subordinated indenture, shall have occurred and be continuing; and o ALLETE shall have delivered to the debenture trustee an officer's certificate and an opinion of counsel as provided in the subordinated indenture. The terms of the subordinated indenture do not restrict ALLETE in a merger in which ALLETE is the surviving entity. (See Subordinated Indenture, Section 1101.) Events of Default. The term "event of default", when used in the subordinated indenture with respect to any series of junior subordinated debentures, means any of the following: o failure to pay interest, if any, on any junior subordinated debenture for 30 days after it is due; o failure to pay the principal of or premium, if any, on any junior subordinated debenture when due; o failure to perform any other covenant in the subordinated indenture, other than a covenant that does not relate to that series of junior subordinated debentures, that continues for 90 days after ALLETE receives written notice from the

debenture trustee or ALLETE and the debenture trustee receives a written notice from 33 percent of the holders of the junior subordinated debentures of that series; however, the debenture trustee or the debenture trustee and the holders of such principal amount of junior subordinated debentures of this series can agree to an extension of the 90 day period and such an agreement to extend will be automatically deemed to occur if ALLETE is diligently pursuing action to correct the default; or certain events in bankruptcy, insolvency or reorganization of ALLETE; or any other event of default included in any supplemental indenture or officer's certificate for that series of junior subordinated debentures. (See Subordinated Indenture, Section 801.) The debenture trustee may withhold notice to the holders of junior subordinated debentures of any default except, a default in the payment of principal, premium or interest, if it considers such withholding of notice to be in the interests of the holders. An event of default under the subordinated indenture for a particular series of junior subordinated debentures does not necessarily constitute an event of default for any other series of junior subordinated debentures issued under the subordinated indenture. Remedies. Acceleration of Maturity. If an event of default under the subordinated indenture with respect to fewer than all the series of junior subordinated debentures occurs and continues, either the debenture trustee or the holders of at least 33 percent in principal amount of the junior subordinated debentures of any such series may declare the entire principal amount of all the junior subordinated debentures of such series, together with accrued interest, to be due and payable immediately. However, if the event of default is applicable to all outstanding junior subordinated debentures under the subordinated indenture, only the debenture trustee or holders of at least 33 percent in principal amount of all outstanding junior subordinated debentures of all series, voting as one class, and not the holders of any one series, may make that declaration of acceleration. At any time after a declaration of acceleration with respect to the junior subordinated debentures of any series has been made and before a judgment or decree for payment of the money due has been obtained, the event of default under the subordinated indenture giving rise to such declaration of acceleration will be considered waived, and the declaration and its consequences will be considered rescinded and annulled, if: o ALLETE has paid or deposited with the debenture trustee a sum sufficient to pay: 38 - all overdue interest, if any, on all junior subordinated debentures of the series; - the principal of and premium, if any, on any junior subordinated debentures of the series which have otherwise become due and interest, if any, that is currently due; - interest, if any, on overdue interest; or - all amounts due to the debenture trustee under the subordinated indenture; and o any other event of default with respect to the junior subordinated debentures of that series has been cured or waived as provided in the subordinated indenture. There is no automatic acceleration, even in the event of bankruptcy, insolvency or reorganization of ALLETE. (See Subordinated Indenture, Section 802.) Right to Direct Proceedings. Other than its duties in case of an event of default under the subordinated indenture, the debenture trustee is not obligated to exercise any of its rights or powers under the subordinated indenture at the request, order or direction of any of the holders, unless the holders offer the debenture trustee a reasonable indemnity. (See Subordinated Indenture, Section 903.) If they provide this reasonable indemnity, the holders of a majority in principal amount of any series of junior subordinated debentures will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the debenture trustee, or exercising any power conferred upon the debenture trustee. However, if the event of default under the subordinated indenture relates to more than one series, only the holders of a majority in aggregate principal amount of all affected series, voting as one class, will have the right to give this direction. The debenture trustee is not obligated to comply with directions that conflict with law or other provisions of the subordinated indenture. (See Subordinated Indenture, Section 812.) Limitation on Right to Institute Proceedings. No holder of junior subordinated debentures of any series will have any right to institute any proceeding under the subordinated indenture, or to exercise any remedy under the subordinated indenture, unless: o the holder has previously given to the debenture trustee written notice of a continuing event of default under the subordinated indenture; o the holders of a majority in aggregate principal amount of the outstanding junior subordinated debentures of all series in respect of which an event of default under the subordinated indenture will have occurred and be continuing have made a written request to the debenture trustee, and have offered reasonable indemnity to the debenture trustee to institute proceedings; and o the debenture trustee has failed to institute any proceeding for 60 days after notice and has not received any direction inconsistent with the written request of holders during such period. (See Subordinated Indenture, Section 807.) No Impairment to Right to Receive Payment. However, the limitations described in the preceding paragraph, do not apply to a suit by a holder of a junior subordinated debenture for payment of the principal of or premium, if any, or interest on a subordinated junior debenture on or after the applicable due date. (See Subordinated Indenture, Section 808.) Annual Notice to Debenture Trustee. ALLETE will provide to the debenture trustee an annual statement by an appropriate officer as to ALLETE's compliance with all conditions and covenants under the subordinated indenture. (See Subordinated Indenture, Section 606.) Enforcement of Certain Rights by Holders of Preferred Trust Securities. If there is an event of default under the subordinated indenture, then the holders of preferred trust securities will rely on the property trustee or the debenture trustee, acting for the benefit of the property trustee, to enforce the property trustee's rights against ALLETE as a holder of the junior subordinated debentures. However, a holder of preferred trust securities may enforce the subordinated indenture directly against ALLETE to the same extent as if the holder of preferred trust securities held a principal amount of junior subordinated debentures equal to the aggregate liquidation preference amount of its preferred trust securities. (See Subordinated Indenture, Section 610.) The holders of preferred trust securities would not be able to exercise directly against ALLETE any other rights unless the property trustee or the debenture trustee failed to do so for 60 days. Upon that failure, the holders of a majority of the aggregate liquidation amount of the outstanding preferred trust securities would have the right to directly institute proceedings for enforcement of all other rights against ALLETE to the fullest extent permitted by law. (See Subordinated Indenture, Section 807.) Modification and Waiver. ALLETE and the debenture trustee may enter into one or more supplemental indentures, without the consent of any holder of junior subordinated debentures, for any of the following purposes: o to evidence the assumption by any permitted successor of the covenants of ALLETE in the subordinated indenture and in the junior subordinated debentures; o to add additional covenants of ALLETE or to surrender any right or power of ALLETE under the subordinated indenture; o to add additional events of default; o to change, eliminate or add any provision to the subordinated indenture; provided, however, if the change, elimination or addition will adversely affect in any material respect the interests of the holders of junior subordinated debentures of any series, other than any series the terms of which permit such change, elimination or addition, such change, elimination or addition will become effective as to such series only: - when the consent of the holders of junior subordinated debentures of such series has been obtained in accordance with the subordinated indenture; or - when no junior subordinated debentures of such series remain outstanding under the subordinated indenture; o to provide collateral security for all but not part of the junior subordinated debentures; o to establish the form or terms of junior subordinated debentures of any other series as permitted by the subordinated indenture; o to provide for the

authentication and delivery of bearer securities and coupons attached thereto; o to evidence and provide for the acceptance of appointment of a successor debenture trustee; o to provide for the procedures required for use of a noncertificated system of registration for the junior subordinated debentures of all or any series; o to change any place where principal, premium, if any, and interest shall be payable, junior subordinated debentures may be surrendered for registration of transfer or exchange and notices to ALLETE may be served; or o to cure any ambiguity or inconsistency or to make any other changes to the provisions of the subordinated indenture or to add other provisions with respect to matters and questions arising under the subordinated indenture, provided that such other changes or additions shall not adversely affect the interests of the holders of junior subordinated debentures of any series in any material respect. 40 (See Subordinated Indenture, Section 1201.) The holders of at least a majority in aggregate principal amount of the junior subordinated debentures of all series then outstanding may waive compliance by ALLETE with certain restrictive provisions of the subordinated indenture. (See Subordinated Indenture, Section 607). The holders of not less than a majority in principal amount of the outstanding junior subordinated debentures of any series may waive any past default under the subordinated indenture with respect to that series, except a default in the payment of principal, premium, if any, or interest and certain covenants and provisions of the subordinated indenture that cannot be modified or be amended without the consent of the holder of each outstanding junior subordinated debenture of the series affected. (Subordinated Indenture, Section 813.) If the Trust Indenture Act of 1939 is amended after the date of the subordinated indenture in such a way as to require changes to the subordinated indenture, the subordinated indenture will be deemed to be amended so as to conform to such amendment of the Trust Indenture Act of 1939. ALLETE and the debenture trustee may, without the consent of any holders, enter into one or more supplemental indentures to evidence the amendment. (See Subordinated Indenture, Section 1201.) The consent of the holders of a majority in aggregate principal amount of the junior subordinated debentures of all series then outstanding is required for all other modifications to the subordinated indenture. However, if less than all of the series of junior subordinated debentures outstanding are directly affected by a proposed supplemental indenture, then the consent only of the holders of a majority in aggregate principal amount of all series that are directly affected will be required. No such amendment or modification may: o change the stated maturity of the principal of, or any installment of principal of or interest on, any junior subordinated debenture, or reduce the principal amount of any junior subordinated debenture or its rate of interest or change the method of calculating such interest rate or reduce any premium payable upon redemption, or change the currency in which payments are made, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any junior subordinated debenture, without the consent of the holder; o reduce the percentage in principal amount of the outstanding junior subordinated debentures of any series whose consent is required for any supplemental indenture or any waiver of compliance with a provision of the subordinated indenture or any default thereunder and its consequences, or reduce the requirements for quorum or voting, without the consent of all the holders of the series; or o modify certain of the provisions of the subordinated indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the junior subordinated debentures of any series, without the consent of the holder of each outstanding junior subordinated debenture affected by them. (See Subordinated Indenture, Section 1202.) A supplemental indenture that changes the subordinated indenture solely for the benefit of one or more particular series of junior subordinated debentures, or modifies the rights of the holders of junior subordinated debentures of one or more series, will not affect the rights under the subordinated indenture of the holders of the junior subordinated debentures of any other series. So long as any preferred trust securities remain outstanding, the debenture trustee may not consent to a supplemental indenture without the prior consent of the holders of a majority in aggregate liquidation preference of all preferred trust securities or, in the case of changes described in the clauses immediately above, 100 percent in aggregate liquidation preference of all such preferred trust securities then outstanding which would be affected. (See Subordinated Indenture, Section 1202.) The subordinated indenture provides that junior subordinated debentures owned by ALLETE or anyone else required to make payments on the junior subordinated debentures shall be disregarded and considered not to be outstanding in determining whether the required holders have given a request or consent. (See Subordinated Indenture, Section 101.) 41 ALLETE may fix in advance a record date to determine the required number of holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or other such act of holders, but ALLETE shall have no obligation to do so. If such record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other act of the holders may be given before or after such record date, but only the holders of record at the close of business on record date will be considered holders for the purposes of determining whether holders of the required percentage of the outstanding junior subordinated debentures have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other act of the holders. For that purpose, the outstanding junior subordinated debentures shall be computed as of the record date. Any request, demand, authorization, direction, notice, consent, election, waiver or other act of a holder shall bind every future holder of the same junior subordinated debenture and the holder of every junior subordinated debenture issued upon the registration or transfer of or in exchange of such junior subordinated debentures. A transferee will be bound by acts of the debenture trustee or ALLETE taken in reliance thereon, whether or not notation of such action is made upon such junior subordinated debenture. (See Subordinated Indenture, Section 104.) Resignation of the Debenture Trustee. The debenture trustee may resign at any time by giving written notice to ALLETE or may be removed at any time by act of the holders of a majority in principal amount of all series of junior subordinated debentures then outstanding delivered to the debenture trustee and ALLETE. No resignation or removal of the debenture trustee and no appointment of a successor trustee will be effective until the acceptance of appointment by a successor debenture trustee. So long as no event of default under the subordinated indenture or event which, after notice or lapse of time, or both, would become an event of default under the subordinated indenture has occurred and is continuing and except with respect to a debenture trustee appointed by act of the holders, if ALLETE has delivered to the debenture trustee a resolution of its Board of Directors appointing a successor debenture trustee and the successor has accepted such appointment in accordance with the terms of the subordinated indenture, the debenture trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the subordinated indenture (See Subordinated Indenture, Section 910). Notices. Notices to holders of junior subordinated debentures will be given by mail to the addresses of the holders as they may appear in the security register. (See Subordinated Indenture, Section 106.) Title. ALLETE, the debenture trustee, and any agent of ALLETE or the debenture trustee, may treat the person in whose name junior subordinated debentures are registered as the absolute owner thereof, whether or not such junior subordinated debentures may be overdue, for the purpose of making payments and for all other purposes irrespective of notice to the contrary. (See Subordinated Indenture, Section 308.) Governing Law. The subordinated indenture and the junior subordinated debentures will be

governed by, and construed in accordance with, the laws of the State of New York. (See Subordinated Indenture, Section 112.) Information about the Debenture Trustee. The debenture trustee under the subordinated indenture will be The Bank of New York. In addition to acting as debenture trustee, The Bank of New York, as described in this prospectus, also acts as trustee under the mortgage, property trustee under the trust agreement and the guarantee trustee under the guarantee; The Bank of New York (Delaware) acts as the Delaware trustee under the trust agreement. The Bank of New York acts, and may act, as trustee under various other indentures, trusts and guarantees of ALLETE and its affiliates. ALLETE and its affiliates maintain deposit accounts and conduct other banking transactions with the debenture trustee in the ordinary course of their business. PLAN OF DISTRIBUTION ALLETE and ALLETE Capital may sell the securities: o through underwriters or dealers; o through agents; or o directly to one or more purchasers. 42 Through Underwriters or Dealers. If ALLETE and ALLETE Capital use underwriters in the sale, the underwriters will acquire the securities for their own account. The underwriters may resell the securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The underwriters may sell the securities directly or through underwriting syndicates represented by managing underwriters. Unless otherwise stated in the prospectus supplement relating to any of the securities, the obligations of the underwriters to purchase the securities will be subject to certain conditions, and the underwriters will be obligated to purchase all of the securities if they purchase any of them. If ALLETE and ALLETE Capital use a dealer in the sale, ALLETE and ALLETE Capital will sell the securities to the dealer as principal. The dealer may then resell those securities at varying prices determined at the time of resale. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time. Through Agents. ALLETE and ALLETE Capital may designate one or more agents to sell the securities. Unless stated in a prospectus supplement, the agents will agree to use their best efforts to solicit purchases for the period of their appointment. Directly. ALLETE and ALLETE Capital may sell the securities directly to one or more purchasers. In this case, no underwriters, dealers or agents would be involved. General Information. A prospectus supplement will state the name of any underwriter, dealer or agent and the amount of any compensation, underwriting discounts or concessions paid, allowed or reallocated to them. A prospectus supplement will also state the proceeds to ALLETE and ALLETE Capital from the sale of the securities, any initial public offering price and other terms of the offering of the securities. ALLETE and ALLETE Capital may authorize agents, underwriters or dealers to solicit offers by certain institutions to purchase the securities from ALLETE and ALLETE Capital at the public offering price and on terms described in the related prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. ALLETE and ALLETE Capital may have agreements to indemnify agents, underwriters and dealers against certain civil liabilities, including liabilities under the Securities Act of 1933. EXPERTS The consolidated financial statements incorporated in this prospectus by reference to ALLETE's Annual Report on Form 10-K for the year ended December 31, 2000 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting. Legal conclusions and opinions specifically attributed to General Counsel herein under "Description of First Mortgage Bonds", the statements as to matters of law and legal conclusions under "Description of Common Stock" and in the documents incorporated in this prospectus by reference have been reviewed by Philip R. Halverson, Esq., Duluth, Minnesota, Vice President, General Counsel and Secretary of ALLETE, and are set forth or incorporated by reference herein in reliance upon his opinion given upon his authority as an expert. As of March 1, 2001, Mr. Halverson owned 23,220 shares of common stock of ALLETE. Mr. Halverson is acquiring additional shares of ALLETE common stock at regular intervals as a participant in the Employee Stock Ownership Plan and Supplemental Retirement Plan. Under the Executive Long-Term Incentive Compensation Plan, Mr. Halverson has: o been granted options to purchase 45,432 shares of ALLETE common stock, of which 33,684 options are fully vested, the remainder of which shall vest over the next two years, and all of which will expire ten years from the date of grant; 43 o earned approximately 461 performance shares that have not yet been paid out under the terms of this Plan; and o an award opportunity for up to 7,538 additional performance shares contingent upon the attainment of certain performance goals of ALLETE for the period January 1, 2000 through December 31, 2001. LEGAL OPINIONS Certain matters of Delaware law relating to the validity of the preferred trust securities, the enforceability of the trust agreement and the creation of ALLETE Capital are being passed upon by Richards, Layton & Finger, P.A., special Delaware counsel for ALLETE and ALLETE Capital. The legality of the other securities will be passed upon for ALLETE by Mr. Halverson and by Thelen Reid & Priest LLP, New York, New York, counsel for ALLETE, and for any underwriter, dealer or agent by Morrison Cohen Singer & Weinstein, LLP, New York, New York. ----- YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT. ALLETE HAS NOT AUTHORIZED ANYONE ELSE TO PROVIDE YOU WITH DIFFERENT INFORMATION. ALLETE IS NOT MAKING AN OFFER OF THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THOSE DOCUMENTS. 44 [ALLETE LOGO]