

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ALLETE

(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)
(Exact name of registrant as specified in its charter)

Minnesota 41-0418150
(State of incorporation or organization) (I.R.S. Employer Identification No.)

ALLETE CAPITAL II
ALLETE CAPITAL III

(Exact name of registrants as specified in its charter)

Delaware To Be Applied For
(State of incorporation or organization) (I.R.S. Employer Identification Nos.)

30 West Superior Street
Duluth, Minnesota 55802-2093
(218) 279-5000

(Address, including zip code, and telephone number, including
area code, of registrants' principal executive offices)

DAVID G. GARTZKE
Senior Vice President-Finance
and Chief
Financial Officer
30 West Superior Street
Duluth, Minnesota 55802-2093
(218) 279-5000

PHILIP R. HALVERSON, Esq.
Vice President, General
Counsel and
Secretary
30 West Superior Street
Duluth, Minnesota 55802-2093
(218) 279-5000

JAMES K. VIZANKO
Treasurer
30 West Superior Street
Duluth, Minnesota 55802-2093
(218) 279-5000

ROBERT J. REGER, JR., Esq.
Thelen Reid & Priest LLP
40 West 57th Street
New York, New York 10019-4097
(212) 603-2000

(Names and addresses, including zip codes, and telephone numbers,
including area codes, of agents for service)

It is respectfully requested that the Commission also send copies of all
notices, orders and communications to:

MICHAEL CONNOLLY, Esq.
Morrison Cohen Singer & Weinstein, LLP
750 Lexington Avenue
New York, New York 10022-1200
(212) 735-8600

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time
to time after this registration statement becomes effective when warranted by
market conditions and other factors.

If the only securities being registered on this Form are being offered
pursuant to dividend or interest reinvestment plans, please check the following
box. []

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, other than securities offered only in connection with dividend or interest
reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following box
and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box. []

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Common Stock, without par value	(1)(3)	(2)	(1)(2)(3)	N/A
Preferred Share Purchase Rights (4)				(5)
First Mortgage Bonds	(1)(7)	(2)	(1)(2)(6)(7)	N/A
Debt Securities	(1)(8)	(2)	(1)(2)(6)(8)	N/A
Preferred Trust Securities	(1)(9)	(2)	(1)(2)(6)(9)	N/A
Guarantee with respect to Preferred Trust Securities (10)(11)				
Junior Subordinated Debentures (10)(12)				
Total (13)	\$500,000,000 (6)	(2)	\$500,000,000 (6)	\$125,000

- (1) In no event will the aggregate offering price of all common stock, first mortgage bonds, debt securities and preferred trust securities issued from time to time pursuant to this registration statement exceed \$500,000,000. If any such securities are issued at an original issue discount, then the aggregate initial offering price as so discounted shall not exceed \$500,000,000, notwithstanding that the stated principal amount of such securities may exceed such amount.
- (2) The proposed maximum offering price per unit and the proposed maximum aggregate offering price will be determined, from time to time, by the registrants in connection with the issuance of the securities registered hereunder.
- (3) Subject to footnote (1), there is being registered hereunder an indeterminate number of shares of common stock which may be sold, from time to time, by ALLETE.
- (4) The preferred share purchase rights are attached to and will trade with the common stock. The value attributable to the preferred share purchase rights, if any, is reflected in the market price of the common stock.
- (5) Since no separate consideration is paid for the preferred share purchase rights, the registration fee for such securities is included in the fee for the common stock.
- (6) Exclusive of accrued interest or distributions, if any.
- (7) Subject to footnote (1), there is being registered hereunder an indeterminate principal amount of first mortgage bonds which may be sold, from time to time, by ALLETE.
- (8) Subject to footnote (1), there is being registered hereunder an indeterminate principal amount of debt securities which may be sold, from time to time, by ALLETE.
- (9) Subject to footnote (1), there is being registered hereunder an indeterminate amount of preferred trust securities which may be sold, from time to time, by ALLETE Capital II and/or ALLETE Capital III.
- (10) This registration is deemed to include the rights of the holders of the securities under the ALLETE guarantee, the trust agreement, the junior subordinated debentures, the subordinated indenture and the agreement as to expenses and liabilities, together constituting the backup undertakings as described in this registration statement.
- (11) No separate consideration will be received for the ALLETE guarantee or the agreement as to expenses and liabilities.
- (12) The junior subordinated debentures, to be issued by ALLETE, will be purchased by ALLETE Capital II and/or ALLETE Capital III with the proceeds of the sale of preferred trust securities. No separate consideration will be received for the junior subordinated debentures.
- (13) Pursuant to Rule 429 under the Securities Act of 1933, the combined prospectus filed as part of this registration statement also relates to 1,814,000 shares of common stock and the related preferred shares purchase rights registered pursuant to Registration Statement File No. 333-52161 and to \$25,000,000 aggregate principal amount of first mortgage bonds and debt securities registered pursuant to Registration Statement File No. 333-41882. Registration fees with respect to such registration statements were paid in the amount of \$35,483 and \$105,600, respectively.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED MARCH 15, 2001

PROSPECTUS

\$525,000,000 AGGREGATE AMOUNT

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

COMMON STOCK, FIRST MORTGAGE BONDS AND DEBT SECURITIES

ALLETE CAPITAL II

ALLETE CAPITAL III

PREFERRED TRUST SECURITIES

FULLY AND UNCONDITIONALLY GUARANTEED AS SET
FORTH HEREIN BY
ALLETE

&

1,814,000 SHARES OF COMMON STOCK

ALLETE

We will provide specific terms of these securities, their offering prices and how they will be offered in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest.

ALLETE's common stock is listed on the New York Stock Exchange and trades under the symbol "ALE." The last reported sale price on the New York Stock Exchange on March 14, 2001 was \$23.40.

ALLETE's principal executive offices are located at 30 West Superior Street, Duluth, Minnesota 55802-2093, telephone number (218) 279-5000. The principal place of business of both ALLETE Capital II and ALLETE Capital III is c/o ALLETE, 30 West Superior Street, Duluth, Minnesota 55802-2093, telephone number (218) 279-5000.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

-----, 2001

The information in this prospectus is not complete and may be changed. ALLETE may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a "shelf" registration process. Under this shelf process, we may, over a period we currently do not expect to exceed two years, sell combinations of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$525,000,000 plus an additional 1,814,000 shares of common stock. This amount includes 1,814,000 shares of common stock registered under an earlier registration statement and \$25,000,000 aggregate principal amount of first mortgage bonds and debt securities registered under an earlier registration statement. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information."

For more detailed information about the securities, you can read the exhibits to the registration statement. Those exhibits have been either filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement.

WHERE YOU CAN FIND MORE INFORMATION

ALLETE files annual, quarterly and other reports and other information with the SEC. You can read and copy any information filed by ALLETE with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain additional information about the Public Reference Room by calling the SEC at 1-800-SEC-0330.

In addition, the SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including ALLETE. ALLETE also maintains an Internet site (<http://www.allete.com>). Information contained on ALLETE's Internet site does not constitute part of this prospectus.

INCORPORATION BY REFERENCE

The SEC allows ALLETE to "incorporate by reference" the information that ALLETE files with the SEC, which means that ALLETE may, in this prospectus, disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. ALLETE is incorporating by reference the document listed below and any future filings ALLETE makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until this offering is terminated. Information that ALLETE files in the future with the SEC will automatically update and supersede this information.

o ALLETE's Annual Report on Form 10-K for the year ended December 31, 2000.

You may request a copy of these documents, at no cost to you, by writing or calling

Shareholder Services
ALLETE
30 West Superior Street
Duluth, Minnesota 55802-2093
telephone: (218) 723-3974
email: shareholder@allete.com

You should rely only on the information contained in, or incorporated by reference in, this prospectus and any prospectus supplement. ALLETE has not, and any underwriters, agents or dealers have not, authorized anyone else to provide you with different information. You should not assume that the information contained in this prospectus and any prospectus supplement is accurate as of any date other than the date on the front of those documents.

SAFE HARBOR STATEMENT UNDER
THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, ALLETE is hereby filing cautionary statements identifying important factors that could cause ALLETE's actual results to differ materially from those projected in forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995) made by or on behalf of ALLETE which are made in this prospectus or any supplement to this prospectus, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "will likely result," "will continue" or similar expressions) are not statements of historical facts and may be forward-looking.

Forward-looking statements involve estimates, assumptions and uncertainties and are qualified in their entirety by reference to, and are accompanied by, the following important factors, which are difficult to predict, contain uncertainties, are beyond the control of ALLETE and may cause actual results to differ materially from those contained in forward-looking statements:

- o prevailing governmental policies and regulatory actions, including those of the United States Congress, state legislatures, the Federal Energy Regulatory Commission, the Minnesota Public Utilities Commission, the Florida Public Service Commission, the North Carolina Utilities Commission, the Public Service Commission of Wisconsin and various county regulators, about allowed rates of return, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of purchased power and capital investments, and present or prospective wholesale and retail competition (including but not limited to transmission costs);
- o economic and geographic factors, including political and economic risks;
- o changes in and compliance with environmental and safety laws and policies;
- o weather conditions;
- o population growth rates and demographic patterns;
- o competition for retail and wholesale customers;
- o pricing and transportation of commodities;
- o market demand, including structural market changes;
- o changes in tax rates or policies or in rates of inflation;
- o changes in project costs;
- o unanticipated changes in operating expenses and capital expenditures;
- o capital market conditions;
- o competition for new energy development opportunities; and
- o legal and administrative proceedings (whether civil or criminal) and settlements that influence the business and profitability of ALLETE.

Any forward-looking statement speaks only as of the date on which that statement is made, and ALLETE undertakes no obligation to update any

forward-looking statement to reflect events or circumstances after the date on which that statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of those factors, nor can it assess the impact of each of those factors on the businesses of ALLETE or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

ALLETE

ALLETE has been incorporated under the laws of the State of Minnesota since 1906. Before September 1, 2000 ALLETE did business under the name Minnesota Power, Inc. ALLETE is a multi-services company with four business segments:

- (1) Energy Services, which include electric and gas services, coal mining and telecommunications;
- (2) Automotive Services, which include a network of vehicle auctions, a finance company and several subsidiaries that are integral parts of the vehicle redistribution business;
- (3) Water Services, which include water and wastewater services; and
- (4) Investments, which include real estate operations, investments in emerging technologies related to the electric utility industry and a securities portfolio.

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
	(millions of dollars, except per share amounts)		
DILUTED EARNINGS PER SHARE OF COMMON STOCK			
Before Capital Re and ACE Transactions.....	\$ 1.35	\$ 1.49	\$ 1.67
Capital Re and ACE Transactions (a).....	-	(0.52)	0.44
	-----	-----	-----
Total.....	\$ 1.35	\$ 0.97	\$ 2.11
	=====	=====	=====
NET INCOME			
Energy Services.....	\$ 47.4	\$ 45.0	\$ 43.1
Automotive Services.....	25.5	39.9	48.5
Water Services.....	7.5	12.2	13.1
Investments.....	29.6	26.8	29.3
Corporate Charges.....	(21.5)	(19.7)	(15.8)
	-----	-----	-----
Net Income before Capital Re and ACE Transactions.....	88.5	104.2	118.2
Capital Re and ACE Transactions (a).....	-	(36.2)	30.4
	-----	-----	-----
	\$ 88.5	\$ 68.0	\$148.6
	=====	=====	=====

- (a) In May 2000 ALLETE sold its investment in ACE Limited ("ACE") common stock, which resulted in an after-tax gain of \$30.4 million, or \$0.44 per share. The ACE shares were received in December 1999 upon completion of ACE's merger with Capital Re Corporation ("Capital Re"). During 1999 ALLETE recorded an aggregate \$36.2 million, or \$0.52 per share, after-tax non-cash charge in connection with the valuation and exchange of its investment in Capital Re stock for the ACE shares.

ENERGY SERVICES

The Energy Services segment, which includes Minnesota Power, primarily generates, transmits, distributes, markets and trades electricity. In addition, Energy Services include coal mining and telecommunications in and near Minnesota Power's electric utility service area. As of December 31, 2000, Minnesota Power supplied retail electric service to 130,000 customers in northeastern Minnesota. Superior Water, Light and Power Company, a wholly owned subsidiary, provided electric, natural gas, and water services to 14,000 electric customers, 11,000 natural gas customers and 10,000 water customers in northwestern Wisconsin as of December 31, 2000. Split Rock Energy LLC, formed as an alliance between Minnesota Power and Great River Energy, combines power supply capabilities and

customer loads to share market and supply risks and to optimize power trading opportunities. Split Rock contracts for exclusive services from MPEX, Minnesota Power's power marketing division.

BNI Coal, Ltd., another wholly owned subsidiary, owns and operates a lignite mine in North Dakota. Two electric generating cooperatives, Minnkota Power Cooperative, Inc. and Square Butte Electric Cooperative, presently consume virtually all of BNI Coal's production of lignite coal under cost-plus coal supply agreements expiring in 2027. Under an agreement with Square Butte, Minnesota Power purchases approximately 71 percent of the output from the Square Butte unit which is capable of generating up to 455 megawatts. Minnkota Power has an option to extend its coal supply agreement to 2042.

Other subsidiaries within the Energy Services business segment include:

- o Electric Outlet, Inc., doing business as Electric Odyssey, which is a retail, catalog and e-commerce merchandiser that sells unique products for the home, office and travel;
- o Minnesota Power Telecom, Inc., which provides high reliability fiber optic-based communication and advanced data services to businesses and communities in Minnesota and Wisconsin; and
- o Rainy River Energy Corporation, which is engaged in wholesale power marketing.

Minnesota Power has large power contracts to sell power to 12 industrial customers, each requiring 10 megawatts or more of generating capacity. These contracts require the payment of minimum monthly demand charges that cover the fixed costs associated with having capacity available to serve each of these customers, including a return on common equity. Each contract continues past the contract termination date unless the required four-year advance notice of cancellation has been given.

AUTOMOTIVE SERVICES

Automotive Services include several subsidiaries which are integral parts of the vehicle redistribution business.

ADESA Corporation, a wholly owned subsidiary, is the second largest vehicle auction network in North America. Headquartered in Indianapolis, Indiana, ADESA owns, or leases, and operates 54 vehicle auction facilities in the United States and Canada through which used cars and other vehicles are sold to franchised automobile dealers and licensed used car dealers. Sellers at ADESA's auctions include domestic and foreign auto manufacturers, car dealers, automobile fleet/lease companies, banks and finance companies. ADESA also owns 19 vehicle auctions in the United States and Canada that provide "total loss" vehicle recovery services to insurance companies.

Automotive Finance Corporation, another wholly owned subsidiary, provides inventory financing for wholesale and retail automobile dealers who purchase vehicles from ADESA auctions, independent auctions, other auction chains and other outside sources.

Other subsidiaries within the Automotive Services business segment include:

- o Great Rigs Incorporated, which is one of the nation's largest independent used automobile transport carriers with more than 140 automotive carriers, the majority of which are leased;
- o PAR, Inc., doing business as PAR North America, which provides customized vehicle remarketing services to various customers such as banks, captive finance, commercial fleets and rental car dealers in the United States and Canada;
- o AutoVIN, Inc., 90 percent owned, which provides professional field information service to the automotive industry and the industry's secured lenders. Services provided include vehicle condition reporting, inventory verification auditing, program compliance auditing and facility inspection; and

- o ADESA Importation Services, Inc., which is the second largest independent commercial registered importer of vehicles in the United States.

WATER SERVICES

Water Services include Florida Water Services Corporation, Heater Utilities, Inc., Instrumentation Services, Inc., Americas' Water Service Corporation and Georgia Water Services Corporation, each a wholly owned subsidiary. Florida Water, the largest investor owned water supplier in Florida, owns and operates water and wastewater treatment facilities within that state. As of December 31, 2000, Florida Water served 152,000 water customers and 73,000 wastewater customers, and maintained 157 water and wastewater facilities throughout Florida. As of December 31, 2000, Heater Utilities, which provides water and wastewater treatment services in North Carolina, served 44,000 water customers and 5,000 wastewater treatment customers. Georgia Water provides wastewater treatment services near Atlanta, Georgia. Instrumentation Services provides predictive maintenance and instrumentation consulting services to water and wastewater utilities in the southeastern United States as well as Texas and Minnesota. Americas' Water Services offers contract management, operations and maintenance services for water and wastewater treatment facilities to governments and industries.

INVESTMENTS

Investments consist of real estate operations, investments in emerging technologies related to the electric utility industry and an actively traded securities portfolio. Through subsidiaries, ALLETE owns Florida real estate operations at Cape Coral and Lehigh Acres adjacent to Fort Myers, at Palm Coast in northeast Florida and at Sugarmill Woods in Citrus County. Since 1985, ALLETE has invested \$38.6 million in start-up companies that are developing technologies that may be used by the electric utility industry. As of December 31, 2000, ALLETE's trading and available-for-sale securities portfolio had a fair value of approximately \$103 million.

ALLETE CAPITAL II AND ALLETE CAPITAL III

ALLETE Capital II and ALLETE Capital III are Delaware business trusts, and each will be referred to in this prospectus as ALLETE Capital. Each was created pursuant to a separate trust agreement among ALLETE as depositor of ALLETE Capital, The Bank of New York as the property trustee, The Bank of New York (Delaware) as the Delaware trustee and one or more administrative trustees appointed by ALLETE. Each trust agreement will be amended and restated substantially in the form filed as an exhibit to the registration statement. ALLETE Capital exists only to issue its preferred trust securities and common trust securities and to hold the junior subordinated debentures of ALLETE as trust assets. All of the common trust securities will be owned by ALLETE. The common trust securities will represent at least three percent of the total capital of ALLETE Capital. Payments on any distribution payment date or redemption date will be made on the common trust securities pro rata with the preferred trust securities, except that if on any such distribution payment date or redemption date there is a default under the trust agreement, the common trust securities' right to payment on such date will be subordinated to the rights of the preferred trust securities. ALLETE Capital shall have a term of approximately 40 years, but may dissolve earlier as provided in the trust agreement. ALLETE Capital's business and affairs will be conducted by its administrative trustees. The office of the Delaware trustee in the State of Delaware is White Clay Center, Route 273, Newark, Delaware 19711.

USE OF PROCEEDS

Unless otherwise stated in the prospectus supplement, ALLETE will add the net proceeds from the sale of the securities to its general funds. ALLETE uses its general funds for general corporate purposes, including, without limitation, acquisitions made by or on behalf of ALLETE or its subsidiaries, to repay short-term borrowings and to redeem or repurchase outstanding long-term debt obligations. ALLETE will temporarily invest any proceeds that it does not need to use immediately in short-term instruments.

CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES AND RATIOS OF EARNINGS TO
FIXED CHARGES AND PREFERRED DIVIDENDS

ALLETE has calculated ratios of earnings to fixed charges as follows:

YEAR ENDED DECEMBER 31, -----				
1996	1997	1998	1999	2000
----	----	----	----	----
2.12	2.46	2.65	2.76	3.71

ALLETE has calculated supplemental ratios of earnings to fixed charges as follows:

YEAR ENDED DECEMBER 31, -----				
1996	1997	1998	1999	2000
----	----	----	----	----
1.93	2.26	2.39	2.45	3.31

ALLETE has calculated ratios of earnings to fixed charges and preferred dividends as follows:

YEAR ENDED DECEMBER 31, -----				
1996	1997	1998	1999	2000
----	----	----	----	----
2.03	2.36	2.55	2.62	3.65

ALLETE has calculated supplemental ratios of earnings to fixed charges and preferred dividends as follows:

YEAR ENDED DECEMBER 31, -----				
1996	1997	1998	1999	2000
----	----	----	----	----
1.86	2.18	2.31	2.35	3.26

The supplemental ratios of earnings to fixed charges and the supplemental ratios of earnings to fixed charges and preferred dividends includes ALLETE's obligation under a contract with Square Butte which extends through 2026, under which ALLETE is entitled to approximately 71 percent of the output of a 455-megawatt coal-fired generating unit. ALLETE is obligated to pay its pro rata share of Square Butte's costs based on output entitlement from the unit. ALLETE's payment obligation is suspended if Square Butte fails to deliver any power, whether produced or purchased, for a period of one year. Square Butte's fixed costs consist primarily of debt service. Variable operating costs include the price of coal purchased from BNI Coal under a long-term contract.

DESCRIPTION OF COMMON STOCK

General. The following statements describing our common stock are not intended to be a complete description. They are qualified in their entirety by reference to our Articles of Incorporation, Rights Plan and mortgage. See "Description of Common Stock--Preferred Share Purchase Rights" and "Description of First Mortgage Bonds." We also refer you to the laws of the State of Minnesota.

We have the following capital stock authorized by our Articles of Incorporation: 130,000,000 shares of common stock, without par value, and 3,616,000 shares of preferred stock. As of the date of this prospectus,

75,625,063 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

Dividend Rights. Our common stock is entitled to dividends only after we have provided for dividends and any sinking fund requirements on any issued and outstanding preferred stock.

Our Articles of Incorporation contain provisions which would restrict net income available for the payment of cash dividends on outstanding common stock in the event that shares of ALLETE's preferred stock were outstanding and certain common stock equity capitalization ratios were not met. Our mortgage also contains provisions which would restrict the ability of ALLETE to declare or pay dividends on outstanding common stock. See "Description of First Mortgage Bonds--Dividend Covenant."

Voting Rights (Non-Cumulative Voting). Holders of our common stock are entitled to receive notice of and to vote at any meeting of our shareholders. Each share of our common stock, as well as each share of any of our issued and outstanding preferred stock, is entitled to one vote. Since the holders of these shares do not have cumulative voting rights, the holders of more than 50 percent of the shares voting can elect all our directors. If that happens, the holders of the remaining shares voting (less than 50 percent) cannot elect any directors. In addition, whenever dividends on any of our preferred stock are in default in the amount of four quarterly payments, and until all the dividends in default are paid, the holders of our preferred stock are entitled, as one class, to elect a majority of the directors. Our common stock, as one class, would then elect the minority.

Our Articles of Incorporation include detailed procedures and other provisions relating to these rights and their termination, including:

- o quorums;
- o terms of directors elected;
- o vacancies;
- o class voting;
- o meetings; and
- o adjournments.

Our Articles of Incorporation contain provisions that make it difficult to obtain control of ALLETE through transactions not having the approval of our Board of Directors. These provisions include:

- o a provision requiring the affirmative vote of 75 percent of the outstanding shares of all classes of our capital stock, present and entitled to vote, in order to authorize certain mergers or consolidations, or sales or leases of a significant amount of assets, of ALLETE, and other significant transactions that may have an effect on the control of ALLETE. Any of those transactions are required to meet certain "fair price" and procedural requirements. Neither a 75 percent shareholder vote nor a "fair price" is required for any of those transactions that have been approved by a majority of the "Disinterested Directors," as that term is defined in our Articles of Incorporation;
- o a provision permitting a majority of the Disinterested Directors to determine whether the above requirements have been satisfied; and
- o a provision providing that some parts of our Articles of Incorporation cannot be altered unless approved by 75 percent of the outstanding shares of all classes of our capital stock, present and entitled to vote, unless the alteration is recommended to the shareholders by a majority of the Disinterested Directors. The parts of our Articles of Incorporation that cannot be altered except as stated above include some parts relating to:

- mergers or consolidations, or sales or leases of a significant amount of assets, of ALLETE, and other significant transactions that may have an effect on the control of ALLETE; and
- the number, election, terms of office and removal of directors of ALLETE and the way in which vacancies on the Board of Directors are filled.

Liquidation Rights. After we have satisfied creditors and the preferential liquidation rights of any of our outstanding preferred stock, the holders of our common stock are entitled to share ratably in the distribution of all remaining assets.

Miscellaneous. Holders of our common stock have no preemptive or conversion rights. Our common stock is listed on the New York Stock Exchange. The transfer agents and registrars for our common stock are Wells Fargo Bank, N.A. and ALLETE.

Description of Preferred Share Purchase Rights. The following statements describing our preferred share purchase rights (each a "Right") are not intended to be a complete description. They are qualified in their entirety by reference to the Rights Agreement, dated as of July 24, 1996 ("Rights Plan"), between ALLETE and ALLETE's Corporate Secretary, as Rights Agent. We also refer you to the laws of the State of Minnesota.

In July 1996 our Board of Directors declared a dividend distribution of one Right for each outstanding share of our common stock to shareholders of record at the close of business on July 24, 1996 ("Record Date"). Our Board of Directors also authorized the issuance of one Right for each share of our common stock that becomes outstanding between the Record Date and July 23, 2006, or an earlier date on which the Rights are redeemed. Except as described below, each Right, when exercisable, entitles the registered holder to purchase from us one two-hundredth of a share of Junior Serial Preferred Stock A, without par value ("Serial Preferred"), at a price of \$45.00 per one two-hundredth of a share (the "Purchase Price"). The Purchase Price is subject to adjustment.

Initially no separate Right Certificates will be distributed. Until the Distribution Date, our common stock certificates together with a copy of the Summary of Rights Plan are proof of the Rights. The "Distribution Date" is the earlier to occur of:

- o 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15 percent or more of the outstanding shares of our common stock (the "Stock Acquisition Date"); or
- o 15 business days following the commencement of (or a public announcement of an intention to make) a tender or exchange offer where a person or group would become the beneficial owner of 15 percent or more of our outstanding shares of common stock. At any time before a person becomes an Acquiring Person, our Board of Directors may extend the 15-business day time period.

Until the Distribution Date (or the earlier redemption, expiration or termination of the Rights), the Rights will be transferred only with our common stock. The transfer of any certificates for our common stock, with or without a copy of the Summary of Rights Plan, will also constitute the transfer of the Rights associated with those common stock certificates. As soon as practicable following the Distribution Date, we will mail separate certificates for the Rights to holders of record of our common stock as of the close of business on the Distribution Date. After the Distribution Date, separate certificates for the Rights will be given as proof of the Rights.

Each whole share of our Serial Preferred will have a minimum preferential quarterly dividend rate equal to the greater of \$51 per share or, subject to anti-dilution adjustment, 200 times the dividend declared on our common stock. If ALLETE liquidates, no distribution will be made to the holders of our common stock until the holders of our Serial Preferred have received a liquidation preference of \$100 per share, plus accrued and unpaid dividends. Holders of our Serial Preferred will be entitled to receive notice of and to vote at any meeting of our shareholders. Each whole share of our Serial Preferred is entitled to one vote. These shares do not have cumulative voting rights.

Whenever dividends on any of our preferred stock are in default in the amount of four quarterly payments, and until all the dividends in default are paid, the holders of our Serial Preferred and other preferred stock will be

entitled, together as one class, to elect a majority of directors. Our common stock would then elect the minority. If, in any merger or other transaction, shares of our common stock are exchanged for or converted into other securities and/or property, each whole share of our Serial Preferred will be entitled to receive, subject to anti-dilution adjustment, 200 times the amount for or into which each share of our common stock is exchanged or converted. We cannot redeem the shares of Serial Preferred.

The Rights are not exercisable until the Distribution Date and will expire at the earliest of:

- o July 23, 2006 ("Final Expiration Date");
- o the redemption of the Rights by ALLETE as described below; or
- o the exchange of all Rights for our common stock as described below.

If any person (other than ALLETE, its affiliates or any person receiving newly-issued shares of common stock directly from ALLETE) becomes the beneficial owner of 15 percent or more of the then outstanding shares of common stock, each holder of a Right will have a right to receive, upon exercise at the then current exercise price of the Right, common stock (or, in the discretion of the Board of Directors, cash, property or other securities of ALLETE) with a value equal to two times the exercise price of the Right. The Rights Plan contains an exemption for common stock we issue directly to any person. This exemption applies even if the person would become the beneficial owner of 15 percent or more of our common stock, provided that the person does not acquire any additional shares of our common stock. Examples of situations where we might issue common stock directly include private placements or acquisitions we make using our common stock as consideration.

If following the Stock Acquisition Date we are acquired in a merger or other business combination transaction, or 50 percent or more of our assets or earning power are sold, we will make proper provision so that each holder of a Right will, after the transaction, have the right to receive, upon exercise at the then current exercise price of the Right, common stock of the acquiring or surviving company with a value equal to two times the exercise price of the Right.

If the events described in the preceding two paragraphs happen (the "Triggering Events"), any Rights that an Acquiring Person beneficially owns or transferred to certain persons, will immediately become null and void.

The Purchase Price payable and the number of shares of our Serial Preferred or other securities or property issuable if the Rights are exercised, are subject to adjustment. An adjustment would be made to prevent dilution, if there was a stock dividend on, or a subdivision, split, combination, consolidation or reclassification of, our Serial Preferred or our common stock, or a reverse split of our outstanding shares of Serial Preferred or common stock.

Our Board of Directors may exchange the Rights at an exchange ratio of one share of common stock per Right at any time that is:

- o after the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15 percent or more of the outstanding common stock; and
- o before the acquisition by that person or group of 50 percent or more of the outstanding common stock.

This exchange ratio is subject to adjustment and does not include Rights that have become null and void.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least one percent in the Purchase Price. We will not be required to issue fractional shares of Serial Preferred or common stock (other than fractions in multiples of one one-hundredths of a share of Serial Preferred). Instead, we may make an adjustment in cash based on the market price of the Serial Preferred or common stock on the last trading date before the date of exercise.

Our Board of Directors may redeem the Rights in whole, but not in part, at a price of \$.005 per Right ("Redemption Price") anytime before a person becomes an Acquiring Person. At our option, we may pay the Redemption Price in cash,

shares of our common stock or other consideration that our Board of Directors deems appropriate. If we redeem the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

If the Rights are exercised, issuance of our Serial Preferred or our common stock will be subject to any necessary regulatory approvals. Until a Right is exercised, the holder of the Right will have no rights as a shareholder of ALLETE, including, without limitation, the right to vote or to receive dividends. One million shares of our Serial Preferred were reserved for issuance if the Rights are exercised.

We may amend the provisions of the Rights Plan. However, any amendment adopted after the time that a person becomes an Acquiring Person may not adversely affect the interests of holders of Rights.

The Rights have anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire ALLETE without conditioning the offer on the redemption of the Rights or on the acquisition of a substantial number of Rights. The Rights beneficially owned by that person or group may become null and void. The Rights should not interfere with any merger or other business combination approved by our Board of Directors. This is because, at any time before a person becomes an Acquiring Person, our Board of Directors may redeem all of the outstanding Rights at the Redemption Price.

DESCRIPTION OF FIRST MORTGAGE BONDS

General. The following description sets forth certain general terms and provisions of ALLETE's first mortgage bonds that ALLETE may offer by this prospectus. ALLETE will describe the particular terms of the first mortgage bonds, and provisions that vary from those described below, in one or more prospectus supplements.

ALLETE may issue the first mortgage bonds from time to time in one or more series. ALLETE will issue the first mortgage bonds under its Mortgage and Deed of Trust, dated as of September 1, 1945, with Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas J. MacInnes, successor), as mortgage trustees ("mortgage trustee" or "mortgage trustees"), as supplemented by twenty-one supplemental indentures (herein collectively referred to as the "mortgage"), all of which are exhibits to the registration statement. The following descriptions of the first mortgage bonds offered by this prospectus and the mortgage are qualified by references to the mortgage and you should read the mortgage for the provisions important to you. References to certain sections of the mortgage are included in parentheses. Whenever particular provisions or defined terms in the mortgage are referred to under this "Description of First Mortgage Bonds," those provisions or defined terms are incorporated by reference in this prospectus. The mortgage is qualified under the Trust Indenture Act of 1939. You should refer to the Trust Indenture Act of 1939 for provisions that apply to the first mortgage bonds. All first mortgage bonds issued or to be issued under the mortgage, including the first mortgage bonds offered by this prospectus, are referred to herein as "first mortgage bonds."

Reference is made to a prospectus supplement relating to each series of first mortgage bonds offered by this prospectus for the following specific terms of that series, among others:

- o the designation of the series of first mortgage bonds and aggregate principal amount of the first mortgage bonds;
- o the percentage or percentages of their principal amount at which the series will be issued;
- o the date or dates on which the series will mature;
- o the rate or rates at which the series will bear interest;
- o the times at which such interest will be payable; and
- o redemption terms or other specific terms.

Except as may otherwise be described in the prospectus supplement, the covenants contained in the mortgage will not afford holders of the first mortgage bonds protection in the event of a highly-leveraged or similar transaction involving ALLETE or in the event of a change in control.

Form and Exchanges. The first mortgage bonds offered by this prospectus will be issued in definitive fully registered form without coupons in denominations of \$1,000 and multiples thereof, or in other authorized denominations, and will be transferable and exchangeable without charge (except for stamp taxes, if any, or other governmental charges) at The Bank of New York, in The City of New York.

Interest, Maturity and Payment. Reference is made to the prospectus supplement for the interest rate or rates of the first mortgage bonds offered by this prospectus and the dates on which such interest is payable. Principal and interest are payable at The Bank of New York, in The City of New York.

Redemption and Purchase of First Mortgage Bonds. The first mortgage bonds may be redeemable mandatorily or at the option of ALLETE upon 30 days notice at predetermined prices. If the first mortgage bonds are redeemable, ALLETE may use certain deposited cash and/or proceeds of released property to effect the redemption. Reference is made to the prospectus supplement for the redemption terms of the first mortgage bonds offered by this prospectus.

If at the time notice of redemption is given the redemption moneys are not on deposit with The Bank of New York, as mortgage trustee, the redemption may be made subject to their receipt before the date fixed for redemption.

Cash deposited under any provisions of the mortgage (with certain exceptions) may generally be applied to the purchase of first mortgage bonds of any series. (See Mortgage, Article X.)

Subject to applicable law, including United States federal securities law, ALLETE may purchase outstanding first mortgage bonds by tender, in the open market or by private agreement.

Sinking or Improvement Fund. Reference is made to the prospectus supplement concerning whether or not the first mortgage bonds offered by this prospectus are entitled to the benefit of a sinking or improvement fund or other provision for amortization prior to maturity. None of the currently outstanding first mortgage bonds has sinking fund or improvement fund provisions.

Replacement Fund. The first mortgage bonds offered by this prospectus are not entitled to the benefit of any replacement fund.

Special Provisions for Retirement of First Mortgage Bonds. If, during any 12 month period, mortgaged property is disposed of by order of or to any governmental authority resulting in the receipt of \$5 million or more as proceeds, ALLETE (subject to certain conditions) must apply such proceeds, less certain deductions, to the retirement of first mortgage bonds. (See Mortgage, Section 64.) Reference is made to the prospectus supplement for information concerning whether the first mortgage bonds offered by this prospectus are redeemable for this purpose and, if so, at what redemption prices.

Security. The first mortgage bonds offered by this prospectus and any other first mortgage bonds now or hereafter issued under the mortgage will be secured by the mortgage, which constitutes, in the opinion of the General Counsel for ALLETE, a first lien on all of the electric generating plants and other materially important physical properties of ALLETE and substantially all other properties described in the mortgage as owned by ALLETE, other than those expressly excepted, subject to excepted encumbrances, including defects which ALLETE has the right to cure and which, in the opinion of such counsel, do not impair the use of such properties by ALLETE, but such counsel has not examined title to or passed upon title to reservoir lands, easements or rights of way, any property not costing in excess of \$25,000, or lands or rights held for flowage, flooding or seepage purposes, or riparian rights. There are excepted from the lien:

- o cash and securities;
- o merchandise, equipment, materials or supplies held for sale or other disposition;

- o aircraft, automobiles and other vehicles, and materials and supplies for repairing and replacing the same;
- o timber, minerals, mineral rights and royalties; and
- o receivables, contracts, leases and operating agreements.

The mortgage contains provisions that impose the lien of the mortgage on property acquired by ALLETE after the date of the mortgage, other than the excepted property, subject to pre-existing liens. However, if ALLETE consolidates or merges with or conveys or transfers all or substantially all of the mortgaged property to another corporation, the lien created by the mortgage will generally not cover the property of the successor company, other than the property it acquires from ALLETE and improvements, replacements and additions to that property. (See Mortgage, Section 87.)

The mortgage provides that the mortgage trustees shall have a lien upon the mortgaged property, prior to the first mortgage bonds, for the payment of their reasonable compensation, expenses and disbursements and for indemnity against certain liabilities. (See Mortgage, Section 96.)

No stocks or properties of subsidiaries are subject to the mortgage.

Issuance of Additional First Mortgage Bonds. The maximum principal amount of first mortgage bonds which may be issued under the mortgage is not limited. First mortgage bonds of any series may be issued from time to time on the basis of:

- (1) 60 percent of property additions after adjustments to offset retirements;
- (2) retirement of first mortgage bonds or qualified lien bonds; and
- (3) deposit of cash.

With certain exceptions in the case of (2) above, the issuance of first mortgage bonds requires adjusted net earnings before income taxes for 12 out of the preceding 15 months of at least twice the annual interest requirements on all first mortgage bonds at the time outstanding, including the additional issue, and on all indebtedness of prior rank. Such adjusted net earnings are computed after provision for retirement and depreciation of property equal to \$750,000 plus, for each of the 12 calendar months selected for the net earnings test, 1/12th of two percent of the net additions to depreciable mortgaged property made after June 30, 1945 and prior to the beginning of the calendar year within which that calendar month is included. It is expected that the first mortgage bonds offered by this prospectus will be issued upon the basis of the retirement of first mortgage bonds or property additions.

Property additions generally include electric, gas, steam or hot water property acquired after June 30, 1945, but may not include securities, aircraft, automobiles or other vehicles, or property used principally for the production or gathering of natural gas. There was available, as of January 31, 2001 unfunded net property additions of approximately \$30.6 million, on the basis of which ALLETE could have issued approximately \$18.4 million of first mortgage bonds.

ALLETE has the right to amend the mortgage without any consent or other action by holders of any series of first mortgage bonds, including the holders of first mortgage bonds offered by this prospectus, so as to include nuclear fuel as well as similar or analogous devices or substances as property additions.

The mortgage contains certain restrictions upon the issuance of first mortgage bonds against property subject to liens and upon the increase of the amount of such liens. (See Mortgage, Sections 4-8, 20-30, and 46; Fifth Supplemental, Section 2.)

Release and Substitution of Property. Property may be released upon the basis of:

- (1) deposit of cash or, to a limited extent, purchase money mortgages;

- (2) property additions, after adjustments in certain cases to offset retirement and after making adjustments for qualified lien bonds outstanding against property additions; and/or
- (3) waiver of the right to issue first mortgage bonds,

in each case without applying any earnings test. Cash may be withdrawn upon the bases stated in (2) and (3) above.

When property released is not funded property, property additions used to effect the release may again, in certain cases, become available as credits under the mortgage, and the waiver of the right to issue first mortgage bonds to effect the release may, in certain cases, cease to be effective as such a waiver. Similar provisions are in effect as to cash proceeds of such property. The mortgage contains special provisions with respect to qualified lien bonds pledged, and disposition of moneys received on pledged prior lien bonds. (See Mortgage, Sections 5, 31, 32, 37, 46-50, 59-63, 100 and 118.)

Dividend Covenant. ALLETE covenants that it will not declare or pay dividends, other than dividends payable in common stock, on or make any other distributions on or acquire, unless without cost to it, any of its common stock unless:

- o the provisions for depreciation and retirement of property during the period beginning September 1, 1945 to the date of the proposed payment, distribution or acquisition, plus
- o earned surplus of ALLETE, including current net income available to be transferred to earned surplus, remaining:
 - after such payment, distribution or acquisition; and
 - after deducting any remainder of the amount of earned surplus of ALLETE as of August 31, 1945, after deducting from such amount the charges to earned surplus subsequent to August 31, 1945, other than charges occasioned by dividends (other than dividends payable in common stock) on its common stock or occasioned by other distributions on or acquisitions of its common stock and other than charges to earned surplus with corresponding credits to reserve for depreciation and retirement of property;

shall be at least equal to

- o \$1,000,000 plus, for each calendar year 1947 through 1996, \$750,000 plus two percent of net additions to depreciable mortgaged property made after June 30, 1945 through that calendar year. (See Mortgage, Section 39.) None of ALLETE's retained earnings as of December 31, 2000 were restricted as a result of such provisions.

Modification of the Mortgage. The rights of bondholders may be modified with the consent of the holders of 66-2/3 percent of the first mortgage bonds and, if less than all series of first mortgage bonds are affected, the consent also of the holders of 66-2/3 percent of the first mortgage bonds of each series affected. In general, no modification of the terms of payment of principal and interest, no modification of the obligations of ALLETE under Section 64 and no modification affecting the lien or reducing the percentage required for modification, is effective against any bondholder without his consent. (See Mortgage, Article XIX; Twenty-first Supplemental, Section 3.)

Defaults and Notice Thereof. Defaults are defined as being:

- o default in payment of principal;
- o default for 60 days in payment of interest or of installments of funds for retirement of first mortgage bonds;
- o certain defaults with respect to qualified lien bonds and certain events in bankruptcy, insolvency or reorganization; and

- o default of 90 days after notice in other covenants. (See Mortgage, Section 65.)

The mortgage trustees may withhold notice of default, except in payment of principal, interest or funds for retirement of first mortgage bonds, if they think it is in the interest of the bondholders. (See Mortgage, Section 66.) Under the Trust Indenture Act of 1939, ALLETE is required to provide to the mortgage trustees an annual statement by an appropriate officer as to ALLETE's compliance with all conditions and covenants under the mortgage.

The Bank of New York, as mortgage trustee, or the holders of 25 percent of the first mortgage bonds may declare the principal and interest due on default, but a majority may annul such declaration if the default has been cured. (See Mortgage, Section 67.) No holder of first mortgage bonds may enforce the lien of the mortgage without giving the mortgage trustees written notice of a default and unless holders of 25 percent of the first mortgage bonds have requested the mortgage trustees to act and offered them reasonable opportunity to act and indemnity satisfactory to the mortgage trustees and they shall have failed to act. (See Mortgage, Section 80.) The holders of a majority of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the mortgage trustees, or exercising any trust or power conferred upon the mortgage trustees, but the mortgage trustees are not required to follow such direction if not sufficiently indemnified for expenditures. (See Mortgage, Section 71.)

Information about the Mortgage Trustees. The Bank of New York is the corporate mortgage trustee and Douglas J. MacInnes is the individual mortgage trustee. In addition to acting as mortgage trustee, The Bank of New York, as described in this prospectus, also will act as trustee under the subordinated indenture, 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 corporate mortgage trustee in the ordinary course of their business.

DESCRIPTION OF DEBT SECURITIES

General. The following description sets forth certain general terms and provisions of ALLETE's unsecured debt securities that ALLETE may offer by this prospectus. ALLETE will describe the particular terms of the debt securities, and provisions that vary from those described below, in one or more prospectus supplements.

The debt securities will be ALLETE's direct unsecured general obligations. The debt securities will be senior debt securities. ALLETE may issue the debt securities from time to time in one or more series. ALLETE will issue the debt securities under its Indenture (for Unsecured Debt Securities) dated as of February 1, 2001 ("indenture"), with LaSalle Bank National Association, as trustee ("indenture trustee").

The following descriptions of the debt securities and the indenture are summaries and are qualified by reference to the indenture. The indenture is being filed as an exhibit to the registration statement, and you should read the indenture for provisions that may be important to you. References to certain sections of the indenture are included in parentheses. Whenever particular provisions or defined terms in the indenture are referred to under this "Description of Debt Securities," those provisions or defined terms are incorporated by reference in this prospectus. The indenture was 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 debt securities will rank equally with all of ALLETE's other senior, unsecured and unsubordinated debt.

The prospectus supplement and an officer's certificate relating to any series of debt securities 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 debt securities;
- o any limit upon the total principal amount of the debt securities;

- o the date or dates on which the principal of the debt securities will be payable and how it will be paid;
- o the rate or rates at which the debt securities will bear interest, or how such rate or rates will be determined;
- o the date or dates from which interest on the debt securities will accrue, the interest payment dates on which interest will be paid, and the record dates for interest payments;
- o the percentage, if less than 100 percent, of the principal amount of the debt securities that will be payable if the maturity of the debt securities is accelerated;
- o any date or dates on which, and the price or prices at which, the debt securities 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 debt securities that would obligate ALLETE to repurchase or otherwise redeem the debt securities;
- o any changes or additions to the events of default under the indenture or changes or additions to the covenants of ALLETE under the indenture;
- o if the debt securities will be issued in denominations other than \$1,000 or a multiple thereof;
- o if payments on the debt securities may be made in a currency or currencies other than United States dollars;
- o any convertible feature or options regarding the debt securities;
- o any rights or duties of another person to assume the obligations of ALLETE with respect to the debt securities;
- o any collateral, security, assurance or guarantee for the debt securities;
- o any rights to change or eliminate any provision of the indenture or to add any new provision to the indenture without the consent of the holders of the debt securities of such series; and
- o any other terms of the debt securities not inconsistent with the terms of the indenture.

(See Indenture, Section 301.)

The indenture does not limit the principal amount of debt securities that may be issued. The indenture allows debt securities to be issued up to the principal amount that may be authorized by ALLETE.

The debt securities may be sold at a discount below their principal amount. United States federal income tax considerations applicable to debt securities sold at an original issue discount may be described in the prospectus supplement. In addition, certain United States federal income tax or other considerations applicable to any debt securities which are denominated or payable in a currency or currency unit other than United States dollars may be described in the prospectus supplement.

Except as may otherwise be described in the prospectus supplement, the covenants contained in the indenture will not afford holders of the debt securities protection in the event of a highly-leveraged or similar transaction involving ALLETE or in the event of a change in control.

Subject to applicable law, including United States federal securities law, ALLETE may purchase outstanding debt securities by tender, in the open market or by private agreement.

Payment and Paying Agents. Except as may be provided in the prospectus supplement, interest, if any, on each debt security payable on each interest payment date will be paid to the person in whose name such debt security 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 debt security, the defaulted interest may be paid to the holder of such debt security as of the close of business on a date to be fixed by the indenture 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 debt security may be listed, if the indenture trustee finds it practicable. (See Indenture, Section 307.)

Unless otherwise specified in the prospectus supplement, principal of, and premium, if any, and interest, if any, on the debt securities at maturity will be payable upon presentation of the debt securities at the corporate trust office of the indenture trustee as Paying Agent for ALLETE. ALLETE may change the place of payment on the debt securities, may appoint one or more additional Paying Agents, including ALLETE, and may remove any Paying Agent, all at the discretion of ALLETE. (See Indenture, Section 602.)

Registration and Transfer. Unless otherwise specified in the prospectus supplement, the transfer of debt securities may be registered, and debt securities may be exchanged for other debt securities of the same series of authorized denominations and with the same terms and principal amount, at the corporate trust office of the indenture trustee. ALLETE may change the place for registration of transfer and exchange of the debt securities 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 debt securities. 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 debt security during a period of 15 days prior to giving any notice of redemption or
- o any debt security selected for redemption except the unredeemed portion of any debt security being redeemed in part.

(See Indenture, Section 305.)

Satisfaction and Discharge. ALLETE will be discharged from its obligations on the debt securities of a particular series, or any portion of the principal amount of the debt securities of such series, if it irrevocably deposits with the indenture trustee sufficient cash or government securities to pay the principal, or portion of principal, interest, any premium and any other sums when due on the debt securities of such series at their stated maturity date or a redemption date. (See Indenture, Section 701.)

The indenture will be deemed satisfied and discharged when no debt securities remain outstanding and when ALLETE has paid all other sums payable by ALLETE under the indenture. (See Indenture, Section 702.)

All moneys ALLETE pays to the indenture trustee or any Paying Agent on the debt securities 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 debt security may look only to ALLETE for payment thereof. (See Indenture, Section 603.)

Limitation on Liens. ALLETE will not create or allow any liens, other than permitted liens, to be created or to exist upon shares of capital stock of majority owned subsidiaries of ALLETE now or hereafter directly owned by ALLETE or any of its electric utility assets or other property of ALLETE, other than excepted property, without making effective provision whereby:

- o the outstanding debt securities shall be equally and ratably secured; or
- o secured obligations shall be delivered to the indenture trustee in an amount equal to the outstanding debt securities.

The term permitted liens includes, among others:

- o non-delinquent or contested tax or construction liens;
- o judgment liens in an aggregate amount less than \$10 million or subject to appeal;
- o easements, leases, title defects that do not impair ALLETE's intended use of property;
- o governmental rights, mineral, timber or production rights, joint ownership rights;
- o liens fully secured by deposited money or investment securities, purchase money liens and liens on property at the time of acquisition;
- o liens securing tax-exempt financing, non-recourse liens related to the acquisition or construction of additional property;
- o the lien of the mortgage or any successor indenture secured by first mortgage bonds;
- o any lien on the capital stock of directly-held majority owned subsidiaries of ALLETE created at the time ALLETE acquires that capital stock, or within 270 days after that time, to secure all or a portion of the purchase price for that capital stock;
- o any lien on the capital stock of directly-held majority owned subsidiaries of ALLETE existing at the time ALLETE acquires that capital stock (whether or not ALLETE assumes the obligations secured by the lien and whether or not the lien was created in contemplation of the acquisition);
- o any extensions, renewals or replacements of the liens described in the two preceding bullet points, or of any indebtedness secured by those liens; provided, that
 - the principal amount of indebtedness secured by those liens immediately after the extension, renewal or replacement may not exceed the principal amount of indebtedness secured by those liens immediately before the extension, renewal or replacement, and
 - the extension, renewal or replacement lien is limited to no more than the same proportion of all shares of capital stock as were covered by the lien that was extended, renewed or replaced; and
- o any other liens in an aggregate amount not exceeding 2.5 percent of ALLETE's consolidated assets.

The term excepted property includes, among others:

- o cash, shares of stock other than shares of capital stock of directly-held majority owned subsidiaries, interests in partnerships, bonds, notes, evidence of indebtedness and other securities;
- o contracts, leases, accounts receivable, patents, trademarks, intangibles, vehicles, rolling stock, aircraft, inventory;
- o fuel and other consumables, minerals, timber, natural gas production and gathering assets, hydroelectric assets; and
- o leaseholds.

The foregoing limitation does not limit in any manner the ability of:

- o ALLETE to place liens on the excepted property;

- o ALLETE to cause the transfer of its assets or those of its subsidiaries, including the electric utility assets or capital stock covered by the foregoing restrictions; or
- o any of the direct or indirect subsidiaries of ALLETE to place liens on any of their assets.

Consolidation, Merger, and Sale of Assets. Under the terms of the 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 debt securities and under the indenture;
- o immediately after giving effect to the transaction, no event of default under the indenture and no event which, after notice or lapse of time or both, would become an event of default under the indenture, shall have occurred and be continuing; and
- o ALLETE shall have delivered to the indenture trustee an officer's certificate and an opinion of counsel as provided in the indenture.

The terms of the indenture do not restrict ALLETE in a merger in which ALLETE is the surviving entity. (See Indenture, Section 1101.)

Events of Default. The term "event of default," when used in the indenture with respect to any series of debt securities, means any of the following:

- o failure to pay interest, if any, on any debt security of the applicable series for 30 days after it is due;
- o failure to pay the principal of or premium, if any, on any debt security of the applicable series when due, whether at maturity or upon earlier redemption;
- o failure to perform any other covenant in the indenture, other than a covenant that does not relate to that series of debt securities, that continues for 90 days after ALLETE receives written notice from the indenture trustee, or ALLETE and the indenture trustee receive a written notice from 33 percent of the holders of the debt securities of such series; however, the indenture trustee or the indenture trustee and the holders of such principal amount of debt securities 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;
- o certain events in bankruptcy, insolvency or reorganization of ALLETE; or
- o any other event of default included in any supplemental indenture or officer's certificate for that series of debt securities.

(See Indenture, Section 801.)

The indenture trustee may withhold notice to the holders of debt securities of any default, except 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 indenture for a particular series of debt securities does not necessarily constitute an event of default under the indenture for any other series of debt securities issued under the indenture.

Remedies

Acceleration of Maturity. If an event of default under the indenture with respect to fewer than all the series of debt securities occurs and continues, either the indenture trustee or the holders of at least 33 percent in principal amount of the debt securities of any such series may declare the

entire principal amount of all the debt securities of such series, together with accrued interest, to be due and payable immediately. However, if the event of default under the indenture is applicable to all outstanding debt securities under the indenture, only the indenture trustee or holders of at least 33 percent in principal amount of all outstanding debt securities of all series, voting as one class, and not the holders of any one series, may make such a declaration of acceleration.

At any time after a declaration of acceleration with respect to the debt securities 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 indenture giving rise to such declaration of acceleration will be considered waived, and such declaration and its consequences will be considered rescinded and annulled, if:

- o ALLETE has paid or deposited with the indenture trustee a sum sufficient to pay:
 - all overdue interest, if any, on all debt securities of the series;
 - the principal of and premium, if any, on any debt securities of the series which have otherwise become due and interest, if any, that is currently due;
 - interest, if any, on overdue interest; and
 - all amounts due to the indenture trustee under the indenture; or
- o any other event of default under the indenture with respect to the debt securities of that series has been cured or waived as provided in the indenture.

There is no automatic acceleration, even in the event of bankruptcy, insolvency or reorganization of ALLETE. (See Indenture, Section 802.)

Right to Direct Proceedings. Other than its duties in case of an event of default under the indenture, the indenture trustee is not obligated to exercise any of its rights or powers under the indenture at the request, order or direction of any of the holders, unless the holders offer the indenture trustee a reasonable indemnity. (See Indenture, Section 903.) If they provide a reasonable indemnity, the holders of a majority in principal amount of any series of debt securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee, or exercising any power conferred upon the indenture trustee. However, if the event of default under the indenture relates to more than one series, only the holders of a majority in aggregate principal amount of all affected series will have the right to give this direction. The indenture trustee is not obligated to comply with directions that conflict with law or other provisions of the indenture. (See Indenture, Section 812).

Limitation on Right to Institute Proceedings. No holder of debt securities of any series will have any right to institute any proceeding under the indenture, or to exercise any remedy under the indenture, unless:

- o the holder has previously given to the indenture trustee written notice of a continuing event of default under the indenture;
- o the holders of a majority in aggregate principal amount of the outstanding debt securities of all series in respect of which an event of default under the indenture shall have occurred and be continuing have made a written request to the indenture trustee, and have offered reasonable indemnity to the indenture trustee to institute proceedings; and
- o the indenture 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 Indenture, Section 807.)

No Impairment of Right to Receive Payment. However, the limitations described in the preceding paragraph do not apply to a suit by a holder of a debt security for payment of the principal of or premium, if any, or interest, if any, on a debt security on or after the applicable due date. (See Indenture, Section 808.)

Annual Notice to Indenture Trustee. ALLETE will provide to the indenture trustee an annual statement by an appropriate officer as to ALLETE's compliance with all conditions and covenants under the indenture. (See Indenture, Section 606.)

Modification and Waiver. ALLETE and the indenture trustee may enter into one or more supplemental indentures without the consent of any holder of debt securities for any of the following purposes:

- o to evidence the assumption by any permitted successor of the covenants of ALLETE in the indenture and in the debt securities;
- o to add additional covenants of ALLETE or to surrender any right or power of ALLETE under the indenture;
- o to add additional event of default under the indenture;
- o to change, eliminate, or add any provision to the indenture; provided, however, if the change, elimination, or addition will adversely affect in any material respect the interests of the holders of debt securities 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 only as to such series:
 - when the consent of the holders of debt securities of such series has been obtained in accordance with the indenture; or
 - when no debt securities of such series remain outstanding under the indenture;
- o to provide collateral security for all or part of the debt securities;
- o to establish the form or terms of debt securities of any other series as permitted by the 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 indenture trustee ;
- o to provide for the procedures required for use of a noncertificated system of registration for the debt securities of all or any series;
- o to change any place where principal, premium, if any, and interest shall be payable, debt securities 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 indenture or to add other provisions with respect to matters and questions arising under the indenture; provided that such other changes or additions shall not adversely affect the interests of the holders of debt securities of any series in any material respect.

(See Indenture, Section 1201.)

The holders of at least a majority in aggregate principal amount of the debt securities of all series then outstanding may waive compliance by ALLETE with certain restrictive provisions of the indenture. (See Indenture, Section 607.) The holders of not less than a majority in principal amount of the outstanding debt securities of any series may waive any past default under the 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 indenture that cannot be modified or be amended without the consent of the

holder of each outstanding debt security of the series affected. (See Indenture, Section 813.)

If the Trust Indenture Act of 1939 is amended after the date of the indenture in such a way as to require changes to the indenture, the indenture will be deemed to be amended so as to conform to such amendment of the Trust Indenture Act of 1939. ALLETE and the indenture trustee may, without the consent of any holders, enter into one or more supplemental indentures to evidence such an amendment. (See Indenture, Section 1201.)

The consent of the holders of a majority in aggregate principal amount of the debt securities of all series then outstanding is required for all other modifications to the indenture. However, if less than all of the series of debt securities 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 debt security, or reduce the principal amount of any debt security 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 debt security, without the consent of the holder;
- o reduce the percentage in principal amount of the outstanding debt securities of any series whose consent is required for any supplemental indenture or any waiver of compliance with a provision of the 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 indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the debt securities of any series, without the consent of the holder of each outstanding debt security affected by them.

(See Indenture, Section 1202.)

A supplemental indenture that changes the indenture solely for the benefit of one or more particular series of debt securities, or modifies the rights of the holders of debt securities of one or more series, will not affect the rights under the indenture of the holders of the debt securities of any other series. (See Indenture, Section 1202.)

The indenture provides that debt securities owned by ALLETE or anyone else required to make payment on the debt securities shall be disregarded and considered not to be outstanding in determining whether the required holders have given a request or consent. (See Indenture, Section 101.)

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 the holders, but ALLETE shall have no obligation to do so. If such a 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 that record date will be considered holders for the purposes of determining whether holders of the required percentage of the outstanding debt securities 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 debt securities 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 debt security and the holder of every debt security issued upon the registration of transfer of or in exchange of such debt securities. A transferee will be bound by acts of the indenture trustee or ALLETE taken in reliance thereon, whether or not notation of such action is made upon such debt security. (See Indenture, Section 104.)

Resignation of the Indenture Trustee. The indenture 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 debt securities then outstanding delivered to the indenture trustee and ALLETE. No resignation or removal of the indenture trustee and no appointment of a successor indenture trustee will be effective until the acceptance of

appointment by a successor indenture trustee. So long as no event of default under the indenture or event which, after notice or lapse of time, or both, would become an event of default under the indenture has occurred and is continuing and except with respect to the indenture trustee appointed by act of the holders, if ALLETE has delivered to the indenture trustee a resolution of its Board of Directors appointing a successor indenture trustee and such successor has accepted such appointment in accordance with the terms of the indenture, the indenture trustee will be deemed to have resigned and the successor will be deemed to have been appointed as indenture trustee in accordance with the indenture. (See Indenture, Section 910.)

Notices. Notices to holders of debt securities will be given by mail to the addresses of such holders as they may appear in the security register therefor. (See Indenture, Section 106.)

Title. ALLETE, the indenture trustee, and any agent of ALLETE or the indenture trustee, may treat the person in whose name debt securities are registered as the absolute owner thereof, whether or not such debt securities may be overdue, for the purpose of making payments and for all other purposes irrespective of notice to the contrary. (See Indenture, Section 308.)

Governing Law. The indenture and the debt securities will be governed by, and construed in accordance with, the laws of the State of New York. (See Indenture, Section 112.)

Information about the Indenture Trustee. The indenture trustee under the indenture is LaSalle Bank National Association. LaSalle Bank National Association acts, and may act, as trustee under various other indentures of ALLETE and its affiliates. ALLETE and its affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the indenture trustee and its affiliates in the ordinary course of their business.

DESCRIPTION OF PREFERRED TRUST SECURITIES AND COMMON TRUST SECURITIES

General. ALLETE Capital will issue preferred trust securities and common trust securities under a trust agreement among ALLETE, as depositor, The Bank of New York, as property trustee, The Bank of New York (Delaware), as Delaware trustee, several administrative trustees and the holders of preferred trust securities and common trust securities. The preferred trust securities will represent preferred undivided beneficial interests in the assets of ALLETE Capital and will entitle their holders to a preference over the common trust securities with respect to distributions and amounts payable on redemption or liquidation. Material terms of the trust agreement are summarized below. The following descriptions of the preferred trust securities and the trust agreement are summaries and are qualified by reference to the trust agreement. The form of the trust agreement is being filed as an exhibit to the registration statement, and you should read the trust agreement for provisions that may be important to you. References to certain sections of the trust agreement are included in parentheses. Whenever particular provisions or defined terms in the trust agreement are referred to under this "Description of Preferred Trust Securities and Common Trust Securities," those provisions or defined terms are incorporated by reference in this prospectus. The trust agreement 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 preferred trust securities.

The preferred trust securities and the common trust securities issued by ALLETE Capital will be substantially the same except that, if ALLETE Capital fails to make required payments, the rights of ALLETE as the holder of the common trust securities to payment of distributions and upon liquidation or redemption will be subordinated to the rights of the holders of the preferred trust securities. If there is a continuing event of default under the subordinated indenture described below, holders of the preferred trust securities may vote to appoint, remove or replace any of trustees of ALLETE Capital except 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 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 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.)

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,
- 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.

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

- o 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
- o 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.

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 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
- 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;
- 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 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.)

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;
- 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;
- o certain events in bankruptcy, insolvency or reorganization of ALLETE; or

- o 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:
 - 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.

(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.)

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 of 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.

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;
- 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.

PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The expenses in connection with the issuance and distribution of the securities being registered, other than underwriting and/or agents compensation, are:

Filing fee for registration statement.....	\$125,000
Minnesota mortgage registration tax.....	230,000*
Legal and accounting fees.....	250,000*
Printing (Form S-3, prospectus, prospectus supplement, etc.)....	30,000*
Fees of the trustees.....	100,000*
Rating agencies' fees.....	30,000*
Miscellaneous.....	40,000*

Total.....	\$805,000*
	=====

* Estimated

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 302A.521 of the Minnesota Business Corporation Act generally provides for the indemnification of directors, officers or employees of a corporation made or threatened to be made a party to a proceeding by reason of the former or present official capacity of the person against judgments, penalties and fines (including attorneys' fees and disbursements) where such person, among other things, has not been indemnified by another organization, acted in good faith, received no improper personal benefit and with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

Article IX of the Articles of Incorporation of ALLETE contains the following provision:

"No director of this Corporation shall be personally liable to this Corporation or its stockholders for monetary damages for breach of fiduciary duty by that director as a director; provided, however, that this Article IX shall not eliminate or limit the liability of a director: (a) for any breach of the director's duty of loyalty to this Corporation or its stockholders; (b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law; (c) under Minnesota Statutes Section 302A.559 or 80A.23; (d) for any transaction from which the director derived an improper personal benefit; or (e) for any act or omission occurring prior to the date when this Article IX becomes effective. If, after the stockholders approve this provision, the Minnesota Business Corporation Act, Minnesota Statutes Chapter 302A, is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of this Corporation shall be deemed eliminated or limited to the fullest extent permitted by the Minnesota Business Corporation Act, as so amended. No amendment to or repeal of this Article IX shall apply to or have any affect on the liability or alleged liability of any director of this Corporation for or with respect to any acts or omissions of such director occurring prior to that amendment or repeal."

Section 13 of the Bylaws of ALLETE contains the following provisions relative to indemnification of directors and officers:

"The Corporation shall reimburse or indemnify each present and future Director and officer of the Corporation (and his or her heirs, executors and administrators) for or against all expenses reasonably incurred by such Director or officer in connection with or arising out of any action, suit or proceeding in which such Director or officer may be involved by reason of being or having been a Director or officer of the Corporation. Such indemnification for reasonable expenses is to be to the fullest extent permitted by the Minnesota Business Corporation Act, Minnesota Statutes Chapter 302A. By affirmative vote of the Board of Directors or with written approval of the Chairman and Chief Executive Officer, such indemnification

may be extended to include agents and employees who are not Directors or officers of the Corporation, but who would otherwise be indemnified for acts and omissions under Chapter 302A of the Minnesota Business Corporation Act, if such agent or employee were an officer of the Corporation."

"Reasonable expenses may include reimbursement of attorneys' fees and disbursements, including those incurred by a person in connection with an appearance as a witness."

"Upon written request to the Corporation and approval by the Chairman and Chief Executive Officer, an agent or employee for whom indemnification has been extended, or an officer or Director may receive an advance for reasonable expenses if such agent, employee, officer or Director is made or threatened to be made a party to a proceeding involving a matter for which indemnification is believed to be available under Minnesota Statutes Chapter 302A."

"The foregoing rights shall not be exclusive of other rights to which any Director or officer may otherwise be entitled and shall be available whether or not the Director or officer continues to be a Director or officer at the time of incurring such expenses and liabilities."

ALLETE has insurance covering its expenditures which might arise in connection with the lawful indemnification of its directors and officers for their liabilities and expenses, and insuring officers and directors of ALLETE against certain other liabilities and expenses.

ITEM 16. EXHIBITS.

Exhibit Number	Description of Exhibit																																				
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1(a)	- Form of Underwriting Agreement for common stock, debt securities and first mortgage bonds.																																				
1(b)	- Form of Underwriting Agreement for preferred trust securities.																																				
*4(a)(1)	- Articles of Incorporation, amended and restated as of May 27, 1998 (filed as Exhibit 4(a) to the June 3, 1998 Form 8-K, File No. 1-3548).																																				
*4(a)(2)	- Amendment to Certificate of Assumed Name, filed with the Minnesota Secretary of State on August 29, 2000 (filed as Exhibit 4 to the October 10, 2000 Form 8-K, File No. 1-3548).																																				
*4(b)	- Bylaws, as amended effective May 27, 1998 (filed as Exhibit 4(b), to the June 3, 1998 Form 8-K, File No. 1-3548).																																				
*4(c)1	- Mortgage and Deed of Trust, dated as of September 1, 1945, between Minnesota Power & Light Company (now Minnesota Power, Inc., doing business as ALLETE) and Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas J. MacInnes, successor), as Trustees (filed as Exhibit 7(c), File No. 2-5865).																																				
*4(c)2	- Supplemental Indentures to Minnesota Power, Inc.'s (doing business as ALLETE) Mortgage and Deed of Trust:																																				
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Number</th> <th style="text-align: left;">Dated as of</th> <th style="text-align: left;">Reference File</th> <th style="text-align: left;">Exhibit</th> </tr> <tr> <th style="text-align: left;">-----</th> <th style="text-align: left;">-----</th> <th style="text-align: left;">-----</th> <th style="text-align: left;">-----</th> </tr> </thead> <tbody> <tr> <td>First</td> <td>March 1, 1949</td> <td>2-7826</td> <td>7(b)</td> </tr> <tr> <td>Second</td> <td>July 1, 1951</td> <td>2-9036</td> <td>7(c)</td> </tr> <tr> <td>Third</td> <td>March 1, 1957</td> <td>2-13075</td> <td>2(c)</td> </tr> <tr> <td>Fourth</td> <td>January 1, 1968</td> <td>2-27794</td> <td>2(c)</td> </tr> <tr> <td>Fifth</td> <td>April 1, 1971</td> <td>2-39537</td> <td>2(c)</td> </tr> <tr> <td>Sixth</td> <td>August 1, 1975</td> <td>2-54116</td> <td>2(c)</td> </tr> <tr> <td>Seventh</td> <td>September 1, 1976</td> <td>2-57014</td> <td>2(c)</td> </tr> </tbody> </table>	Number	Dated as of	Reference File	Exhibit	-----	-----	-----	-----	First	March 1, 1949	2-7826	7(b)	Second	July 1, 1951	2-9036	7(c)	Third	March 1, 1957	2-13075	2(c)	Fourth	January 1, 1968	2-27794	2(c)	Fifth	April 1, 1971	2-39537	2(c)	Sixth	August 1, 1975	2-54116	2(c)	Seventh	September 1, 1976	2-57014	2(c)
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Fifth	April 1, 1971	2-39537	2(c)																																		
Sixth	August 1, 1975	2-54116	2(c)																																		
Seventh	September 1, 1976	2-57014	2(c)																																		

Number	Dated as of	Reference File	Exhibit
Eighth	September 1, 1977	2-59690	2(c)
Ninth	April 1, 1978	2-60866	2(c)
Tenth	August 1, 1978	2-62852	2(d)2
Eleventh	December 1, 1982	2-56649	4(a)3
Twelfth	April 1, 1987	33-30224	4(a)3
Thirteenth	March 1, 1992	33-47438	4(b)
Fourteenth	June 1, 1992	33-55240	4(b)
Fifteenth	July 1, 1992	33-55240	4(c)
Sixteenth	July 1, 1992	33-55240	4(d)
Seventeenth	February 1, 1993	33-50143	4(b)
Eighteenth	July 1, 1993	33-50143	4(c)
Nineteenth	February 1, 1997	1-3548 (1996 Form 10-K)	4(a)3
Twentieth	November 1, 1997	1-3548 (1997 Form 10-K)	4(a)3
Twenty-first	October 1, 2000	333-54330	4(c)3

4(c)3 - Form of Supplemental Indenture relating to the first mortgage bonds.

4(d)1 - Indenture (for Unsecured Debt Securities), dated as of February 1, 2001, between ALLETE (legally incorporated as Minnesota Power, Inc.) and LaSalle Bank National Association, as Trustee.

4(d)2 - Officer's Certificate, dated February 21, 2001, establishing the terms of the 7.80% Senior Notes due February 15, 2008 of ALLETE (legally incorporated as Minnesota Power, Inc.).

4(d)3 - Form of Officer's Certificate relating to debt securities, with form of debt security attached.

*4(e)1 - Mortgage and Deed of Trust, dated as of March 1, 1943, between Superior Water, Light and Power Company and Chemical Bank & Trust Company and Howard B. Smith, as Trustees, both succeeded by U. S. Bank Trust N.A., as Trustee (filed as Exhibit 7(c), File No. 2-8668).

*4(e)2 - Supplemental Indentures to Superior Water, Light and Power Company's Mortgage and Deed of Trust:

Number	Dated as of	Reference File	Exhibit
First	March 1, 1951	2-59690	2(d)(1)
Second	March 1, 1962	2-27794	2(d)1
Third	July 1, 1976	2-57478	2(e)1
Fourth	March 1, 1985	2-78641	4(b)
Fifth	December 1, 1992	1-3548 (1992 Form 10-K)	4(b)1
Sixth	March 24, 1994	1-3548 (1996 Form 10-K)	4(b)1
Seventh	November 1, 1994	1-3548 (1996 Form 10-K)	4(b)2
Eighth	January 1, 1997	1-3548 (1996 Form 10-K)	4(b)3

*4(f)1 - Indenture, dated as of March 1, 1993, between Southern States Utilities, Inc. (now Florida Water Services Corporation) and Nationsbank of Georgia, National Association (now SunTrust Bank, Central Florida, N.A.), as Trustee (filed as Exhibit 4(d) to the 1992 Form 10-K, File No. 1-3548).

*4(f)2 - Supplemental Indentures to Florida Water Services Corporation's Indenture:

Number	Dated as of	Reference File	Exhibit
First	March 1, 1993	1-3548 (1996 Form 10-K)	4(c)1
Second	March 31, 1997	1-3548 (March 31, 1997 Form 10-Q)	4
Third	May 28, 1997	1-3548 (June 30, 1997 Form 10-Q)	4

- *4(g) - Amended and Restated Trust Agreement, dated as of March 1, 1996, relating to MP&L Capital I's (now ALLETE Capital I) 8.05% Cumulative Quarterly Income Preferred Securities, between Minnesota Power & Light Company (now Minnesota Power, Inc., doing business as ALLETE), as Depositor, and The Bank of New York, The Bank of New York (Delaware), Philip R. Halverson, David G. Gartzke and James K. Vizanko, as Trustees (filed as Exhibit 4(a) to the March 31, 1996 Form 10-Q, File No. 1-3548), as modified by Amendment No. 1, dated April 11, 1996 (filed as Exhibit 4(b) to the March 31, 1996 Form 10-Q, File No. 1-3548) and First Amendment [2000], dated August 23, 2000 (filed as Exhibit 4(f)2, File No. 333-54330).
- *4(h) - Indenture, dated as of March 1, 1996, relating to ALLETE's 8.05% Junior Subordinated Debentures, Series A, Due 2015, between Minnesota Power & Light Company (now Minnesota Power, Inc., doing business as ALLETE) and The Bank of New York, as Trustee (filed as Exhibit 4(c) to the March 31, 1996 Form 10-Q, File No. 1-3548).
- *4(i) - Officer's Certificate, dated March 20, 1996, establishing the terms of the 8.05% Junior Subordinated Debentures, Series A, Due 2015 issued in connection with the 8.05% Cumulative Quarterly Income Preferred Securities of MP&L Capital I (now ALLETE Capital I) (filed as Exhibit 4(i) to the 1996 Form 10-K, File No. 1-3548).
- *4(j) - Guarantee Agreement, dated as of March 1, 1996, relating to MP&L Capital I's (now ALLETE Capital I) 8.05% Cumulative Quarterly Income Preferred Securities, between Minnesota Power & Light Company (now Minnesota Power, Inc., doing business as ALLETE), as Guarantor, and The Bank of New York, as Trustee (filed as Exhibit 4(d) to the March 31, 1996 Form 10-Q, File No. 1-3548).
- *4(k) - Agreement as to Expenses and Liabilities, dated as of March 20, 1996, relating to MP&L Capital I's (now ALLETE Capital I) 8.05% Cumulative Quarterly Income Preferred Securities, between Minnesota Power & Light Company (now Minnesota Power, Inc., doing business as ALLETE) and MP&L Capital I (now ALLETE Capital I) (filed as Exhibit 4(e) to the March 31, 1996 Form 10-Q, File No. 1-3548).
- *4(l) - Rights Agreement dated as of July 24, 1996, between Minnesota Power & Light Company (now Minnesota Power, Inc., doing business as ALLETE) and the Corporate Secretary of Minnesota Power & Light Company (now Minnesota Power, Inc., doing business as ALLETE), as Rights Agent (filed as Exhibit 4 to the August 2, 1996 Form 8-K, File No. 1-3548).
- *4(m) - Indenture (for Unsecured Debt Securities), dated as of May 15, 1996, between ADESA Corporation and The Bank of New York, as Trustee relating to the ADESA Corporation's 7.70% Senior Notes, Series A, Due 2006, and its 8.10% Senior Notes, Series B, Due 2010 (filed as Exhibit 4(k) to the 1996 Form 10-K, File No. 1-3548).
- *4(n) - ADESA Corporation Officer's Certificate 1-D-1, dated May 30, 1996, relating to the ADESA Corporation's 7.70% Senior Notes, Series A, Due 2006 (filed as Exhibit 4(m) to the 1996 Form 10-K, File No. 1-3548).
- *4(o) - ADESA Corporation Officer's Certificate 2-D-2, dated as of March 30, 2000, relating to ADESA Corporation's 8.10% Senior Notes, Series B, Due 2010 (filed as Exhibit 4(b) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- *4(p) - Guarantee of Minnesota Power & Light Company (now Minnesota Power, Inc., doing business as ALLETE), dated as of May 30, 1996, relating to the ADESA Corporation's 7.70% Senior Notes, Series A, Due 2006 (filed as Exhibit 4(l) to the 1996 Form 10-K, File No. 1-3548).

- *4(q) - Guarantee of Minnesota Power, Inc. (doing business as ALLETE), dated as of March 30, 2000, relating to ADESA Corporation's 8.10% Senior Notes, Series B, Due 2010 (filed as Exhibit 4(a) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- 4(r) - Trust Agreement and Certificate of Trust of ALLETE Capital II.
- 4(s) - Trust Agreement and Certificate of Trust of ALLETE Capital III.
- 4(t) - Form of Amended and Restated Trust Agreement.
- 4(u) - Form of Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities) relating to preferred trust securities of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 4(v) - Form of Officer's Certificate establishing the junior subordinated debentures, with form of junior subordinated debenture attached.
- 4(w) - Form of Guarantee of ALLETE (legally incorporated as Minnesota Power, Inc.) relating to preferred trust securities.
- 4(x) - Form of Agreement as to Expenses and Liabilities relating to the preferred trust securities is contained in Exhibit C of Exhibit 4(t) hereto.
- 4(y) - Form of preferred trust securities is contained in Exhibit D of Exhibit 4(t) hereto.
- 5(a) - Opinion and Consent of Philip R. Halverson, Esq., Vice President, General Counsel and Secretary of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 5(b) - Opinion and Consent of Thelen Reid & Priest LLP.
- 5(c) - Opinion and Consent of Richards, Layton & Finger, P.A., Special Delaware Counsel to ALLETE Capital II and ALLETE.
- 5(d) - Opinion and Consent of Richards, Layton & Finger, P.A., Special Delaware Counsel to ALLETE Capital III and ALLETE.
- *12(a) - Computation of Ratios of Earnings to Fixed Charges and Supplemental Ratios of Earnings to Fixed Charges (filed as Exhibit 12 to the 2000 Form 10-K, File No. 1-3548).
- 12(b) - Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends and Supplemental Ratios of Earnings to Fixed Charges and Preferred Dividends.
- 23(a) - Independent Auditors' Consent of PricewaterhouseCoopers LLP.
- 23(b) - Consent of Philip R. Halverson, Esq. (included in opinion, attached hereto as Exhibit 5(a)).
- 23(c) - Consent of Thelen Reid & Priest LLP (included in opinion, attached hereto as Exhibit 5(b)).
- 23(d) - Consent of Richards, Layton & Finger, P.A. (included in opinions, attached hereto as Exhibits 5(c) and 5(d)).
- 24 - Powers of Attorney (included on the signature page of this registration statement).
- 25(a) - Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Mortgage of Minnesota Power, Inc. (doing business as ALLETE).

- 25(b) - Statement of Eligibility on Form T-2 of Douglas J. MacInnes with respect to the Mortgage of Minnesota Power, Inc. (doing business as ALLETE).
- 25(c) - Statement of Eligibility on Form T-1 of LaSalle Bank National Association with respect to the Indenture (For Unsecured Debt Securities) of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 25(d) - Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Indenture (For Unsecured Junior Subordinated Debentures relating to Preferred Trust Securities) of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 25(e) - Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Trust Agreement of ALLETE Capital II.
- 25(f) - Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Guarantee Agreement relating to the Preferred Trust Securities of ALLETE Capital II.
- 25(g) - Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Trust Agreement of ALLETE Capital III.
- 25(h) - Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Guarantee Agreement relating to the Preferred Trust Securities of ALLETE Capital III.

* Incorporated herein by reference as indicated.

ITEM 17. UNDERTAKINGS.

a. The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement,

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrants pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of ALLETE's Annual Report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

b. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the provisions described under Item 15 above, or otherwise, the registrants have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of any registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

POWER OF ATTORNEY

Each person whose signature appears below hereby authorizes any agent for service named in this registration statement to execute in the name of each such person, and to file with the SEC, any and all amendments, including post-effective amendments, to this registration statement, and appoints any such agent for service as attorney-in-fact to sign in each such person's behalf individually and in each capacity stated below and file any such amendments to this registration statement and ALLETE hereby also appoints each such agent for service as its attorney-in-fact with like authority to sign and file any such amendments in its name and behalf.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, ALLETE certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Duluth, State of Minnesota, on March 14, 2001.

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

By /s/ Edwin L. Russell

Edwin L. Russell
Chairman, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ Edwin L. Russell ----- Edwin L. Russell	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	March 14, 2001
/s/ David G. Gartzke ----- David G. Gartzke	Senior Vice President--Finance and Chief Financial Officer (Principal Financial Officer)	March 14, 2001
/s/ Mark A. Schober ----- Mark A. Schober	Controller (Principal Accounting Officer)	March 14, 2001

/s/ Kathleen A. Brekken ----- Kathleen A. Brekken	Director	March 14, 2001
/s/ Merrill K. Cragun ----- Merrill K. Cragun	Director	March 14, 2001
/s/ Dennis E. Evans ----- Dennis E. Evans	Director	March 14, 2001
/s/ Glenda E. Hood ----- Glenda E. Hood	Director	March 14, 2001
/s/ Peter J. Johnson ----- Peter J. Johnson	Director	March 14, 2001
/s/ George L. Mayer ----- George L. Mayer	Director	March 14, 2001
/s/ Jack I. Rajala ----- Jack I. Rajala	Director	March 14, 2001
/s/ Arend J. Sandbulte ----- Arend J. Sandbulte	Director	March 14, 2001
/s/ Nick Smith ----- Nick Smith	Director	March 14, 2001
/s/ Bruce W. Stender ----- Bruce W. Stender	Director	March 14, 2001
/s/ Donald C. Wegmiller ----- Donald C. Wegmiller	Director	March 14, 2001

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, ALLETE Capital II certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on March 14, 2001

ALLETE CAPITAL II

By /s/ Robert J. Reger, Jr.

Robert J. Reger, Jr.
Authorized Representative

Pursuant to the requirements of the Securities Act of 1933, ALLETE Capital III certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on March 14, 2001.

ALLETE CAPITAL III

By /s/ Robert J. Reger, Jr.

Robert J. Reger, Jr.
Authorized Representative

EXHIBIT INDEX

- 1(a) Form of Underwriting Agreement for common stock, debt securities and first mortgage bonds.
- 1(b) Form of Underwriting Agreement for preferred trust securities.
- 4(c)3 Form of Supplemental Indenture relating to the first mortgage bonds.
- 4(d)1 Indenture (for Unsecured Debt Securities), dated as of February 1, 2001, between ALLETE (legally incorporated as Minnesota Power, Inc.) and LaSalle Bank National Association, as Trustee.
- 4(d)2 Officer's Certificate, dated February 21, 2001, establishing the terms of the 7.80% Senior Notes due February 15, 2008 of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 4(d)3 Form of Officer's Certificate relating to debt securities, with form of debt security attached.
- 4(r) Trust Agreement and Certificate of Trust of ALLETE Capital II.
- 4(s) Trust Agreement and Certificate of Trust of ALLETE Capital III.
- 4(t) Form of Amended and Restated Trust Agreement.
- 4(u) Form of Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities) relating to preferred trust securities of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 4(v) Form of Officer's Certificate establishing the junior subordinated debentures, with form of junior subordinated debenture attached.
- 4(w) Form of Guarantee of ALLETE (legally incorporated as Minnesota Power, Inc.) relating to preferred trust securities.
- 4(x) Form of Agreement as to Expenses and Liabilities relating to the preferred trust securities is contained in Exhibit C of Exhibit 4(t) hereto.
- 4(y) Form of preferred trust securities is contained in Exhibit D of Exhibit 4(t) hereto.
- 5(a) Opinion and Consent of Philip R. Halverson, Esq., Vice President, General Counsel and Secretary of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 5(b) Opinion and Consent of Thelen Reid & Priest LLP.
- 5(c) Opinion and Consent of Richards, Layton & Finger, P.A., Special Delaware Counsel to ALLETE Capital II and ALLETE.
- 5(d) Opinion and Consent of Richards, Layton & Finger, P.A., Special Delaware Counsel to ALLETE Capital III and ALLETE.
- 12(b) Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends and Supplemental Ratios of Earnings to Fixed Charges and Preferred Dividends.

- 23(a) Independent Auditors' Consent of PricewaterhouseCoopers LLP.
- 23(b) Consent of Philip R. Halverson, Esq. (included in opinion, attached hereto as Exhibit 5(a)).
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- 23(d) Consent of Richards, Layton & Finger, P.A. (included in opinions, attached hereto as Exhibits 5(c) and 5(d)).
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- 25(b) Statement of Eligibility on Form T-2 of Douglas J. MacInnes with respect to the Mortgage of Minnesota Power, Inc. (doing business as ALLETE).
- 25(c) Statement of Eligibility on Form T-1 of LaSalle Bank National Association with respect to the Indenture (For Unsecured Debt Securities) of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 25(d) Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities) of ALLETE (legally incorporated as Minnesota Power, Inc.).
- 25(e) Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Trust Agreement of ALLETE Capital II.
- 25(f) Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Guarantee Agreement relating to the preferred trust securities of ALLETE Capital II.
- 25(g) Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Trust Agreement of ALLETE Capital III.
- 25(h) Statement of Eligibility on Form T-1 of The Bank of New York with respect to the Guarantee Agreement relating to the preferred trust securities of ALLETE Capital III.

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

UNDERWRITING AGREEMENT

[_____, 200]

New York, New York

[Insert Name(s)
and Address(es)
of Underwriters]

Dear Sirs:

ALLETE (legally incorporated as Minnesota Power, Inc.), a corporation incorporated under the laws of Minnesota (the "Company"), proposes to issue and sell to you (the "Underwriters"), [1 its First Mortgage Bonds of the series designation, with the term and in the principal amount specified in Schedule I hereto (the "Bonds" or the "Securities")] [2 its debt securities of the series designation, with the term and in the principal amount specified in Schedule I hereto (the "Debt Securities" or the "Securities")] [3 an aggregate of

shares of the Company's Common Stock, without par value (the "Common Stock"), and the preferred shares purchase rights attached thereto (the "Rights") (collectively referred to as the "Shares" or "Securities"). [1 The Bonds will be issued under the Company's Mortgage and Deed of Trust, dated as of September 1, 1945, to Irving Trust Company (now The Bank of New York) and Richard D. West (Douglas J. MacInnes, successor), as Trustees, as supplemented and as it will be further supplemented by a [_____] Supplemental Indenture, to be dated as of

[_____, 200], in substantially the form heretofore delivered to the Underwriter (the "[_____] Supplemental Indenture"). The Mortgage and Deed

of Trust, as to be supplemented, are hereinafter referred to as the "Mortgage." [2 The Debt Securities are to be issued pursuant to the provisions of an Indenture (For Unsecured Debt Securities), dated as of February 1, 2001, between the Company and LaSalle Bank National Association, as trustee (the "Indenture Trustee"). The Indenture (For Unsecured Debt Securities), together with any amendments or supplements thereto, are hereinafter referred to as the "Indenture." The Debt Securities shall have the rights, privileges, powers, restrictions, limitations and qualifications set forth in the Company's officer's certificate to the Indenture Trustee dated _____, 200 and the

form of the Securities annexed thereto.]

1. Sale and Purchase. The Company agrees to issue and sell to each of

the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, the aggregate principal amount of Securities set forth opposite the name of such Underwriter in Schedule I at the purchase price or prices set forth in Schedule II hereto (the "Purchase Price") [1,2 plus accrued interest, if any, from _____, 200 to the date of payment and delivery of the Securities]. The obligations of the Company and the

- 1 For use in connection with First Mortgage Bond.
2 For use in connection with Debt Securities.
3 For use in connection with Common Stock.

Underwriters under this Agreement are undertaken on the basis of the representations and are subject to the conditions in this Agreement.

2. Payment and Delivery. Delivery of the Securities to the several

Underwriters, against payment of the Purchase Price to the Company by wire transfer in Federal funds shall be made at the offices of Thelen Reid & Priest LLP, 40 West 57th Street, New York, New York, at 10:00 a.m., New York City time, on [_____, 200], or at such time, date and place as may be agreed upon

by the Company and the Underwriters (the "Closing Date"). [1,2 The Securities shall be delivered to The Depository Trust Company or to [1 The Bank of New York] [2 LaSalle Bank National Association], as custodian for The Depository Trust Company, in definitive fully-registered global form without coupons registered in the name of Cede & Co. for the account specified by the Underwriters not later than the close of business on the business day preceding the Closing Date] [to the Underwriters in definitive fully-registered form without coupons, registered in such names and in such denominations as the Underwriters request at least three full business days before the Closing Date. If no such request is received by said time, the Company shall have the right to deliver the Securities registered in the name of the Underwriters in such denominations as the Company may determine.] Certificates for the Securities shall be made available to the Underwriters at the offices of Thelen Reid &

Priest LLP for checking purposes not later than 2:00 p.m., New York City time, on the business day immediately preceding the Closing Date.

3. Registration Statement and Prospectus; Public Offering. The

Company, ALLETE Capital II and ALLETE Capital III have filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 on March , 2001 (Registration Nos. 333- and 333- -01) for the

registration under the Securities Act of 1933, as amended (the "Securities Act"), and the published rules and regulations adopted by the Commission under the Securities Act (the "Rules and Regulations"), of \$500,000,000 aggregate amount of (i) the Company's Common Stock, without par value, and related preferred shares purchase rights, (ii) one or more series of the Company's first mortgage bonds, (iii) the Company's unsecured debt securities, (iv) the preferred trust securities (the "Trust Securities") of ALLETE Capital II and ALLETE Capital III and (v) an equal principal amount of the Company's junior subordinated debentures and guarantees and other obligations of the Company in respect of such Trust Securities. Such registration statement ("Registration Statement No. 333- ") was declared effective by the Commission on ,

2001. No stop order suspending the effectiveness of such registration statement is in effect and no proceedings for such purpose are pending or threatened before or threatened by the Commission. The Company has also filed with the Commission a registration statement on Form S-3 on May 8, 1998 (Registration No. 333-52161) for the registration under the Securities Act and the Rules and Regulations of 3,000,000 shares of the Company's Common Stock, without par value, and related preferred shares purchase rights, of which all but 1,814,000 shares (as adjusted for the Company Common Stock split on) of Common

Stock and related rights have been previously issued. Such registration statement ("Registration Statement No. 333-52161") was declared effective by the Commission on May 18, 1998. In addition, the Company has filed with the Commission a registration statement on Form S-3 on July 21, 2000 (Registration No. 333-41882) for the registration under the Securities Act and the Rules and Regulations of \$400,000,000 aggregate principal amount of the Company's first mortgage bonds and unsecured debt securities, of which all but \$25,000,000

aggregate principal amount of first mortgage bonds and unsecured debt securities have been previously issued. Such registration statement ("Registration Statement No. 333-41882") was declared effective by the Commission on August 7, 2000. References herein to the term "Registration Statement" as of any date shall be deemed to refer to each of Registration Statement No. 333-41882, Registration Statement No. 333-52161 and Registration No. 333- _____, each as

amended and supplemented to such date, including financial statements and all exhibits, and all documents incorporated by reference therein as of such date pursuant to Item 12 of Form S-3 ("Incorporated Documents") and filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided that if the Company files a registration statement with respect to securities registered under Registration Statement No. 333-41882, Registration Statement No. 333-52161 and Registration Statement No. 333- _____ with the Commission

pursuant to Rule 462(b) of the Securities Act (the "Rule 462(b) Registration Statement"), then after such filing, all references to "Registration Statement" shall be deemed to include the Rule 462(b) Registration Statement. References herein to the term "Prospectus" as of any given date shall be deemed to refer to the combined prospectus, including any preliminary prospectus, relating to the securities registered under Registration Statement No. 333- _____ and the

securities registered and remaining unissued under Registration Statement No. 333-41882 and Registration Statement No. 333-52161 that forms a part of Registration Statement No. 333- _____, as amended or supplemented as of such date

(other than by amendments or supplements relating to securities other than the Securities), including all Incorporated Documents as of such date and including any prospectus supplement relating to the Securities. The term "preliminary prospectus" means any preliminary prospectus (as referred to in Rule 430 of the Rules and Regulations) included at any time as a part of such registration statement. Copies of such registration statement and any amendments thereto and of each preliminary prospectus included as part of such registration statement have been delivered to the Underwriters. References to "Effective Date" shall be deemed to refer to the later of the time and date Registration Statement No. 333- _____, any post-effective amendment to Registration Statement No. 333- _____

or any Rule 462(b) Registration Statement was declared effective or the time and date of the filing thereafter of the Company's most recent Annual Report on Form 10-K if such filing is made prior to the Closing Date, as hereinafter defined. For purposes of this Agreement, any Incorporated Document filed with the Commission on or after the date of this Agreement and prior to the Closing Date shall be deemed an amendment or supplement to the Registration Statement and the Prospectus and any reference herein to "amend," "amendment" or "supplement" with respect to the Registration Statement, any preliminary prospectus or the Prospectus includes the filing of any document under the Exchange Act after the Effective Date or the date of any preliminary prospectus or the Prospectus, as the case may be, and incorporated in such document by reference if such filing is made prior to the Closing Date.

The Company understands that the Underwriters propose to make a public offering of the Securities, as described in the Prospectus, as soon after the date of this Agreement as the Underwriters deem advisable. [1,2 The Company is further advised by the Underwriters that the Securities are to be offered to the public initially at _____ % of their principal amount (the "Public Offering

Price") plus accrued interest, if any, from _____, 200 _____ to the date of

payment and delivery and to certain dealers selected by the Underwriters at a price that represents a concession not in excess of _____ % of their principal

amount under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of _____ % of their

principal amount, to any Underwriter or to certain other dealers.] The Company

confirms that the Underwriters and dealers have been authorized to distribute each preliminary prospectus, if any, and are authorized to distribute the Prospectus and any amendments or supplements to it.

4. Representations of the Company. The Company represents to the

Underwriters as follows:

(a) The Company meets the requirements for use of Form S-3 under the Securities Act.

(b) On the Effective Date, and at the Closing Date, the Registration Statement and, at the date of the filing of the Prospectus pursuant to Rule 424 under the Rules and Regulations, and at the Closing Date, the Prospectus, as each may be amended or supplemented, [1 and the Mortgage] [2 and the Indenture] fully complied and will fully comply in all material respects with the applicable provisions of the Securities Act, the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the Rules and Regulations, or pursuant to the Rules and Regulations will be deemed to comply therewith. On the Effective Date and the Closing Date the Registration Statement, as it may be amended or supplemented, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. On the date of filing of the Prospectus and the Closing Date, the Prospectus, as it may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. On the date of filing of the Prospectus and the Closing Date, the Incorporated Documents will fully comply in all material respects with the applicable provisions of the Exchange Act and the rules and regulations of the Commission under the Exchange Act (the "Exchange Act Rules and Regulations"), and, when read together with the Prospectus, as it may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The foregoing representations do not apply to (1) statements or omissions made in reliance on and in conformity with information relating to the Underwriters furnished in writing to the Company by the Underwriters expressly for use in the Registration Statement or the Prospectus, as they may be amended or supplemented, or (2) the portion of the Registration Statement constituting the respective Statements of Eligibility, or amendments thereto, under the Trust Indenture Act except statements or omissions made in reliance on and in conformity with information furnished in writing to the trustees by or on behalf of the Company for use in such Statements of Eligibility or any amendments thereto. For purposes of this Agreement, [indicate topics addressed and location in Prospectus] constitute the only information relating to the Underwriters furnished in writing to the Company expressly for inclusion in any preliminary prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus. Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the Rules and Regulations or pursuant to the Rules and Regulations will be deemed to comply therewith.

(c) The Company and its Material Subsidiaries (as defined below) have good and sufficient title to all material real property and good and sufficient title to all material personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the

Prospectus or such as do not materially interfere with the use made and proposed to be made of such property by the Company and its Material Subsidiaries; and any material real property and buildings held under lease by the Company and its Material Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company or its Material Subsidiaries, as the case may be. As used in this Agreement, the term "Material Subsidiary" means a significant subsidiary under Rule 1-02(w) of Regulation S-X of the Commission).

(d) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Minnesota, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and there is no jurisdiction wherein the character of the properties owned or held under lease by the Company or the nature of the business transacted by the Company would expose the Company to any material liability or disability by reason of the failure to qualify the Company as a foreign corporation in any such jurisdiction; and each Material Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, and there is no jurisdiction wherein the character of the properties owned or held under lease by any Material Subsidiary or the nature of the business transacted by such Material Subsidiary would expose such Material Subsidiary to any material liability or disability by reason of the failure to qualify such Material Subsidiary as a foreign corporation in any such jurisdiction. The Company and each Material Subsidiary hold all material licenses, certificates and permits from governmental authorities necessary for the conduct of their respective businesses.

(e) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, as they may be amended or supplemented, there has not been any material adverse change, or any development involving, so far as the Company can now reasonably foresee, a prospective material adverse change in the business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, whether or not in the ordinary course of business, and since such dates there has not been any transaction entered into by the Company or its Material Subsidiaries, other than transactions in the ordinary course of business and transactions set forth in or contemplated by the Registration Statement and the Prospectus, as they may be amended or supplemented, which is material to the Company and its subsidiaries, taken as a whole. The Company and its Material Subsidiaries have no contingent obligation which is not disclosed in the Registration Statement and the Prospectus, as they may be amended or supplemented, which is material to the Company and its subsidiaries, taken as a whole.

(f) Any Incorporated Documents filed and incorporated by reference prior to the Closing Date will, when they are filed with the Commission, conform in all material respects with the requirements of the Exchange Act and the Exchange Act Rules and Regulations.

(g) The Company has full corporate power and authority to enter into this Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(h) The execution, delivery and performance by the Company of this Agreement, [1 the Mortgage] [2 the Indenture], and the issue and sale of the Securities and the compliance by the Company with all of the provisions of this

Agreement, [1 the Mortgage] [2 the Indenture], the Securities and the consummation of the transactions contemplated hereby and thereby will not conflict with, result in the creation or imposition of any lien, charge or encumbrance upon any assets of the Company or its Material Subsidiaries pursuant to the terms or provisions of, or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any other party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, the articles of incorporation or bylaws of the Company or any of its Material Subsidiaries, any material contract or other agreement to which the Company or any of its Material Subsidiaries is a party or by which the Company or any of its Material Subsidiaries or any of its or their properties are bound or affected, or violate or conflict with any material judgment, ruling, decree, order, statute, rule or regulation of any court or other governmental agency or body applicable to the business or properties of the Company or any of its Material Subsidiaries which creation, imposition, breach, violation, default, right of termination, acceleration, violation or conflict is material to the Company and its subsidiaries, taken as a whole.

(i) The statements set forth in the Prospectus under the captions [1 "Description of First Mortgage Bonds" and "Certain Terms of the Offered Bonds."] [2 "Description of Debt Securities" and "Certain Terms of the Offered Debt Securities"] [3 "Description of Common Stock"] constitute a summary of the securities, documents and instruments therein described, are accurate and fairly present the information contained therein in all material respects.

(j) Neither the Company nor any of its Material Subsidiaries is in violation of its respective articles of incorporation or bylaws or is in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party, which default is material to the Company and its subsidiaries taken as a whole.

(k) [1,2 The [1 Mortgage] [2 Indenture] has been duly qualified under the Trust Indenture Act and has been duly authorized by the Company and when executed and delivered by the Company and the [1 Trustees] [2 Indenture Trustee] will be enforceable in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability.]

(l) [1,2 The Securities have been duly authorized and, when executed and authenticated in accordance with the provisions of the [1 Mortgage] [2 Indenture] and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, will be entitled to the benefits of the [1 Mortgage] [2 Indenture] and will be valid and binding obligations of the Company, enforceable in accordance with their terms except as (i) the enforceability thereof may be limited bankruptcy, insolvency, or other laws affecting creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability.]

(m) The description of the Securities in the Registration Statement and the Prospectus, as they may be amended or supplemented, is, and at the Closing Date will be, complete and accurate in all respects. [3 Except for shares issuable under the Company's Automatic Dividend Reinvestment and Stock Purchase Plan, the Minnesota Power and Affiliated Companies Employee Stock Purchase Plan or any compensation plan disclosed in the Company's Proxy Statement with respect to the Company's Annual Meeting of Shareholders

(collectively referred to as the "Stock Purchase and Compensation Plans"), the Company does not have outstanding, and at the Closing Date will not have outstanding, any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or any contracts or commitments to issue or sell, any shares of Common Stock, any shares of capital stock of any subsidiary or any such warrants, convertible securities or obligations.]

(n) [3 The outstanding shares of Common Stock have been, and the Shares to be issued and sold by the Company upon such issuance will be, duly authorized, validly issued, fully paid and nonassessable and will not be subject to any preemptive or similar right; and the Rights will be validly issued.]

(o) The Company has filed a Petition for Certification of Capital Structure with the Minnesota Public Utilities Commission ("Minnesota Commission") pursuant to the Minnesota Public Utilities Act with respect to the issuance and sale by the Company of the Securities. The Minnesota Commission has entered an authorizing order approving the capital structure including the issuance and sale of the Securities and such authorizing order is still in full force and effect. Apart from such authorizing order of the Minnesota Commission, no consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Company of the transactions on its part herein contemplated, except such as have been obtained under the Securities Act or the Rules and Regulations.

(p) The Company is not, and after giving effect to the offering and sale of the Securities will not be, an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

(q) Except as set forth in the Registration Statement and the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its Material Subsidiaries is a party or to which any property of the Company or any of its Material Subsidiaries is subject, which, if determined adversely to the Company or any of its Material Subsidiaries would in the Company's reasonable judgment individually or in the aggregate have a material adverse effect on the business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

5. Agreements of the Company. (a) The Company will not file any

amendment or supplement to the Registration Statement or the Prospectus unless a copy has first been submitted to the Underwriters a reasonable time before its filing and the Underwriters have not reasonably objected to it in writing within a reasonable time after receiving the copy.

(b) The Company will promptly advise the Underwriters (i) of the initiation or threatening of any proceedings for, or receipt by the Company of any notice with respect to, the suspension of the qualification of the Securities for sale in any jurisdiction or the issuance of any order by the Commission suspending the effectiveness of the Registration Statement and (ii) of receipt by the Company or any representative or attorney of the Company of any other communication from the Commission relating to the Company, the Registration Statement, any preliminary prospectus or the Prospectus or to the transactions contemplated by this Agreement. The Company will make every reasonable effort to prevent the issuance of an order suspending the effectiveness of the Registration Statement and, if any such order is issued, to obtain its lifting as soon as possible.

(c) The Company will furnish to [name of lead Underwriter] without charge one signed copy, and to each of the other Underwriters one copy of the signed copy certified by an officer of the Company, of the Registration Statement and any amendment thereto (including all exhibits filed with any such document) and as many conformed copies of the Registration Statement as the Underwriters may reasonably request.

(d) During such period as a prospectus is required by law to be delivered by the Underwriters or a dealer, the Company will promptly deliver, without charge, to the Underwriters and to dealers, at such office or offices as the Underwriters may designate, as many copies of the Prospectus as the Underwriters may reasonably request, and, during such period after the Effective Date if any event occurs as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements in it, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading in any material respect, or if during such period it is necessary to amend or supplement the Prospectus to comply with the Securities Act or the Rules and Regulations, the Company will promptly prepare, submit to the Underwriters, file, subject to Section 5(a) hereof, with the Commission and deliver, without charge, to the Underwriters and to dealers (whose names and addresses the Underwriters will furnish to the Company) to whom Securities may have been sold by the Underwriters, and to other dealers on request, amendments or supplements to the Prospectus so that the statements in the Prospectus, as so amended or supplemented, will not, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, be misleading in any material respect and will comply with the Securities Act and the Rules and Regulations. Delivery by the Underwriters of any such amendments or supplements to the Prospectus will not constitute a waiver of any of the conditions in Section 6 hereof.

(e) The Company will make generally available to the Company's security holders, as soon as practicable but in no event later than the last day of the 15th full calendar month following the calendar quarter in which the Effective Date falls, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 of the Rules and Regulations.

(f) The Company will take such actions as the Underwriters reasonably designate in order to qualify the Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions as the Underwriters reasonably designate; provided that the Company shall not be required to register or qualify as a foreign corporation or dealer in securities, to file any consents to service of process under the laws of any jurisdiction or to meet any other requirement deemed by the Company to be unduly burdensome.

(g) The Company will pay, or reimburse if paid by the Underwriters, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, all costs and expenses incident to the performance of the obligations of the Company under this Agreement, including costs and expenses relating to (i) the preparation, printing and filing of the Registration Statement and exhibits thereto, each preliminary prospectus, the Prospectus, all amendments and supplements to the Registration Statement and the Prospectus, [1 the printing or other reproduction of the [] Supplemental

Indenture, which [] Supplemental Indenture is to be promptly filed and

recorded after execution and delivery of it to the Trustees, in the counties where the mortgaged property of the Company is located,] (ii) the authorization and issuance of the Securities and the preparation and delivery of the forms of the Securities sold by the Company to the Underwriters, (iii) the registration or qualification of the Securities for offer and sale under the securities or "blue sky" laws of the jurisdictions referred to in Section 5(f) and the determination of the legality of the Securities for investment, including the reasonable fees and disbursements of counsel for the Underwriters (not to exceed \$) in that connection, and the preparation and printing of preliminary and

supplemental "blue sky" memoranda and legal investment memoranda, (iv) the furnishing (including costs of shipping and mailing) to the Underwriters and to dealers of copies of the Registration Statement, each preliminary prospectus, the Prospectus, and all amendments or supplements to the Prospectus, and of the other documents required by this Section to be so furnished, (v) any fees charged by securities rating services for rating the Securities, (vi) all transfer taxes, if any, with respect to the sale and delivery of the Securities by the Company to the Underwriters, (vii) the fees and expenses of the Trustees, and Paying Agent or Registrar under the [1] Supplemental Indenture]

[2] and the reasonable fees and disbursements of counsel for any

Trustee in connection with the [1[] Supplemental Indenture]

[2] or the Securities, (viii) the filing fees and expenses, if any

incurred with respect to any filing with the National Association of Securities Dealers, Inc., made in connection with the offering of the Securities, and (ix) any expenses incurred by the Company in connection with a "road show" presentation to potential investors.

(h) [1,2 During the period beginning on the date hereof and continuing to and including the Closing Date, the Company will not offer, sell, or otherwise dispose of any debt securities of the Company or warrants to purchase debt securities of the Company substantially similar to the Securities (other than (i) the Securities and (ii) commercial paper issued in the ordinary course of business), without the prior written consent of [name of lead Underwriter].]

(i) [3 The Company will not at any time, directly or indirectly, take any action intended, or which might reasonably be expected, to cause or result in, or which will constitute, stabilization of the price of the shares of Common Shares to facilitate the sale or resale of any of the Shares.]

(j) [3 Unless otherwise agreed to in writing by the Company and the Underwriters, the Company will not for a period of 30 days after the commencement of the public offering of the Shares sell or otherwise dispose of any shares of Common Stock, rights to acquire shares of Common Stock or securities convertible into shares of Common Stock other than to the Underwriters pursuant to this Agreement and other than in connection with the Stock Purchase and Compensation Plans.]

6. Conditions of the Underwriters' Obligation. The obligation of the

Underwriters to purchase the Securities is subject to the accuracy, on the date of this Agreement and on the Closing Date, of the representations of the Company in this Agreement, to the accuracy and completeness of all statements made by the Company or any of its officers in any certificate delivered to the Underwriters or their counsel pursuant to this Agreement, to performance by the Company of its obligations under this Agreement and to each of the following additional conditions:

(a) All filings required by Rule 424 of the Rules and Regulations must have been made.

(b) No stop order suspending the effectiveness of the Registration Statement may be in effect and no proceedings for such purpose may be pending before or threatened by the Commission, and any requests for additional information on the part of the Commission (to be included in the Registration Statement or the Prospectus or otherwise) must have been complied with.

(c) Since the respective dates as of which such information is given in the Registration Statement and the Prospectus, as they may be amended or supplemented, (i) there must not have been any material change in the capital stock or long-term debt of the Company and its subsidiaries, taken as a whole, (ii) there must not have been any material adverse change, or any development involving, so far as the Company can now reasonably foresee, a prospective material adverse change in the business, properties, financial condition, or results of operations of the Company and its subsidiaries, taken as a whole, whether or not in the ordinary course of business and, since such dates there shall not have been any material transaction entered into by the Company other than transactions set forth in or contemplated by the Prospectus, and (iii) there must not have occurred any event that makes untrue or incorrect in any material respect any statement or information contained in the Prospectus or that is not reflected in the Prospectus but should be reflected in it in order to make the statements or information in it not misleading in any material respect; and in the judgment of the Underwriters, any such development referred to in clause (i), (ii) or (iii) makes it impracticable to consummate the sale and delivery of the Securities by the Underwriters at the initial public offering price.

(d) The Underwriters must receive on the Closing Date a certificate, dated such date, of the chief executive officer, the chief operating officer or the chief financial officer of the Company certifying that (i) the signer has carefully examined the Registration Statement and the Prospectus (including any Incorporated Documents) and this Agreement, (ii) the representations of the Company in this Agreement are accurate on and as of the date of the certificate, (iii) since the most recent dates as of which information is given in the Registration Statement or the Prospectus, as amended or supplemented, there has not been any material adverse change, or any development involving, so far as the Company can now reasonably foresee, a prospective material adverse change in the business, properties, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, whether or not in the ordinary course of business, and since such dates there has not been any transaction entered into by the Company or its Material Subsidiaries, other than transactions in the ordinary course of business and transactions set forth in or contemplated in the Prospectus, as amended or supplemented, which is material to the Company and its subsidiaries, taken as a whole, (iv) to the knowledge of such officer, no order suspending the effectiveness of the Registration

Statement or prohibiting the sale of the Securities has been issued and no proceedings for such purpose are pending before or threatened by the Commission, (v) there has been no document required to be filed under the Exchange Act and the Exchange Act Rules and Regulations that upon such filing would be deemed to be an Incorporated Document that has not been so filed, and (vi) the Company has performed all agreements that this Agreement requires it to perform by the Closing Date.

(e) Since the date of this Agreement, there must not have been any lowering of the ratings of the Company's Securities by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Rating Services ("S&P") or any notice from Moody's or S&P of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change in the ratings accorded the Company's Securities.

(f) The Underwriters must receive on the Closing Date opinions dated the Closing Date substantially in the form of Annexes A and B to this Agreement from Thelen Reid & Priest LLP, counsel to the Company, and Philip R. Halverson, Esq., general counsel of the Company, respectively.

(g) The Underwriters must receive on the Closing Date from Morrison Cohen Singer & Weinstein, LLP, their counsel, an opinion dated the Closing Date with respect to the Company, the Securities, the Registration Statement, the Prospectus, [1 the [.....] Supplemental Indenture] [2 the],

this Agreement and the form and sufficiency of all proceedings taken in connection with the sale and delivery of the Securities. Such opinion and proceedings shall be satisfactory in all respects to the Underwriters. The Company must have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to render such opinion.

(h) The Underwriters must receive on the Closing Date a signed letter, dated the Closing Date, from PricewaterhouseCoopers LLP to the effect that (i) they are independent public accountants with respect to the Company within the meaning of the Securities Act and the applicable published rules and regulations thereunder adopted by the Commission, (ii) in their opinion, the consolidated financial statements and financial statement schedule audited by them and incorporated by reference in the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations thereunder adopted by the Commission with respect to registration statements on Form S-3, (iii) on the basis of a reading of the unaudited consolidated financial statements of the Company incorporated by reference in the Prospectus, if any, the latest available unaudited consolidated financial data of the Company and its subsidiaries since the close of the Company's most recent audited fiscal year, the minutes and consents of the Board of Directors since the end of the most recent audited fiscal year, and inquiries of officials of the Company who have responsibility for financial and accounting matters (it being understood that the foregoing procedures do not constitute an audit made in accordance with generally accepted auditing standards and would not necessarily reveal matters of significance with respect to the comments made in such letter, and, accordingly, that PricewaterhouseCoopers LLP makes no representations as to the sufficiency of such procedures for the Underwriters' purposes), nothing has come to their attention which caused them to believe that (1) the unaudited consolidated financial statements of the Company incorporated by reference in the Prospectus, if any, (a) do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act as it applies to Form 10-Q and the published rules and regulations thereunder or (b) are not

stated on a basis substantially consistent with that of the audited consolidated financial statements of the Company incorporated by reference in the Prospectus, (2) at the date of the latest available unaudited financial data read by them and at a specified date not more than five days prior to the Closing Date there was any change in the capital stock, increase in long-term debt or decreases in consolidated net current assets (working capital) or stockholders' equity of the Company and its subsidiaries, in each case as compared with amounts shown in the most recent consolidated financial information incorporated by reference in the Prospectus, except in all instances for changes, increases or decreases which the Prospectus, as amended or supplemented, discloses have occurred or may occur, or which are disclosed in such letter, or (3) for the period from the date of the most recent audited consolidated financial statements to the date of the latest available unaudited financial data read by them and for the period from the date of the latest available unaudited financial data read by them to a specified date not more than five days prior to the Closing Date, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated operating revenues or in the total or per-share amounts of net income, except in all instances for changes, increases or decreases which the Prospectus, as amended or supplemented, discloses have occurred or may occur, or which are disclosed in such letter, and they have carried out certain procedures and made certain findings, as specified in such letter, with respect to certain amounts included or incorporated by reference in the Registration Statement and the Prospectus and such other items as the Underwriters may reasonably request.

(i) [3 Prior to the Closing Date, the Shares must be duly authorized for listing by the New York Stock Exchange upon official notice of issuance.]

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement will comply with this Agreement only if they are in form and scope satisfactory to counsel for the Underwriters.

7. Indemnification. (a) The Company shall indemnify and hold harmless

each Underwriter, the directors, officers, employees and agents of each Underwriter, and each person, if any, who controls any Underwriter, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, against any and all losses, claims, damages and liabilities, joint or several (including, without limitation, as and when incurred, any investigative, legal or other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Securities Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based on any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement to the Registration Statement or the Prospectus (including any Incorporated Document), or the omission or alleged omission to state in it a material fact required to be stated in it or necessary to make the statements in it not misleading; provided, however, that the Company will not be liable to the extent that such loss, claim, damage, or liability arises from the sale of the Securities in the public offering to any person by the Underwriters and (i) is based on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information furnished in writing to the Company by the Underwriters expressly for use in the Registration Statement or the Prospectus, as set forth in the penultimate sentence of Section 4(b) hereof, or (ii) results solely from one or

more untrue statements of material facts contained in, or the omission of one or more material facts from, any preliminary prospectus or preliminary prospectus supplement or the Prospectus, which untrue statement or omission was corrected in the Prospectus (as then amended or supplemented) if the Underwriters sold the Securities to the person alleging such loss, claim, liability, expense or damage without sending or giving, at or prior to the written confirmation of such sale, a copy of the corrected Prospectus (as then amended or supplemented), if the Company had previously furnished copies thereof to the Underwriters within a reasonable amount of time prior to such sale or confirmation, and the Underwriters failed to send or give the corrected Prospectus (as then amended or supplemented), if required by law to have so sent or given it and if sent or given would have been a defense with respect to such untrue statement or omission against the person asserting such loss, claim, liability, expense or damage. This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its officers and directors, and each person, if any, who controls any thereof within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Company to the Underwriters, but only insofar as losses, claims, damages or liabilities arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in or in reliance on and in conformity with information furnished in writing to the Company by the Underwriters expressly for use in the Registration Statement or the Prospectus, as set forth in the penultimate sentence of Section 4(b). This indemnity agreement will be in addition to any liability that the Underwriters might otherwise have.

(c) Any party that proposes to assert the right to be indemnified under this Section 7 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 7, notify in writing each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party otherwise than under this Section 7. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in, and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel satisfactory to the indemnified party, and, after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its counsel in any such action, but the fees and expenses of such counsel will be at the expense of such indemnified party unless (i) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (ii) the indemnified party has reasonably concluded (based on advice of counsel to the indemnified party) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (iii) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in

which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party), or (iv) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the fees and expenses of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate counsel admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. Such counsel shall be designated by [Name of Lead Underwriter] in the case of parties indemnified pursuant to Section 7(a) hereof and by the Company in the case of parties indemnified pursuant to Section 7(b) hereof. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent (which consent will not be unreasonably withheld). No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party.

8. Contribution. In order to provide for just and equitable

contribution in the circumstances in which the indemnification provided for under the foregoing provisions of Section 7 is applicable in accordance with its terms but for any reason is held to be unavailable from the Company or the Underwriters, the Company and the Underwriters shall contribute to the amount paid or payable as a result of losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted) to which the Company and the Underwriters may be subject in such proportion as shall be appropriate to reflect (i) the relative benefits received by the Company on the one hand and the Underwriters on the other, (ii) the relative fault of the Company, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as (iii) any other relevant equitable considerations with respect to such offering. Such relative benefits shall be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters as set forth in the Prospectus. Such relative fault shall be determined by reference, among other things, to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8 were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 8 shall

be deemed to include, for purpose of this Section 8, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, the Underwriters shall not be required to contribute any amount in excess of the underwriting discounts and commissions received by them, except that insofar as losses, claims, damages and liabilities arise from the sale of the Securities in the public offering to any person by the Underwriters and are based on any untrue statement or omission or alleged untrue statement or omission made in or in reliance on and in conformity with information furnished in writing to the Company by the Underwriters expressly for use in the Registration Statement, any preliminary prospectus or preliminary prospectus supplement or the Prospectus, as set forth in the penultimate sentence of Section 4(b), the Underwriters shall not be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by them and distributed to the public were offered to the public exceeds the amount of any damages which the Underwriters have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, any person who controls a party to this Agreement within the meaning of the Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 8, will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 8. No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld).

9. Termination. The obligations of the several Underwriters under this

Agreement may be terminated by [Name of Lead Underwriter] [with the consent of the Underwriters which have agreed to purchase in the aggregate 50% or more of aggregate principal amount of the Securities] at any time on or before the Closing Date by notice to the Company, without liability on the part of the Underwriters to the Company, if subsequent to the date of this Agreement and prior to the delivery and payment for the Securities (a) trading in the equity securities of the Company is suspended by the Commission or by the New York Stock Exchange ("NYSE"), (b) trading in securities generally on the NYSE shall have been suspended or limited or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by the NYSE or by order of the Commission or any other governmental authority, (c) a general banking moratorium has been established by Federal or New York authorities, (d) any outbreak or material escalation of hostilities or other calamity or crisis shall have occurred, the effect of any of which is such as to make it, in the reasonable judgment of the Underwriters impracticable or inadvisable to proceed with the public offering of the Securities on the terms and in the manner contemplated by the Prospectus, or (e) if any of the conditions specified in Section 6 have not been fulfilled when and as required by this Agreement.

If this Agreement is terminated pursuant to any of its provisions, except as otherwise provided, the Company will not be under any liability to the Underwriters except that if this Agreement is terminated by the Underwriters because of any failure or refusal on the part of the Company to comply with the terms of this Agreement or because any of the conditions in Section 6 are not satisfied, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by them in connection with the proposed purchase and sale of the Securities.

The Company shall not in any event be liable to the Underwriters for damages on account of loss of anticipated profits.

10. Substitution of Underwriters. If one or more of the Underwriters

shall, for any reason permitted hereunder, cancel its obligation to purchase hereunder and to take up and pay for the Securities to be purchased by such one or more Underwriters, the Company shall immediately notify the remaining Underwriters, and the remaining Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them) or to substitute another underwriter or underwriters, satisfactory to the Company, to take up and pay for the [1,2 principal amount] [3 number] of Securities that such one or more Underwriters did not purchase. If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the Securities to be purchased by such one or more Underwriters, the Company shall immediately notify the remaining Underwriters, and the remaining Underwriters shall be obligated to take up and pay for (in addition to the respective [1,2 principal amount] [3 number] of Securities set forth opposite their respective names in Schedule II) the [principal amount] [number] of Securities that such defaulting Underwriter or Underwriters failed to take up and pay for, up to a number thereof equal to, in the case of each such remaining Underwriter, percent (%) of the [1,2 principal amount] [3 number] of Securities

set forth opposite the name of such remaining Underwriter in Schedule II, and such remaining Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another underwriter or underwriters, satisfactory to the Company, to take up and pay for, the remaining [1,2 principal amount] [3 number] of the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Securities still remain, then the Company or the Underwriters shall be entitled to an additional period of 24 hours within which to procure another party or parties, who are members of the NASD (or if not members of the NASD, who are not eligible for membership in the NASD and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with the NASD's Conduct Rules) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Securities on the terms herein set forth. In any such case, either the remaining Underwriters or the Company shall have the right to postpone the Closing Date for a period not to exceed seven full business days from the date agreed upon in accordance with this Section 10, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If the Underwriters and the Company shall fail to procure a satisfactory party or parties as above provided to purchase or agree to purchase such unpurchased Securities, then the Company may either (i) require the remaining Underwriters to purchase the [1,2 principal amount] [3 number] of Securities that they are obligated to purchase hereunder (but no more than such [1,2 principal amount] [3 number] of Securities) or (ii)

terminate this Agreement by giving prompt notice to the Underwriters. In the event that neither the remaining Underwriters nor the Company has arranged for the purchase of such unpurchased Securities by another party or parties as above provided and the Company has not elected to require the remaining Underwriters to purchase the [1,2 principal amount] [3 number] of Securities that they are obligated to purchase hereunder, then this Agreement shall terminate without any liability on the part of any such Underwriter or the Company for the purchase or sale of any Securities under this Agreement. Any action taken pursuant to this Section 10 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriters under this Agreement.

11. Effectiveness. This Agreement shall become effective upon the

execution and delivery hereof by the parties hereto.

12. Miscellaneous. The reimbursement, indemnification and contribution

agreements in Sections 5, 7, 8 and 9 and the representations and agreements of the Company and the Underwriters in this Agreement will remain in full force and effect regardless of any termination of this Agreement, any investigation made by or on behalf of the Underwriters, the Company, or any controlling person and delivery and acceptance of and payment for the Securities.

This Agreement is for the benefit of the Underwriters, the Company, and their successors and assigns, and, to the extent expressed in this Agreement, for the benefit of persons controlling the Underwriters or the Company, directors and officers of the Company and directors, officers, employees and agents of the Underwriters, and their respective successors and assigns, and no other persons, partnership, association or corporation will acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" does not include any purchaser of Securities from the Underwriters merely because of such purchase.

All notices and communications under this Agreement will be in writing and mailed or delivered, by messenger, facsimile transmission or otherwise, to the Underwriters at []

Attention: [] and to the Company, at 30 West Superior

Street, Duluth, Minnesota 55802, Attention: Chief Financial Officer. Any such notice or communication shall take effect upon receipt thereof.

This Agreement may be signed in multiple counterparts that taken as a whole constitute one agreement.

If any section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, such determination shall not affect the validity or enforceability of any other section, paragraph or provision hereof.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

Please confirm that the foregoing correctly sets forth the agreement between us.

Very truly yours,

ALLETE
(legally incorporated as MINNESOTA POWER, INC.)

By: _____
Title:

Confirmed:

[Name(s) of Underwriter(s)]

By: _____
Title:

SCHEDULE I

Securities:

Designation:
Principal Amount:
Indenture dated as of:
Date of Maturity:
Interest Rate:
Purchase Price:
Public Offering Price:

FORM OF OPINION OF THELEN REID & PRIEST LLP

[_____ , 200]

[Insert Name(s)
and Address(es)
of Underwriter(s)]

Dear Sirs:

Reference is made to the sale by ALLETE (legally incorporated as Minnesota Power, Inc.) ("Company") of [1[\$ _____] principal amount of its First Mortgage Bonds, % Series Due [_____ , 20] (the "Bonds" or the "Securities")] [2[\$ _____] principal amount of its % Debt Securities, Series Due [_____ , 20] (the "Debt Securities" or the "Securities")]

[6an aggregate of _____ share of Common Stock, without par value (the "Common Stock") and the preferred share purchase rights attached thereto (the "Rights") (the Common Stock and the Rights being collectively referred to as the "Shares" or the "Securities")). [1 The Bonds will be issued under the Company's Mortgage and Deed of Trust, dated as of September 1, 1945, to Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas J. MacInnes, successor), as Trustees, as amended and supplemented by all indentures supplemental thereto, including a [_____] Supplemental Indenture thereto dated as of [_____ , 200] (said Mortgage and Deed of Trust, as so supplemented, being hereinafter called the "Mortgage"). [2 The Debt Securities will be issued under the Company's Indenture (For Unsecured Debt Securities, dated as of February 1, 2001 to LaSalle Bank National Association, as Trustee, as supplemented by an Officer's Certificate, dated _____ , 200 , creating the series in which the Debt Securities are to be issued]. We advise you that we have acted as counsel to the Company in connection with such issuance and sale and have participated in the preparation of (a) [1 the Mortgage] [2 the Indenture]; (b) Registration Statement No. 333-[_____], as filed by the Company with the Securities and Exchange Commission for the registration of the Company's First Mortgage Bonds and Debt Securities under the Securities Act of 1933, as amended (the "Securities Act"), and for the qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") of the Mortgage and of the Indenture (such registration statement, as amended at the Effective Date (as such term is defined in the Agreement referred to below), being hereinafter referred to as the "Registration Statement"); (c) the prospectus constituting part of the Registration Statement, as amended and supplemented by a prospectus supplement relating to the Securities ("Prospectus"); and (d) the Underwriting Agreement dated [_____ , 200] between the Company and you ("Agreement"). In addition, we have reviewed the

- 1 For use in connection with First Mortgage Bond.
- 2 For use in connection with Debt Securities.
- 3 For use in connection with Common Stock.

petition filed by the Company with the Minnesota Public Utilities Commission seeking authorization to issue the Securities, and the order issued by said Commission in response to said petition.

We have reviewed all corporate proceedings taken by the Company in respect of [1,2 the authorization of the [1 Mortgage] [2 Indenture] and] the issuance and sale of the Securities thereunder. [1,2 We have examined the Securities and have relied upon a certificate of [1 The Bank of New York] [2 LaSalle Bank National Association] as [1 Corporate Trustee] [2 Trustee] under the [1 Mortgage] [2 Indenture], as to the authentication of the Securities.]

Upon the basis of our familiarity with these transactions, we are of the opinion that:

1. [1,2 The [1 Mortgage] [2 Indenture] has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered, and is a valid and binding obligation of the Company enforceable in accordance with its terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of [1 mortgagees' and other] creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.]

2. [1,2 The Securities have been duly and validly authorized by all necessary corporate action and, when executed and authenticated in accordance with the provisions of the [1 Mortgage] [2 Indenture] and delivered and paid for by the Underwriters in accordance with the terms of the Agreement, will be entitled to the benefits of the [1 Mortgage] [2 Indenture] and will be valid and binding obligations of the Company enforceable in accordance with their terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of [1 mortgagees' and other] creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.]

3. [3 The Shares when paid for by the Underwriters in accordance with the terms of the Agreement will be, duly authorized, validly issued, fully paid and non-assessable and will not be subject to any preemptive or similar right; and the Rights will be validly issued.]

4. An authorizing order has been issued by the Minnesota Public Utilities Commission certifying the Company's capital structure and authorizing the issuance and sale of the Securities, and to the best of our knowledge, said order is still in full force and effect; and no further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction) is legally required for the authorization of the issuance and sale of the Securities.

5. The Registration Statement and the Prospectus (except as to the financial statements and other financial or statistical data contained therein, upon which we do not pass) comply as to form in all material respects with the requirements of the Securities Act and the applicable instructions, rules and regulations of the Securities and Exchange Commission thereunder; the

Registration Statement has become, and at the date hereof the Registration Statement is, effective under the Securities Act, and to the best of our knowledge no proceedings for a stop order with respect thereto are pending or threatened under Section 8 of the Securities Act.

6. [1,2 The [1 Mortgage] [2 Indenture] is duly qualified under the Trust Indenture Act.]

7. The statements set forth in the Prospectus under the captions [1 "Description of New Bonds" and "Certain Terms of the Offered Bonds."] [2 "Description of the Debt Securities" and "Certain Terms of the Offered Debt Securities"] [3 "Description of Common Stock"] constitute a summary of the securities, documents and instruments therein described, are accurate and fairly present the information contained therein in all material respects.

8. The Agreement has been duly executed and delivered by the Company.

9. The Company is not an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

In passing upon the forms of the Registration Statement and the Prospectus, we necessarily assume the correctness and completeness of the statements made or included therein by the Company and take no responsibility therefor, except insofar as such statements relate to us and as set forth in the Prospectus under the heading "Legal Opinions" and in paragraph 7 above. In the course of the preparation by the Company of the Registration Statement and the Prospectus, we have had conferences with certain of its officers and representatives, with other counsel for the Company and with PricewaterhouseCoopers LLP, the independent certified public accountants who examined certain of the Company's financial statements incorporated by reference in the Registration Statement. Our examination of the Registration Statement and the Prospectus, and our discussions in the above-mentioned conferences did not disclose to us any information which gives us reason to believe that, at the Effective Date, the Registration Statement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus at the time it was filed electronically with the Commission pursuant to Rule 424, and the Prospectus, as amended or supplemented at the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. We do not express any opinion or belief as to the financial statements or other financial or statistical data contained in the Registration Statement or in the Prospectus.

We are members of the New York Bar and do not hold ourselves out as experts on the laws of Minnesota. As to all matters of Minnesota law (and as to the incorporation of the Company, titles to property [,] [and] franchises [and the lien of the Mortgage], upon which we do not pass), we have relied with your consent upon the opinion of even date herewith addressed to you by Philip R. Halverson, Esq., Vice President, General Counsel and Secretary of the Company.

Very truly yours,

THELEN REID & PRIEST LLP

A-4

FORM OF OPINION OF
PHILIP R. HALVERSON, ESQ.
VICE PRESIDENT, GENERAL COUNSEL
AND SECRETARY OF
ALLETE.

[_____ , 200]

[Insert Name(s)
and Address(es)
of Underwriter(s)]

Dear Sirs:

Reference is made to the sale by ALLETE (legally incorporated as Minnesota Power, Inc.) ("Company") of [1[\$ _____] principal amount of its First Mortgage Bonds, [%] Series Due [_____ , 20] (the "Bonds" or the "Securities")) [2[\$ _____] principal amount of its % Debt Securities, Series Due [_____ , 20] (the "Debt Securities" or the "Securities")) [3 an aggregate of _____ shares of its Common Stock, without par value (the "Common Stock"), and the preferred share purchase rights attached thereto (the "Rights") (the Common Stock and the Rights being collectively referred to as the "Shares" or the "Securities")). [1 The Bonds will be issued under the Company's Mortgage and Deed of Trust, dated as of September 1, 1945, to Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas J. MacInnes, successor), as Trustees, as amended and supplemented by all indentures supplemental thereto, including a [_____] Supplemental Indenture thereto dated as of [_____ , 200] (said Mortgage and Deed of Trust, as so supplemented, being hereinafter called the "Mortgage"). [2 The Debt Securities will be issued under the Company's Indenture (For Unsecured Debt Securities, dated as of February 1, 2001 to LaSalle Bank National Association, as Trustee, as supplemented by an Officer's Certificate, dated _____ , 200 , creating the series in which the Debt Securities are to be issued]. I advise you that I am General Counsel to the Company and have acted in that capacity in connection with such issuance and sale and have participated in the preparation of (a) the [1 Mortgage] [2 Indenture]; (b) Registration Statement No. 333-[_____], as filed by the Company with the Securities and Exchange Commission for the registration of the Company's First Mortgage Bonds and Debt Securities under the Securities Act of 1933, as amended (the "Securities Act"), and for the qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), of the Mortgage and of the Indenture (such registration statement, as amended at the Effective Date (as such term is defined in the

- 1 For use in connection with First Mortgage Bonds.
2 For use in connection with Debt Securities.
3 For use in connection with Common Stock.

Agreement referred to below), being hereinafter collectively referred to as the "Registration Statement"); (c) the prospectus constituting part of the Registration Statement, as amended and supplemented by a prospectus supplement relating to the Securities ("Prospectus"); (d) the Underwriting Agreement dated [, 200] between the Company and you ("Agreement"); and (e) the ----- petition filed by the Company with the Minnesota Public Utilities Commission seeking authorization to issue the Securities. In addition, I have reviewed the order issued by said Commission in response to said petition.

I have reviewed all corporate proceedings taken by the Company in respect of [1,2 the authorization of the [1 Mortgage] [2 Indenture] and] the issuance and sale of the Securities thereunder. [1,2 I have examined the Securities and have relied upon a certificate of [1 The Bank of New York] [2 LaSalle Bank National Association] as [1 Corporate Trustee] [2 Trustee] under the [1 Mortgage] [2 Indenture], as to the authentication of the Securities.]

Upon the basis of my familiarity with these transactions and with the Company's properties and affairs generally, I am of the opinion that:

1. [1,2 The [1 Mortgage] [2 Indenture] has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered, and is a valid and binding obligation of the Company enforceable in accordance with its terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of [1 mortgagees' and] other creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.]

2. [1,2 The Securities have been duly and validly authorized by all necessary corporate action and, when executed and authenticated in accordance with the provisions of the [1 Mortgage] [2 Indenture] and delivered to and paid for by the Underwriters in accordance with the terms of the Agreement, will be entitled to the benefits of the [1 Mortgage] [2 Indenture] and will be valid and binding obligations of the Company enforceable in accordance with their terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of [1 mortgagees' and] other creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.]

3. [3 The Shares, when paid for by the Underwriters in accordance with the terms of the Agreement, will be duly authorized, validly issued, fully paid and non-assessable and will not be subject to any preemptive or similar right; and the Rights will be validly issued. Except for shares issuable under the Company's Automatic Dividend Reinvestment and Stock Purchase Plan, the Minnesota Power and Affiliated Companies Employee Stock Purchase Plan or any compensation plan disclosed in the Company's Proxy Statement with respect to the Company's Annual Meeting of Shareholders, to the best of my knowledge, there is no

commitment or arrangement to issue, and there are no outstanding options, warrants or other rights calling for the issuance of, any share of capital stock of the Company or any subsidiary to any person or any security or other

instrument that by its terms is convertible into, exercisable for or exchangeable for capital stock of the Company.]

4. An authorizing order has been issued by the Minnesota Public Utilities Commission certifying the Company's capital structure and authorizing the issuance and sale of the Securities, and to the best of my knowledge, said order is still in full force and effect; and no further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction) is legally required for the authorization of the issuance and sale of the Securities.

5. The Registration Statement and the Prospectus (except as to the financial statements and other financial or statistical data contained therein, upon which I do not pass) comply as to form in all material respects with the requirements of the Securities Act and the applicable instructions, rules and regulations of the Securities and Exchange Commission thereunder; the Registration Statement has become, and at the date hereof the Registration Statement is, effective under the Securities Act and to the best of my knowledge no proceedings for a stop order with respect thereto are pending or threatened under Section 8 of the Securities Act.

6. [1,2 The [1 Mortgage] [2 Indenture] is duly qualified under the Trust Indenture Act.]

7. The statements set forth in the Prospectus under the captions [1 "Description of New Bonds" and "Certain Terms of the Offered Bonds."] [2 "Description of the Debt Securities" and "Certain Terms of the Offered Debt Securities"] [3 "Description of Common Stock"] constitute a summary of the securities, documents and instruments therein described, are accurate and fairly present the information contained therein in all material respects.

8. [1,2 To the best of my knowledge, except as disclosed in the Registration Statement or Prospectus, no person or entity has the right to require the registration under the Act of shares of Common Stock or other securities of the Company by reason of the filing or effectiveness of the Registration Statement.]

9. The Company has full power and authority to enter into the Agreement. The Agreement has been duly executed and delivered by the Company.

10. The Company is a validly organized and existing corporation under the laws of the State of Minnesota and is duly qualified to do business, and is doing business, in that State.

11. The Company is a public utility corporation duly authorized by its Articles of Incorporation to conduct the business which it is now conducting as set forth in the Prospectus and the Company holds valid and subsisting franchises, licenses and permits authorizing it to carry on the utility business in which it is engaged.

12. Each Material Subsidiary (as defined in the Agreement) of the Company is a validly organized and existing corporation under the laws of the State of its incorporation and is duly qualified to do business, and is doing business, in such State and in each other State in which the failure to qualify

as a foreign corporation would be material to the Company and its subsidiaries, taken as a whole.

13. [1 The Company has good and sufficient title to all the properties specifically described in the granting clauses of the Mortgage as owned by it, subject only to excepted encumbrances as defined in the Mortgage and other defects which the Company has the right to cure by condemnation proceedings if the property is necessary for utility purposes, and which, in my opinion, do not impair the use of such properties by the Company, except properties retired and properties previously released from the lien of the Mortgage, and except that the Company's practice is not to require examination of title, and I have not examined title, to land upon which the Company has merely a transmission or distribution line right of way or easement, reservoir lands, lands or rights held for flowage, flooding or seepage purposes, riparian rights, or other properties certified by the Company as costing \$25,000 or less, titles to which lands, rights or properties could, if necessary for utility purposes, be perfected or obtained by condemnation proceedings. The description of all the properties so specifically described in the Mortgage is adequate to constitute a lien thereon, and said properties constitute all of the electric generating plants and other materially important physical properties and substantially all the other properties of the Company (other than those expressly excepted). The Mortgage constitutes a valid, direct and first mortgage lien upon the properties of the Company specifically described in the granting clauses of the Mortgage or upon the interest of the Company therein and upon the interest of the Company in all other properties described in the Mortgage and intended to be subject to the lien thereof, subject only to excepted encumbrances and defects as above stated, and will constitute a valid mortgage lien upon all permanent physical properties and franchises (other than those expressly excepted) acquired by the Company after the date of the [] Supplemental Indenture upon such acquisition,

subject, however, to encumbrances and liens, if any, existing or placed thereon at the date of acquisition thereof by the Company, except that in the case of real estate or interests in real estate the title to which is registered, the Mortgage becomes a lien thereon upon the registration of said Mortgage against the appropriate certificates of title.]1

14. Other than as stated in the Registration Statement and the Prospectus there are no pending legal proceedings to which the Company or any subsidiary is a party or of which property of the Company or any subsidiary is the subject, which depart from the ordinary routine litigation incident to the kind of business conducted by the Company or any such subsidiary, and which is material to the Company and its subsidiaries, taken as a whole, and, to the best of my knowledge, no such proceedings are known to be contemplated by governmental authorities.

15. After due inquiry, I do not know of any legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contract or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

16. The portions of the answers to the items of the Registration Statement and the portions of the information contained in the Prospectus, which are stated therein to have been made on my authority as General Counsel of the

Company, have been reviewed by me and, as to matters of law and legal conclusions, are correct.

17. Neither [1,2 the execution by the Company of the [1[]

Supplemental Indenture nor the issue and sale by the Company of the Bonds] [2
nor the issue and sale by the Company of the

Debt Securities]] [3 the issue and sale by the Company of the Shares] as contemplated by the Agreement nor the consummation by the Company of the other transactions contemplated by the Agreement conflicts with, or results in a breach of, the charter or by-laws of the Company or any Material Subsidiary or any agreement or instrument known to me to which the Company or any Material Subsidiary is a party or by which the Company or any Material Subsidiary is bound, any law or regulation or, so far as is known to me, any order or regulation of any court, governmental instrumentality or arbitrator, and which conflict or breach is material to the Company and its subsidiaries, taken as a whole.

18. To the best of my knowledge, the Company is not currently in breach of, or in default under, any material written agreement or instrument to which it is a party or by which it or its property is bound or affected, and which breach or default is material to the Company and its subsidiaries, taken as a whole.

In passing upon the forms of the Registration Statement and the Prospectus, I necessarily assume the correctness and completeness of the statements made or included therein by the Company and take no responsibility therefor, except insofar as such statements relate to me and as set forth in the Prospectus under the headings "Experts" and "Legal Opinions" and in paragraphs 7 and 15 above. In the course of the preparation by the Company of the Registration Statement and the Prospectus, I had conferences with certain of its officers and representatives, with other counsel for the Company and with PricewaterhouseCoopers LLP, the independent certified public accountants who examined certain of the Company's financial statements incorporated by reference in the Registration Statement. My examination of the Registration Statement and the Prospectus, and my discussions in the above-mentioned conferences did not disclose to me any information which gives me reason to believe that, at the Effective Date, the Registration Statement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus at the time it was filed electronically with the Commission pursuant to Rule 424, and the Prospectus, as amended or supplemented at the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. I do not express any opinion or belief as to the financial statements or other financial or statistical data contained in the Registration Statement or in the Prospectus.

As to all matters of Minnesota law, Thelen Reid & Priest LLP and Morrison Cohen Singer & Weinstein, LLP are hereby authorized to rely upon this opinion as though it was rendered to each of them.

Very truly yours,

PHILIP R. HALVERSON

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[NAME OF TRUST]
PREFERRED TRUST SECURITIES

UNDERWRITING AGREEMENT

[_____ , 200]

New York, New York

[Insert Name(s)
and Address(es)
of Underwriters]

Dear Sirs:

ALLETE (legally incorporated as Minnesota Power, Inc.), a corporation incorporated under the laws of Minnesota (the "Company"), and its financing subsidiary, [Name of Trust], a Delaware business trust (the "Trust," and hereinafter, together with the Company, the "Offerors"), propose for the Trust to issue and sell severally to the underwriters named in Schedule I hereto (the "Underwriters") the Trust's preferred trust securities of the series designation, with the terms and in the liquidated preference amount specified in Schedule II hereto (the "Preferred Trust Securities"). The Offerors propose for the Trust to issue the Preferred Trust Securities pursuant to an Amended and Restated Trust Agreement, to be dated as of _____, 200 , among The Bank

of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, certain employees of the Company, as Administrative Trustees, and the several Holders as defined therein in substantially the form heretofore delivered to you [as the Representatives] (the "Trust Agreement"). In connection

with the issuance of the Preferred Trust Securities, the Company proposes (i) to issue its Junior Subordinated Debentures, Series _____ (the

"Debentures") pursuant to an Indenture, dated as of _____, _____, between

the Company and The Bank of New York, as trustee (the "Indenture") and (ii) to issue a guarantee relating to the Preferred Trust Securities to the extent described in the Prospectus (as defined below) (the "Guarantee").

1. Sale and Purchase. The Trust agrees to issue and sell to each of

the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Trust, the respective number of Preferred Trust Securities set forth opposite the name of such Underwriter in Schedule I hereto at the purchase price or prices set forth in Schedule II hereto (the "Purchase Price"). The obligations of the Trust and the Underwriters under this Agreement are undertaken on the basis of the representations and are subject to the conditions in this Agreement.

2. Payment and Delivery. Delivery of the Preferred Trust Securities to

the several Underwriters against payment of the aggregate Purchase Price therefor by wire transfer in Federal funds shall be made at the offices of Thelen Reid & Priest LLP, 40 West 57th Street, New York, New York, at 10:00 a.m., New York City time, on [_____, 200], or at such time, date and

place as may be agreed upon by the Company and the Underwriters (the "Closing Date"). The Preferred Trust Securities shall be delivered to The Depository Trust Company or to The Bank of New York, as custodian for The Depository Trust Company, in definitive fully-registered global form without coupons registered in the name of Cede & Co. for the respective accounts specified by the

Underwriters not later than the close of business on the business day preceding the Closing Date. [If no such request is received by said time, the Trust shall have the right to deliver the Preferred Trust Securities registered in the name of the Underwriters in such denominations as the Trust may determine.] The Preferred Trust Securities shall be made available to the Underwriters at the offices of Thelen Reid & Priest LLP for checking purposes not later than 2:00 p.m., New York City time, on the business day immediately preceding the Closing Date.

3. Registration Statement and Prospectus; Public Offering. The

Company, ALLETE Capital II and ALLETE Capital III have filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 on March _____, 2001 (Registration Nos. 333- _____ and 333- _____ -01) for the

registration under the Securities Act of 1933, as amended (the "Securities Act"), and the published rules and regulations adopted by the Commission under the Securities Act (the "Rules and Regulations"), of \$500,000,000 aggregate amount of (i) the Company's Common Stock, without par value, and related preferred shares purchase rights, (ii) one or more series of the Company's first mortgage bonds, (iii) the Company's unsecured debt securities, (iv) the preferred trust securities (the "Trust Securities") of ALLETE Capital II and ALLETE Capital III and (v) an equal principal amount of the Company's junior

subordinated debentures and guarantees and other obligations of the Company in respect of such Trust Securities. Such registration statement ("Registration Statement No. 333-") was declared effective by the Commission on ,

2001. No stop order suspending the effectiveness of such registration statement is in effect and no proceedings for such purpose are pending or threatened before or threatened by the Commission. The Company has also filed with the Commission a registration statement on Form S-3 on May 8, 1998 (Registration No. 333-52161) for the registration under the Securities Act and the Rules and Regulations of 3,000,000 shares of the Company's Common Stock, without par value, and related preferred shares purchase rights, of which all but 1,814,000 shares (as adjusted for the Company Common Stock split on) of Common

Stock and related rights have been previously issued. Such registration statement ("Registration Statement No. 333-52161") was declared effective by the Commission on May 18, 1998. In addition, the Company has filed with the Commission a registration statement on Form S-3 on July 21, 2000 (Registration No. 333-41882) for the registration under the Securities Act and the Rules and Regulations of \$400,000,000 aggregate principal amount of the Company's first mortgage bonds and unsecured debt securities, of which all but \$25,000,000 aggregate principal amount of first mortgage bonds and unsecured debt securities have been previously issued. Such registration statement ("Registration Statement No. 333-41882") was declared effective by the Commission on August 7, 2000. References herein to the term "Registration Statement" as of any date shall be deemed to refer to each of Registration Statement No. 333-41882, Registration Statement No. 333-52161 and Registration No. 333- , each as

amended and supplemented to such date, including financial statements and all exhibits, and all documents incorporated by reference therein as of such date pursuant to Item 12 of Form S-3 ("Incorporated Documents") and filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided that if the Company files a registration statement with respect to securities registered under Registration Statement No. 333-41882, Registration Statement No. 333-52161 and Registration Statement No. 333- with the Commission

pursuant to Rule 462(b) of the Securities Act (the "Rule 462(b) Registration Statement"), then after such filing, all references to "Registration Statement" shall be deemed to included the Rule 462(b) Registration Statement. References

herein to the term "Prospectus" as of any given date shall be deemed to refer to the combined prospectus, including any preliminary prospectus, relating to the securities registered under Registration Statement No. 333-_____ and the

securities registered and remaining unissued under Registration Statement No. 333-41882 and Registration Statement No. 333-52161 that forms a part of Registration Statement No. 333-_____, as amended or supplemented as of such date

(other than by amendments or supplements relating to securities other than the Securities), including all Incorporated Documents as of such date and including any prospectus supplement relating to the Securities. The term "preliminary prospectus" means any preliminary prospectus (as referred to in Rule 430 of the Rules and Regulations) included at any time as a part of such registration statement. Copies of such registration statement and any amendments thereto and of each preliminary prospectus included as part of such registration statement have been delivered to the Underwriters. References to "Effective Date" shall be deemed to refer to the later of the time and date Registration Statement No. 333-_____, any post-effective amendment to Registration Statement No. 333-_____

or any Rule 462(b) Registration Statement was declared effective or the time and date of the filing thereafter of the Company's most recent Annual Report on Form 10-K if such filing is made prior to the Closing Date, as hereinafter defined. For purposes of this Agreement, any Incorporated Document filed with the Commission on or after the date of this Agreement and prior to the Closing Date shall be deemed an amendment or supplement to the Registration Statement and the Prospectus and any reference herein to "amend," "amendment" or "supplement" with respect to the Registration Statement, any preliminary prospectus or the Prospectus includes the filing of any document under the Exchange Act after the Effective Date or the date of any preliminary prospectus or the Prospectus, as the case may be, and incorporated in such document by reference if such filing is made prior to the Closing Date.

The Offerors understand that the Underwriters propose to make a public offering of the Preferred Trust Securities, as described in the Prospectus, as soon after the date of this Agreement as the Underwriters deem advisable. The Offerors are further advised by the Underwriters that the Preferred Trust Securities are to be offered to the public initially at _____% of their

liquidation preference amount (the "Public Offering Price") plus accrued distributions, if any, from _____, 200 to the date of payment and delivery and to certain dealers selected by the Underwriters at a price that represents a concession not in excess of _____% of their liquidation preference amount under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of _____% of their liquidation preference amount, to any Underwriter or to certain other dealers. The Offerors confirm that the Underwriters and dealers have been authorized to distribute each preliminary prospectus, if any, and are authorized to distribute the Prospectus and any amendments or supplements to it.

4. Representations of the Offerors. The Offerors represent to the Underwriters as follows:

(a) The Offerors meet the requirements for use of Form S-3 under the Securities Act.

(b) On the Effective Date, and at the Closing Date, the Registration Statement and, at the date of the filing of the Prospectus pursuant to Rule 424 under the Rules and Regulations, and at the Closing Date, the Prospectus, as each may be amended or supplemented, and the Trust Agreement, Indenture and the

Guarantee fully complied or will fully comply in all material respects with the applicable provisions of the Securities Act, the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the Rules and Regulations, or pursuant to the Rules and Regulations will be deemed to comply therewith. On the Effective Date and the Closing Date the Registration Statement, as it may be amended or supplemented, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. On the date of filing of the Prospectus and the Closing Date, the Prospectus, as it may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and on said date of filing of the Prospectus and the Closing Date, the Incorporated Documents will fully comply in all material respects with the applicable provisions of the Exchange Act and the rules and regulations of the Commission under the Exchange Act (the "Exchange Act Rules and Regulations"), and, when read together with the Prospectus, as it may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The foregoing representations do not apply to (1) statements or omissions made in reliance on and in conformity with information relating to the Underwriters furnished in writing to the Company or the Trust by any Underwriter expressly for use in the Registration Statement or the Prospectus, as they may be amended or supplemented, or (2) the portion of the Registration Statement constituting the respective Statements of Eligibility, or amendments thereto, under the Trust Indenture Act except statements or omissions made in reliance on and in conformity with information furnished in writing to the trustees by or on behalf of the Company or the Trust for use in such Statements of Eligibility or any amendments thereto. For purposes of this Agreement, [indicate topics addressed and location in Prospectus] constitute the only information relating to the Underwriters furnished in writing to the Offerors expressly for inclusion in any preliminary prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus. Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the Rules and Regulations or pursuant to the Rules and Regulations will be deemed to comply therewith.

(c) The Company and its Material Subsidiaries (as defined below) have good and sufficient title to all material real property and good and sufficient title to all material personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially interfere with the use made and proposed to be made of such property by the Company and its Material Subsidiaries; and any material real property and buildings held under lease by the Company and its Material Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company or its Material Subsidiaries, as the case may be. As used in this Agreement, the term "Material Subsidiary" means a significant subsidiary under Rule 1-02(w) of Regulation S-X of the Commission).

(d) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Minnesota, with power and authority (corporate and other) to own its properties and conduct its business

as described in the Prospectus, and there is no jurisdiction wherein the character of the properties owned or held under lease by the Company or the nature of the business transacted by the Company would expose the Company to any material liability or disability by reason of the failure to qualify the Company as a foreign corporation in any such jurisdiction; and each Material Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, and there is no jurisdiction wherein the character of the properties owned or held under lease by any Material Subsidiary or the nature of the business transacted by such Material Subsidiary would expose such Material Subsidiary to any material liability or disability by reason of the failure to qualify such Material Subsidiary as a foreign corporation in any such jurisdiction. The Trust has been duly formed and is validly existing as a business trust under the laws of Delaware, with power and authority to own its properties and conduct its affairs as described in the Prospectus. The Company and each Material Subsidiary hold all material licenses, certificates and permits from governmental authorities necessary for the conduct of their respective businesses.

(e) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, as they may be amended or supplemented, there has not been any material adverse change, or any development involving, so far as the Company can now reasonably foresee, a prospective material adverse change in the business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, whether or not in the ordinary course of business, and since such dates there has not been any transaction entered into by the Company or its Material Subsidiaries, other than transactions in the ordinary course of business and transactions set forth in or contemplated by the Registration Statement and the Prospectus, as they may be amended or supplemented, which is material to the Company and its subsidiaries, taken as a whole. The Company and its Material Subsidiaries have no contingent obligation which is not disclosed in the Registration Statement and the Prospectus, as they may be amended or supplemented, which is material to the Company and its subsidiaries, taken as a whole.

(f) Any Incorporated Documents filed and incorporated by reference prior to the Closing Date will, when they are filed with the Commission, conform in all material respects with the requirements of the Exchange Act and the Exchange Act Rules and Regulations.

(g) The Company has full corporate power and authority to enter into this Agreement and the Trust has full power and authority to enter into the Agreement. This Agreement has been duly authorized, executed and delivered by each of the Company and the Trust.

(h) The execution, delivery and performance by the Company of this Agreement, the Indenture and the Guarantee, and the issue and sale of the Preferred Trust Securities by the Trust and the compliance by the Company with all of the provisions of this Agreement, the Indenture, the Guarantee and the Debentures and the consummation of the transactions contemplated hereby and thereby will not conflict with, result in the creation or imposition of any lien, charge or encumbrance upon any assets of the Company or its Material Subsidiaries pursuant to the terms or provisions of, or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any other party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, the articles of

incorporation or bylaws of the Company or any of its Material Subsidiaries, any material contract or other agreement to which the Company or any of its Material Subsidiaries is a party or by which the Company or any of its Material Subsidiaries or any of its or their properties are bound or affected, or violate or conflict with any material judgment, ruling, decree, order, statute, rule or regulation of any court or other governmental agency or body applicable to the business or properties of the Company or any of its Material Subsidiaries which creation, imposition, breach, violation, default, right of termination, acceleration, violation or conflict is material to the Company and its subsidiaries, taken as a whole.

(i) The statements set forth in the Prospectus under the captions ["Description of Preferred Trust Securities and Common Trust Securities" and "Certain Terms of the Preferred Trust Securities"] constitute a summary of the securities, documents and instruments therein described, are accurate and fairly present the information contained therein in all material respects.

(j) Neither the Company nor any of its Material Subsidiaries is in violation of its respective articles of incorporation or bylaws or is in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party, which default is material to the Company and its subsidiaries taken as a whole.

(k) Each of the Indenture and the Guarantee has been duly qualified under the Trust Indenture Act and has been duly authorized by the Company and when executed and delivered by the Company and the Indenture Trustee or the Trustees, respectively, will be enforceable in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability.

(l) The Debentures have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Trust as described in the Prospectus, will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Company, enforceable in accordance with their terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability.

(m) The Trust Agreement has been duly qualified under the Trust Indenture Act and has been duly authorized by the Company and when executed and delivered by the Company and the Trustees will be enforceable in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability.

(n) The Preferred Trust Securities have been duly authorized and, when executed and authenticated in accordance with the provisions of the Trust Agreement and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, will be entitled to the benefits of the Trust Agreement and will be valid and binding obligations of the Trust, enforceable in accordance with their terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability.

(o) The description of the Preferred Trust Securities in the Registration Statement and the Prospectus, as they may be amended or supplemented, is, and at the Closing Date will be, complete and accurate in all respects.

(p) The Company has filed a Petition for Certification of Capital Structure with the Minnesota Public Utilities Commission ("Minnesota Commission") pursuant to the Minnesota Public Utilities Act with respect to the issuance and sale by the Company of the Debentures and the Guarantee. The Minnesota Commission has entered an authorizing order approving the capital structure including the issuance and sale of the Debentures and the Guarantee and such authorizing order is still in full force and effect. Apart from such authorizing order of the Minnesota Commission, no consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Company of the transactions on its part herein contemplated, except such as have been obtained under the Securities Act or the Rules and Regulations.

(q) Neither the Company nor the Trust is, or after giving effect to the offering and sale of the Securities will be, an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

(r) Except as set forth in the Registration Statement and the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its Material Subsidiaries is a party or to which any property of the Company or any of its Material Subsidiaries is subject, which, if determined adversely to the Company or any of its Material Subsidiaries would in the Company's reasonable judgment individually or in the aggregate have a material adverse effect on the business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

5. Agreements of the Company. (a) The Company will not file any

amendment or supplement to the Registration Statement or the Prospectus unless a copy has first been submitted to the Underwriters a reasonable time before its filing and the Underwriters have not reasonably objected to it in writing within a reasonable time after receiving the copy.

(b) The Company will promptly advise the Underwriters (i) of the initiation or threatening of any proceedings for, or receipt by the Company of any notice with respect to, the suspension of the qualification of the Preferred Trust Securities for sale in any jurisdiction or the issuance of any order by the Commission suspending the effectiveness of the Registration Statement and

(ii) of receipt by the Company or any representative or attorney of the Offerors of any other communication from the Commission relating to the Company, the Registration Statement, any preliminary prospectus or the Prospectus or to the transactions contemplated by this Agreement. The Company will make every reasonable effort to prevent the issuance of an order suspending the effectiveness of the Registration Statement and, if any such order is issued, to obtain its lifting as soon as possible.

(c) The Company will furnish to [name of lead Underwriter] without charge one signed copy, and to each of the other Underwriters one copy of the signed copy certified by an officer of the Company, of the Registration Statement and any amendment thereto (including all exhibits filed with any such document) and as many conformed copies of the Registration Statement as the Underwriters may reasonably request.

(d) During such period as a prospectus is required by law to be delivered by the Underwriters or a dealer, the Company will promptly deliver, without charge, to the Underwriters and to dealers, at such office or offices as the Underwriters may designate, as many copies of the Prospectus as the Underwriters may reasonably request, and, during such period after the Effective Date if any event occurs as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements in it, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading in any material respect, or if during such period it is necessary to amend or supplement the Prospectus to comply with the Securities Act or the Rules and Regulations, the Company will promptly prepare, submit to the Underwriters, file, subject to Section 5(a) hereof, with the Commission and deliver, without charge, to the Underwriters and to dealers (whose names and addresses the Underwriters will furnish to the Company) to whom Preferred Trust Securities may have been sold by the Underwriters, and to other dealers on request, amendments or supplements to the Prospectus so that the statements in the Prospectus, as so amended or supplemented, will not, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, be misleading in any material respect and will comply with the Securities Act and the Rules and Regulations. Delivery by the Underwriters of any such amendments or supplements to the Prospectus will not constitute a waiver of any of the conditions in Section 6 hereof.

(e) The Company will make generally available to the Company's security holders and the security holders of the Trust, as soon as practicable but in no event later than the last day of the 15th full calendar month following the calendar quarter in which the Effective Date falls, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 of the Rules and Regulations.

(f) The Company will take such actions as the Underwriters reasonably designate in order to qualify the Preferred Trust Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions as the Underwriters reasonably designate; provided that the Company shall not be required to register or qualify as a foreign corporation or dealer in securities, to file any consents to service of process under the laws of any jurisdiction or to meet any other requirement deemed by the Company to be unduly burdensome.

(g) The Company will pay, or reimburse if paid by the Underwriters, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, all costs and expenses incident to the performance of the obligations of the Company under this Agreement, including

costs and expenses relating to (i) the preparation, printing and filing of the Registration Statement and exhibits thereto, each preliminary prospectus, the Prospectus, all amendments and supplements to the Registration Statement and the Prospectus, (ii) the authorization and issuance of the Preferred Trust Securities and the preparation and delivery of the forms of the Preferred Trust Securities sold by the Trust to the Underwriters, (iii) the registration or qualification of the Preferred Trust Securities for offer and sale under the securities or "blue sky" laws of the jurisdictions referred to in Section 5(f) and the determination of the legality of the Preferred Trust Securities for investment, including the reasonable fees and disbursements of counsel for the Underwriters (not to exceed \$) in that connection, and the preparation and

printing of preliminary and supplemental "blue sky" memoranda and legal investment memoranda, (iv) the furnishing (including costs of shipping and mailing) to the Underwriters and to dealers of copies of the Registration Statement, each preliminary prospectus, the Prospectus, and all amendments or supplements to the Prospectus, and of the other documents required by this Section to be so furnished, (v) any fees charged by securities rating services for rating the Securities, (vi) all transfer taxes, if any, with respect to the sale and delivery of the Preferred Trust Securities by the Trust to the Underwriters, (vii) the fees and expenses of the Trustees, and Paying Agent or Registrar under Trust Agreement and the reasonable fees and disbursements of counsel for any Trustee in connection with the Preferred Trust Securities, (viii) the filing fees and expenses, if any incurred with respect to any filing with the National Association of Securities Dealers, Inc., made in connection with the offering of the Preferred Trust Securities, and (ix) any expenses incurred by the Company in connection with a "road show" presentation to potential investors.

(h) During the period beginning on the date hereof and continuing to and including the Closing Date, the Company will not offer, sell, or otherwise dispose of any debt securities of the Company or warrants to purchase debt securities of the Company substantially similar to the Preferred Trust Securities (other than (i) the Preferred Trust Securities, (ii) commercial paper issued in the ordinary course of business, and (iii) the Company's common stock, preferred stock, secured indebtedness and unsecured indebtedness which is not subordinated), without the prior written consent of [name of lead Underwriter].

6. Conditions of the Underwriters' Obligations. The obligations of the

Underwriters to purchase the Preferred Trust Securities are subject to the accuracy, on the date of this Agreement and on the Closing Date, of the representations of the Offerors in this Agreement, to the accuracy and completeness of all statements made by the Offerors or any of their officers in any certificate delivered to the Underwriters or their counsel pursuant to this Agreement, to performance by the Offerors of their obligations under this Agreement and to each of the following additional conditions:

(a) All filings required by Rule 424 of the Rules and Regulations must have been made.

(b) No stop order suspending the effectiveness of the Registration Statement may be in effect and no proceedings for such purpose may be pending before or threatened by the Commission, and any requests for additional information on the part of the Commission (to be included in the Registration Statement or the Prospectus or otherwise) must have been complied with.

(c) Since the respective dates as of which such information is given in the Registration Statement and the Prospectus, as they may be amended or supplemented, (i) there must not have been any material change in the capital stock or long-term debt of the Company and its subsidiaries, taken as a whole, (ii) there must not have been any material adverse change, or any development involving, so far as the Company can now reasonably foresee, a prospective material adverse change in the business, properties, financial condition, or results of operations of the Company and its subsidiaries, taken as a whole, whether or not in the ordinary course of business and, since such dates there shall not have been any material transaction entered into by the Company other than transactions set forth in or contemplated by the Prospectus, and (iii) there must not have occurred any event that makes untrue or incorrect in any material respect any statement or information contained in the Prospectus or that is not reflected in the Prospectus but should be reflected in it in order to make the statements or information in it not misleading in any material respect; and in the judgment of the Underwriters, any such development referred to in clause (i), (ii) or (iii) makes it impracticable to consummate the sale and delivery of the Securities by the Underwriters at the initial public offering price.

(d) The Underwriters must receive on the Closing Date a certificate, dated such date, of the chief executive officer, the chief operating officer or the chief financial officer of the Company certifying that (i) the signer has carefully examined the Registration Statement and the Prospectus (including any Incorporated Documents) and this Agreement, (ii) the representations of the Company in this Agreement are accurate on and as of the date of the certificate, (iii) since the most recent dates as of which information is given in the Registration Statement or the Prospectus, as amended or supplemented, there has not been any material adverse change, or any development involving, so far as the Company can now reasonably foresee, a prospective material adverse change in the business, properties, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, whether or not in the ordinary course of business, and since such dates there has not been any transaction entered into by the Company or its Material Subsidiaries, other than transactions in the ordinary course of business and transactions set forth in or contemplated in the Prospectus, as amended or supplemented, which is material to the Company and its subsidiaries, taken as a whole, (iv) to the knowledge of such officer, no order suspending the effectiveness of the Registration Statement or prohibiting the sale of the Preferred Trust Securities has been issued and no proceedings for such purpose are pending before or threatened by the Commission, (v) there has been no document required to be filed under the Exchange Act and the Exchange Act Rules and Regulations that upon such filing would be deemed to be an Incorporated Document that has not been so filed, and (vi) the Company has performed all agreements that this Agreement requires it to perform by the Closing Date.

(e) Since the date of this Agreement, there must not have been any lowering of the ratings of the Company's Preferred Trust Securities or any other securities of the Company (or a special purpose subsidiary of the Company) which are the same class as the Preferred Trust Securities by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Rating Services ("S&P") or any notice from Moody's or S&P of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change in the ratings accorded the Company's Securities.

(f) The Underwriters must receive on the Closing Date opinions dated the Closing Date substantially in the form of Annexes A, B and C to this Agreement from Richards, Layton & Finger, P.A., Delaware counsel to the Company

and the Trust, Thelen Reid & Priest LLP, counsel to the Company, and Philip R. Halverson, Esq., general counsel of the Company, respectively.

(g) The Underwriters must receive on the Closing Date from Morrison Cohen Singer & Weinstein, LLP, their counsel, an opinion dated the Closing Date with respect to the Company, the Trust, the Preferred Trust Securities, the Registration Statement, the Prospectus, the Debentures, the Trust Agreement, the Indenture, the Guarantee, this Agreement and the form and sufficiency of all proceedings taken in connection with the sale and delivery of the Preferred Trust Securities. Such opinion and proceedings shall be satisfactory in all respects to the Underwriters. The Company must have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to render such opinion.

(h) The Underwriters must receive on the Closing Date a signed letter, dated the Closing Date, from PricewaterhouseCoopers LLP to the effect that (i) they are independent public accountants with respect to the Company within the meaning of the Securities Act and the applicable published rules and regulations thereunder adopted by the Commission, (ii) in their opinion, the consolidated financial statements and financial statement schedule audited by them and incorporated by reference in the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations thereunder adopted by the Commission with respect to registration statements on Form S-3, (iii) on the basis of a reading of the unaudited consolidated financial statements of the Company incorporated by reference in the Prospectus, if any, the latest available unaudited consolidated financial data of the Company and its subsidiaries since the close of the Company's most recent audited fiscal year, the minutes and consents of the Board of Directors since the end of the most recent audited fiscal year, and inquiries of officials of the Company who have responsibility for financial and accounting matters (it being understood that the foregoing procedures do not constitute an audit made in accordance with generally accepted auditing standards and would not necessarily reveal matters of significance with respect to the comments made in such letter, and, accordingly, that PricewaterhouseCoopers LLP makes no representations as to the sufficiency of such procedures for the Underwriters' purposes), nothing has come to their attention which caused them to believe that (1) the unaudited consolidated financial statements of the Company incorporated by reference in the Prospectus, if any, (a) do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act as it applies to Form 10-Q and the published rules and regulations thereunder or (b) are not stated on a basis substantially consistent with that of the audited consolidated financial statements of the Company incorporated by reference in the Prospectus, (2) at the date of the latest available unaudited financial data read by them and at a specified date not more than five days prior to the Closing Date there was any change in the capital stock, increase in long-term debt or decreases in consolidated net current assets (working capital) or stockholders' equity of the Company and its subsidiaries, in each case as compared with amounts shown in the most recent consolidated financial information incorporated by reference in the Prospectus, except in all instances for changes, increases or decreases which the Prospectus, as amended or supplemented, discloses have occurred or may occur, or which are disclosed in such letter, or (3) for the period from the date of the most recent audited consolidated financial statements to the date of the latest available unaudited financial data read by them and for the period

from the date of the latest available unaudited financial data read by them to a specified date not more than five days prior to the Closing Date, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated operating revenues or in the total or per-share amounts of net income, except in all instances for changes, increases or decreases which the Prospectus, as amended or supplemented, discloses have occurred or may occur, or which are disclosed in such letter, and they have carried out certain procedures and made certain findings, as specified in such letter, with respect to certain amounts included or incorporated by reference in the Registration Statement and the Prospectus and such other items as the Underwriters may reasonably request.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement will comply with this Agreement only if they are in form and scope satisfactory to counsel for the Underwriters.

7. Indemnification. (a) The Offerors shall jointly and severally

indemnify and hold harmless each Underwriter, the directors, officers, employees and agents of each Underwriter, and each person, if any, who controls any Underwriter, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, against any and all losses, claims, damages and liabilities, joint or several (including, without limitation, as and when incurred, any investigative, legal or other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Securities Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based on any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement to the Registration Statement or the Prospectus (including any Incorporated Document), or the omission or alleged omission to state in it a material fact required to be stated in it or necessary to make the statements in it not misleading; provided, however, that the Offerors will not be liable to the extent that such loss, claim, damage, or liability arises from the sale of the Preferred Trust Securities in the public offering to any person by the Underwriters and (i) is based on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information furnished in writing to the Company or the Trust by the Underwriters expressly for use in the Registration Statement or the Prospectus, as set forth in the penultimate sentence of Section 4(b) hereof, or (ii) results solely from one or more untrue statements of material facts contained in, or the omission of one or more material facts from, any preliminary prospectus or preliminary prospectus supplement or the Prospectus, which untrue statement or omission was corrected in the Prospectus (as then amended or supplemented) if the Underwriters sold the Preferred Trust Securities to the person alleging such loss, claim, liability, expense or damage without sending or giving, at or prior to the written confirmation of such sale, a copy of the corrected Prospectus (as then amended or supplemented), if the Company had previously furnished copies thereof to the Underwriters within a reasonable amount of time prior to such sale or confirmation, and the Underwriters failed to send or give the corrected Prospectus (as then amended or supplemented), if required by law to have so sent or given it and if sent or given would have been a defense with respect to such untrue statement or omission against the person asserting such loss, claim, liability, expense or damage. This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Offerors, its officers and directors, and each person, if any, who controls any thereof within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Offerors to the Underwriters, but only insofar as losses, claims, damages or liabilities arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in or in reliance on and in conformity with information furnished in writing to the Company or the Trust by the Underwriters expressly for use in the Registration Statement or the Prospectus, as set forth in the penultimate sentence of Section 4(b). This indemnity agreement will be in addition to any liability that the Underwriters might otherwise have.

(c) Any party that proposes to assert the right to be indemnified under this Section 7 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 7, notify in writing each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party otherwise than under this Section 7. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in, and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel satisfactory to the indemnified party, and, after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its counsel in any such action, but the fees and expenses of such counsel will be at the expense of such indemnified party unless (i) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (ii) the indemnified party has reasonably concluded (based on advice of counsel to the indemnified party) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (iii) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party), or (iv) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the fees and expenses of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate counsel admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. Such counsel shall be designated by [Name of Lead Underwriter] in the case of parties indemnified pursuant to Section 7(a) hereof and by the Company in the case of parties indemnified pursuant to Section 7(b) hereof. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent

(which consent will not be unreasonably withheld). No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party.

8. Contribution. In order to provide for just and equitable

contribution in the circumstances in which the indemnification provided for under the foregoing provisions of Section 7 is applicable in accordance with its terms but for any reason is held to be unavailable from the Offerors or the Underwriters, the Offerors and the Underwriters shall contribute to the amount paid or payable as a result of losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted) to which the Offerors and the Underwriters may be subject in such proportion as shall be appropriate to reflect (i) the relative benefits received by the Offerors, on the one hand, and the Underwriters, on the other, (ii) the relative fault of the Offerors, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as (iii) any other relevant equitable considerations with respect to such offering. Such relative benefits shall be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Trust bear to the total underwriting discounts and commissions received by the Underwriters as set forth in the Prospectus. Such relative fault shall be determined by reference, among other things, to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Offerors or by the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Offerors and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8 were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 8 shall be deemed to include, for purpose of this Section 8, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, the Underwriters shall not be required to contribute any amount in excess of the underwriting discounts and commissions received by them, except that insofar as losses, claims, damages and liabilities arise from the sale of the Securities in the public offering to any person by the Underwriters and are based on any untrue statement or omission or alleged untrue statement or omission made in or in reliance on and in conformity with information furnished in writing to the Company or the Trust by the Underwriters expressly for use in the Registration Statement, any preliminary prospectus or preliminary prospectus supplement or the Prospectus, as set forth in the penultimate sentence of Section 4(b), the Underwriters shall not be required to contribute any amount in excess of the amount by which the total price at which the Preferred Trust Securities underwritten by them and distributed to the public were offered to the public exceeds the amount of any damages which the Underwriters have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission

or alleged omission. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, any person who controls a party to this Agreement within the meaning of the Act will have the same rights to contribution as that party, and each officer of the Offerors who signed the Registration Statement will have the same rights to contribution as the Offerors, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 8, will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 8. No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld).

9. Termination. The obligations of the several Underwriters under this

Agreement may be terminated by [Name of Lead Underwriter] [with the consent of the Underwriters which have agreed to purchase in the aggregate 50% or more of aggregate principal amount of the Securities] at any time on or before the Closing Date by notice to the Company, without liability on the part of the Underwriters to the Offerors, if subsequent to the date of this Agreement and prior to the delivery and payment for the Preferred Trust Securities (a) trading in the equity securities of the Company is suspended by the Commission or by the New York Stock Exchange ("NYSE"), (b) trading in securities generally on the NYSE shall have been suspended or limited or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by the NYSE or by order of the Commission or any other governmental authority, (c) a general banking moratorium has been established by Federal or New York authorities, (d) any outbreak or material escalation of hostilities or other calamity or crisis shall have occurred, the effect of any of which is such as to make it, in the reasonable judgment of the Underwriters impracticable or inadvisable to proceed with the public offering of the Securities on the terms and in the manner contemplated by the Prospectus, or (e) if any of the conditions specified in Section 6 have not been fulfilled when and as required by this Agreement.

If this Agreement is terminated pursuant to any of its provisions, except as otherwise provided, the Offerors will not be under any liability to the Underwriters except that if this Agreement is terminated by the Underwriters because of any failure or refusal on the part of the Offerors to comply with the terms of this Agreement or because any of the conditions in Section 6 are not satisfied, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by them in connection with the proposed purchase and sale of the Preferred Trust Securities.

The Offerors shall not in any event be liable to the Underwriters for damages on account of loss of anticipated profits.

10. Substitution of Underwriters. If one or more of the Underwriters

shall, for any reason permitted hereunder, cancel its obligation to purchase hereunder and to take up and pay for the Preferred Trust Securities to be purchased by such one or more Underwriters, the Company shall immediately notify

the remaining Underwriters, and the remaining Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them) or to substitute another underwriter or underwriters, satisfactory to the Company, to take up and pay for the principal amount of Preferred Trust Securities that such one or more Underwriters did not purchase. If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the Preferred Trust Securities to be purchased by such one or more Underwriters, the Company shall immediately notify the remaining Underwriters, and the remaining Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of Preferred Trust Securities set forth opposite their respective names in Schedule II) the principal amount of Preferred Trust Securities that such defaulting Underwriter or Underwriters failed to take up and pay for, up to a number thereof equal to, in the case of each such remaining Underwriter, _____ percent (_____ %) of the principal amount of Preferred Trust

Securities set forth opposite the name of such remaining Underwriter in Schedule II, and such remaining Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another underwriter or underwriters, satisfactory to the Company, to take up and pay for, the remaining principal amount of the Preferred Trust Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Preferred Trust Securities still remain, then the Company or the Underwriters shall be entitled to an additional period of 24 hours within which to procure another party or parties, who are members of the NASD (or if not members of the NASD, who are not eligible for membership in the NASD and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with the NASD's Conduct Rules) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Preferred Trust Securities on the terms herein set forth. In any such case, either the remaining Underwriters or the Company shall have the right to postpone the Closing Date for a period not to exceed seven full business days from the date agreed upon in accordance with this Section 10, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If the Underwriters and the Company shall fail to procure a satisfactory party or parties as above provided to purchase or agree to purchase such unpurchased Preferred Trust Securities, then the Company may either (i) require the remaining Underwriters to purchase the principal amount of Preferred Trust Securities that they are obligated to purchase hereunder (but no more than such principal amount of Preferred Trust Securities) or (ii) terminate this Agreement by giving prompt notice to the Underwriters. In the event that neither the remaining Underwriters nor the Company has arranged for the purchase of such unpurchased Preferred Trust Securities by another party or parties as above provided and the Company has not elected to require the remaining Underwriters to purchase the principal amount of Preferred Trust Securities that they are obligated to purchase hereunder, then this Agreement shall terminate without any liability on the part of any such Underwriter or the Company for the purchase or sale of any Preferred Trust Securities under this Agreement. Any action taken pursuant to this Section 10 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriters under this Agreement.

11. Effectiveness. This Agreement shall become effective upon the

execution and delivery hereof by the parties hereto.

12. Miscellaneous. The reimbursement, indemnification and contribution

agreements in Sections 5, 7, 8 and 9 and the representations and agreements of the Company, the Trust and the Underwriters in this Agreement will remain in full force and effect regardless of any termination of this Agreement, any investigation made by or on behalf of the Underwriters, the Company, the Trust or any controlling person and delivery and acceptance of and payment for the Preferred Trust Securities.

This Agreement is for the benefit of the Underwriters, the Offerors, and their successors and assigns, and, to the extent expressed in this Agreement, for the benefit of persons controlling the Underwriters or the Offerors, directors and officers of the Offerors and directors, officers, employees and agents of the Underwriters, and their respective successors and assigns, and no other persons, partnership, association or corporation will acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" does not include any purchaser of Preferred Trust Securities from the Underwriters merely because of such purchase.

All notices and communications under this Agreement will be in writing and mailed or delivered, by messenger, facsimile transmission or otherwise, to the Underwriters at[]

Attention: [] and to the Offerors, at 30 West Superior

Street, Duluth, Minnesota 55802, Attention: Chief Financial Officer. Any such notice or communication shall take effect upon receipt thereof.

This Agreement may be signed in multiple counterparts that taken as a whole constitute one agreement.

If any section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, such determination shall not affect the validity or enforceability of any other section, paragraph or provision hereof.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

Please confirm that the foregoing correctly sets forth the agreement between us.

Very truly yours,

ALLETE
(legally incorporated as MINNESOTA POWER, INC.)

By:

Title:

[Name of Trust]

By:

(Authorized Representative)

Confirmed:

[Name(s) of Underwriter(s)]

By:

Title:

SCHEDULE I

Securities:

Designation:
Liquidation Preference Amount:
Date of Maturity:
Distribution Rate:
Purchase Price:
Underwriting Commissions (payable by the Company):
Public Offering Price:

SCHEDULE II

[Name of Trust]

Preferred Trust Securities

Name	Number of Preferred Trust Securities
-----	-----
Total	=====
	\$

[LETTERHEAD OF RICHARDS, LAYTON & FINGER, P.A.]

[Date]

[Insert Name(s)
and address(es)
of Underwriters]

Re: [Name of Trust]

Ladies and Gentlemen:

We have acted as special Delaware counsel for ALLETE (legally incorporated as Minnesota Power, Inc., a Minnesota corporation (the "Company"), and [Name of Trust], a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated as of _____, 2001 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on _____, 2001;

(b) The Trust Agreement of the Trust, dated as of _____, 2001, among the Company and the trustees of the Trust named therein;

(c) The Prospectus, dated _____, 2001, and the Prospectus Supplement, dated _____, (jointly, the "Prospectus"), relating to the Preferred Trust Securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Preferred Trust Security" and collectively, the "Preferred Trust Securities");

(d) The Amended and Restated Trust Agreement of the Trust, dated as of _____, (including Exhibits A, B and D thereto) (the "Trust

Agreement"), among the Company, the trustees of the Trust named therein (the "Trustees") and the holders, from time to time, of undivided beneficial interests in the assets of the Trust;

(e) The Underwriting Agreement, dated _____, (the "Underwriting Agreement"), among the Company, the Trust and the Underwriters named in Schedule II thereto; and

(f) A Certificate of Good Standing for the Trust, dated _____, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (f) above, which we believe are all the documents necessary or appropriate for us to have considered for the purposes of rendering the opinions stated herein. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (f) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation, due formation or due organization, as the case may be, and the valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, formation or organization, (iii) the legal capacity of natural persons who are parties to the documents examined by us, (iv) except to the extent set forth in paragraph 2 below, that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) except to the extent provided in paragraph 4 below, that each of the parties to the documents examined by us has duly authorized, executed and delivered such documents, (vi) the receipt by each Person to whom a Preferred Trust Security is to be issued by the Trust (the "Preferred Trust Security Holders") of a Preferred Trust Securities Certificate for the Preferred Trust Security and the payment for the Preferred Trust Security acquired by it, in accordance with the Trust Agreement, and as described in the Prospectus, (vii) that the Preferred Trust Securities are issued and sold to the Preferred Trust Security Holders in accordance with the Trust Agreement, and as described in the Prospectus, (viii) the receipt by the Person (the "Common Trust Security Holder") to whom a Common Trust Security

of the Trust representing common undivided beneficial interests in the assets of the Trust (each, a "Common Trust Security" and collectively, the "Common Trust Securities") (the Preferred Trust Securities and the Common Trust Securities being hereinafter collectively referred to as "Trust Securities") is to be issued by the Trust of a Common Trust Securities Certificate for the Common Trust Security and the payment for the Common Trust Security acquired by it, in accordance with the Trust Agreement, and as described in the Prospectus, (ix) that the Common Trust Securities are issued and sold to the Common Trust Security Holder in accordance with the Trust Agreement, and as described in the Prospectus, (x) that the Trust derives no income from or connected with sources within the State of Delaware and has no assets, activities (other than having a Delaware trustee as required by the Delaware Business Trust Act and filing documents with the Secretary of State) or employees in the State of Delaware, and (xi) that the Trust is treated as a grantor trust for federal income tax purposes. We have not participated in the preparation of the Prospectus and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, and all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made.
2. Under the Delaware Business Trust Act and the Trust Agreement, the Trust has the trust power and authority to (i) own property and conduct its business, all as described in the Prospectus, (ii) execute and deliver, and perform its obligations under, the Underwriting Agreement, and (iii) issue, and perform its obligations under, the Trust Securities.
3. The Trust Agreement is a legal, valid and binding agreement of the Company and the Trustees, and is enforceable against the Company and the Trustees, in accordance with its terms.
4. Under the Delaware Business Trust Act and the Trust Agreement, the execution and delivery of the Underwriting Agreement by the Trust, and the performance by the Trust of its obligations thereunder, have been duly authorized by all requisite trust action on the part of the Trust.

5. No authorization, approval, consent or order of any Delaware court or Delaware governmental authority or Delaware agency is required to be obtained by the Trust solely in connection with the issuance and sale of the Preferred Trust Securities.

6. The Preferred Trust Securities have been duly authorized by the Trust Agreement and, when issued and sold in accordance with the Trust Agreement, the Preferred Trust Securities will be, subject to the qualifications set forth in paragraph 7 below, fully paid and non-assessable undivided beneficial interests in the assets of the Trust.

7. The Preferred Trust Security Holders, as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Trust Security Holders may be obligated, pursuant to the Trust Agreement, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Preferred Trust Securities Certificates and the issuance of replacement Preferred Trust Securities Certificates, and (ii) provide security or indemnity in connection with requests of or directions to the Property Trustee to exercise its rights and powers under the Trust Agreement.

8. Under the Delaware Business Trust Act and the Trust Agreement, the issuance of the Preferred Trust Securities is not subject to preemptive rights.

9. The issuance and sale by the Trust of the Trust Securities, the execution, delivery and performance by the Trust of the Underwriting Agreement, the consummation by the Trust of the transactions contemplated thereby and the compliance by the Trust with its obligations thereunder do not violate (i) any of the provisions of the Certificate or the Trust Agreement, or (ii) any applicable Delaware law or Delaware administrative regulation.

10. The Preferred Trust Security Holders (other than those Preferred Trust Security Holders who reside or are domiciled in the State of Delaware) will have no liability for income taxes imposed by the State of Delaware solely as a result of their participation in the Trust, and the Trust will not be liable for any income tax imposed by the State of Delaware.

The opinion expressed in paragraph 3 above is subject, as to enforcement, to the effect upon the Trust Agreement of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance or transfer and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

We consent to your relying as to matters of Delaware law upon this opinion in connection with the Underwriting Agreement. We also consent to Morrison Cohen Singer & Weinstein, LLP's, Phillip R. Halverson's and Thelen Reid & Priest LLP's relying as to matters of Delaware law upon this opinion in connection with opinions to be rendered by them on the date hereof pursuant to the Underwriting Agreement. Further, we consent to the reliance by The Bank of New York (in its capacity as Debenture Trustee under the Subordinated Indenture, as trustee under

the Guarantee, and as Property Trustee under the Trust Agreement) and The Bank of New York (Delaware) (in its capacity as Delaware Trustee under the Trust Agreement) as to matters of Delaware law upon this opinion in connection with the matters set forth herein. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

A-5

[LETTERHEAD OF THELEN REID & PRIEST LLP]

New York, New York
[Date]

[Insert Name(s)
and address(es)
of Underwriters]

Ladies and Gentlemen:

We have acted as counsel to ALLETE (legally incorporated as Minnesota Power, Inc.), a Minnesota corporation (the "Company"), in connection with the transactions contemplated by the Underwriting Agreement dated _____, 2001 among the Company, [Name of Trust] (the "Trust") and the Underwriters named therein (the "Underwriting Agreement"), including, among others, (i) the issuance by the Trust, a statutory business trust organized under the Delaware Business Trust Act (the "Delaware Act") of Preferred Trust Securities (the "Preferred Trust Securities") having an aggregate liquidation amount of \$ _____, (ii) the issuance by the Company of \$ _____ principal amount of its Junior Subordinated Debentures, Series _____ (the "Debentures") and (iii) the guarantee by the Company of the Preferred Trust Securities pursuant to a Guarantee Agreement, dated the date hereof, between the Company and The Bank of New York, as trustee (the "Guarantee").

Terms not otherwise defined herein are used with the meanings ascribed to them in the Underwriting Agreement.

In so acting we have participated in or reviewed the corporate proceedings in connection with the authorization, execution and delivery of the Underwriting Agreement, the Trust Agreement, the Indenture, the Debentures and the Guarantee. In addition, we have reviewed the petition filed by the Company with the

Minnesota Public Utilities Commission seeking authorization for the issuance of the Preferred Trust Securities, and the order issued by said Commission in response to said petition. We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary as a basis for the conclusions of law contained in the opinions expressed below. We have relied as to various questions of fact upon the representations and warranties of the Company contained in the Underwriting Agreement and, where we deemed appropriate, on certificates of public officials. We have relied upon a certificate of the Trustee under the Indenture as to the due authentication of the Debentures. In our examination we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as photostatic or certified copies.

Based on the foregoing and subject to the qualifications and limitations set forth herein, we are of the opinion that:

1. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

2. The Indenture, the Trust Agreement and the Guarantee have been duly qualified under the Trust Indenture Act.

3. The Debentures and the Indenture have been duly authorized, executed and delivered by the Company; the Debentures, when issued against payment therefor as contemplated by the Trust Agreement, will be entitled to the benefits of the Indenture; and the Debentures (when so issued) and the Indenture are legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of other creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

4. The Guarantee has been duly authorized, executed and delivered by the Company, and is enforceable against the Company in accordance with its terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of other creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

5. The statements made in the Prospectus under the captions ["Description of Preferred Trust Securities and Common Trust Securities," "Description of the Junior Subordinated Debentures," "Description of the Guarantee", "Certain Terms of the Preferred Trust Securities" and "Certain Terms of the Junior Subordinated Debentures"] insofar as they purport to constitute summaries of the terms of the documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects.

6. Neither the Company nor the Trust is an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

7. The Registration Statement as of the Effective Date, and the Prospectus at the time it was filed with the Commission pursuant to Rule 424 (except for the financial statements and schedules and other financial and statistical data contained or incorporated by reference therein and except for that part of the Registration Statement that constitutes the Statements of Eligibility on Form T-1, as to which we do not express any opinion) complied as to form in all material respects with the Securities Act and the applicable instructions, rules and regulations of the Commission thereunder; the Incorporated Documents (except as to the financial statements and schedules and other financial and statistical data contained therein, as to which we do not express any opinion), at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; and the Registration Statement has become and is effective under the Securities Act and, to our knowledge, no proceedings for a stop order with respect thereto are pending or threatened under Section 8 of the Securities Act.

8. An authorizing order has been issued by the Minnesota Public Utilities Commission certifying the Company's capital structure and authorizing the issuance and sale of the Debentures and the Guarantee, and to the best of our knowledge, said order is still in full force and effect; and no other approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the blue-sky laws of any jurisdiction, as to which we do not express any opinion) is legally required for the authorization of the issue and sale by the Company of the Debentures and the issuance by the Company of the Guarantee.

We herewith confirm as our opinion the statements under the caption ["Material United States Federal Income Tax Matters with Respect to the Preferred Trust Securities"] in the Prospectus.

In the course of the preparation of the information relating to the Company contained in the Prospectus (including the Incorporated Documents) we had discussions with certain of its officers and representatives, with other counsel for the Company, with PricewaterhouseCoopers LLP, the Company's independent certified public accountants who audited certain of the financial statements contained in the Incorporated Documents, and with certain of your officers and employees and your counsel, but we made no independent verification of the accuracy or completeness of the representations and statements made to us by the Company or the information included by the Company in the Prospectus (including the Incorporated Documents) and take no responsibility therefor except as set forth in the immediately preceding paragraph and in paragraph 5 above. However, our examination of the information relating to the Company contained in the Registration Statement and the Prospectus and our discussions did not disclose to us anything which gives us reason to believe that (except as to financial statements and schedules and other financial and statistical data and except as to that part of the Registration Statement that constitutes the Statements of Eligibility on Form T-1, as to which we do not express any belief) (i) the Registration Statement, as of the Effective Date, included an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) the Prospectus at the time it was filed with the Commission pursuant to Rule 424, included or on the date hereof includes an untrue statement of a material fact or on such dates omitted or omits to state a material fact necessary in order to

make the statements therein, in the light of the circumstances under which they were made, not misleading.

We are members of the New York Bar and do not hold ourselves out as experts in the laws of the State of Minnesota. As to all matters of Minnesota law, we have, with your consent, relied upon the opinion of Philip R. Halverson, Esq., Vice President, General Counsel and Secretary for the Company; and as to all matters of Delaware law, we have, with your consent, relied upon the opinion of Richards, Layton & Finger, P.A., Wilmington, Delaware, special counsel for the Company and the Trust. We believe that you and we are justified in relying on such opinions.

Very truly yours,

THELEN REID & PRIEST LLP

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[LETTERHEAD OF PHILIP R. HALVERSON, ESQ., VICE PRESIDENT,
GENERAL COUNSEL AND SECRETARY OF ALLETE]

[Date]

[Insert Name(s)
and address(es)
of Underwriters]

Ladies and Gentlemen:

I am General Counsel to ALLETE (legally incorporated as Minnesota Power, Inc.), a Minnesota corporation (the "Company") and have acted in that capacity in connection with the transactions contemplated by the Underwriting Agreement dated _____, 2001 among the Company, [Name of Trust] (the "Trust") and the Underwriters named therein (the "Underwriting Agreement"), including, among others, (i) the issuance by the Trust, a statutory business trust organized under the Delaware Business Trust Act (the "Delaware Act"), of Preferred Trust Securities (the "Preferred Trust Securities") having an aggregate liquidation amount of \$ _____, (ii) the issuance by the Company of \$ _____ principal amount of its Junior Subordinated Debentures, Series (the "Debentures"), (iii) the guarantee by the Company of the Preferred Trust Securities pursuant to a Guarantee Agreement, dated the date hereof, between the Company and The Bank of New York, as trustee (the "Guarantee") and (iv) the petition filed by the Company with Minnesota Power Utilities Commission seeking authorization to issue the Preferred Trust Securities.

Terms not otherwise defined herein are used with the meanings ascribed to them in the Underwriting Agreement.

In so acting I have participated in or reviewed the corporate proceedings in connection with the authorization, execution and delivery of the Underwriting Agreement, the Trust Agreement, the Indenture, the Debentures and the Guarantee.

I have also examined such other documents and satisfied myself as to such other matters as I have deemed necessary as a basis for the conclusions of law contained in the opinions expressed below. I have relied as to various questions of fact upon the representations and warranties of the Company contained in the Underwriting Agreement and, where I deemed appropriate, on certificates of public officials. I have relied upon a certificate of the trustee under the Indenture as to the due authentication of the Debentures. In my examination I have assumed the genuineness of all signatures and the authenticity of all documents submitted to me as originals and the conformity to original documents of all documents submitted to me as photostatic or certified copies.

Upon the basis of my familiarity with these transactions and with the affairs and properties of the Company generally, I am of the opinion that:

1. The Company is a corporation duly authorized, validly existing and in good standing under the laws of the State of Minnesota, and has the corporate power and authority: (a) to execute, deliver and perform its obligations under the Underwriting Agreement and the Indenture, (b) to issue the Debentures and the Guarantee and to incur the indebtedness to be evidenced thereby, and (c) to own its property and assets and to conduct the business which it is now conducting.

2. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

3. The Indenture, the Trust Agreement and the Guarantee have been duly qualified under the Trust Indenture Act.

4. The Debentures and the Indenture have been duly authorized, executed and delivered by the Company; the Debentures, when issued against payment therefor as contemplated by the Trust Agreement, will be entitled to the benefits of the Indenture; and the Debentures (when so issued) and the Indenture are legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of other creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

5. The Guarantee has been duly authorized, executed and delivered by the Company, and is enforceable against the Company in accordance with its terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of other creditors' rights generally and by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law) and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

6. The statements made in the Prospectus under the captions ["Description of Preferred Trust Securities and Common Trust Securities," "Description of the Junior Subordinated Debentures," "Description of the Guarantee," "Certain Terms of the Preferred Trust Securities" and "Certain Terms of the Junior Subordinated Debentures"], insofar as they purport to constitute

summaries of the terms of the documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects.

7. Neither the Company nor the Trust is an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

8. The Company is a public utility corporation duly authorized by its Articles of Incorporation to conduct the business which it is now conducting as set forth in the Prospectus and the Company holds valid and subsisting franchises, licenses and permits authorizing it to carry on the utility business in which it is engaged.

9. Each Material Subsidiary (as defined in the Agreement) of the Company is a validly organized and existing corporation under the laws of the State of its incorporation and is duly qualified to do business, and is doing business, in such State and in each other State in which the failure to qualify as a foreign corporation would be material to the Company and its subsidiaries, taken as a whole.

10. Other than as stated in the Registration Statement and the Prospectus (or described in the Incorporated Documents), there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which property of the Company or any of its subsidiaries is the subject which if determined adversely would have a material effect on the Company and its subsidiaries taken as a whole, and to my knowledge, no such proceedings are contemplated.

11. After due inquiry, I do not know of any legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contract or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

12. Neither the execution by the Company of the Indenture nor the issue and sale by the Company of the Debentures nor the issue of the Guarantor nor the consummation by the Company of the transactions contemplated by the Agreement conflicts with, or results in a breach of, the charter or by-laws of the Company or any Material Subsidiary or any agreement or instrument known to me to which the Company or any Material Subsidiary is a party or by which the Company or any Material Subsidiary is bound, any law or regulation or, so far as is known to me, any order or regulation of any court, governmental instrumentality or arbitrator, and which conflict or breach is material to the Company and its subsidiaries, taken as a whole.

13. To the best of my knowledge, the Company is not currently in breach of, or in default under, any material written agreement or instrument to which it is a party or by which it or its property is bound or affected, and which breach or default is material to the Company and its subsidiaries, taken as a whole.

14. The Registration Statement, as of the Effective Date, and the Prospectus at the time it was filed with the Commission pursuant to Rule 424 (except for the financial statements and schedules and other financial and

statistical data contained or incorporated by reference therein and except for that part of the Registration Statement that constitutes the Statements of Eligibility of Form T-1, as to which we do not express any opinion) complied as to form in all material respects with the Securities Act and the applicable instructions, rules and regulations of the Commission thereunder; the Incorporated Documents (except as to the financial statements and schedules and other financial and statistical data contained therein, as to which we do not express any opinion), at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; and the Registration Statement has become and is effective under the Securities Act and, to our knowledge, no proceedings for a stop order with respect thereto are pending or threatened under Section 8 of the Securities Act.

15. An authorizing order has been issued by the Minnesota Public Utilities Commission certifying the Company's capital structure and authorizing the issuance and sale of the Debentures and the Guarantee and, to the best of our knowledge, said order is still in full force and effect; and no other approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the blue-sky laws of any jurisdiction, as to which we do not express any opinion) is legally required for the authorization of the issue and sale by the Company of the Debentures and the issuance by the Company of the Guarantee.

In passing upon the forms of the Registration Statement and the Prospectus, I necessarily assume the correctness and completeness of the statements made or included therein by the Company and take no responsibility therefor, except insofar as such statements relate to me and as set forth in the Prospectus under the headings "Experts" and "Legal Opinions" and in paragraphs 6 and 15 above. In the course of the preparation by the Company of the Registration Statement and the Prospectus, I had conferences with certain of its officers and representatives, with other counsel for the Company and with PricewaterhouseCoopers LLP, the independent certified public accountants who examined certain of the Company's financial statements incorporated by reference in the Registration Statement. My examination of the Registration Statement and the Prospectus, and my discussions in the above-mentioned conferences did not disclose to me any information which gives me reason to believe that, at the Effective Date, the Registration Statement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus at the time it was filed electronically with the Commission pursuant to Rule 424, and the Prospectus, as amended or supplemented at the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. I do not express any opinion or belief as to the financial statements or other financial or statistical data contained in the Registration Statement or in the Prospectus.

As to all matters of Minnesota law, Thelen Reid & Priest LLP and Morrison Cohen Singer & Weinstein, LLP are hereby authorized to rely upon this opinion as though it was rendered to each of them.

Very truly yours,

PHILIP R. HALVERSON

MINNESOTA POWER, INC.
(DOING BUSINESS AS ALLETE)

TO

THE BANK OF NEW YORK
(FORMERLY IRVING TRUST COMPANY)

AND

DOUGLAS J. MACINNES

(SUCCESSOR TO RICHARD H. WEST, J. A. AUSTIN,
E. J. MCCABE, D. W. MAY, J. A. VAUGHAN AND W. T. CUNNINGHAM)

AS TRUSTEES UNDER MINNESOTA POWER,
INC.'S MORTGAGE AND DEED OF TRUST DATED
AS OF SEPTEMBER 1, 1945

SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR
FIRST MORTGAGE BONDS, % SERIES DUE

(SERIES)

DATED AS OF

SUPPLEMENTAL INDENTURE

THIS INDENTURE, dated as of _____, by and between MINNESOTA POWER,

INC. (DOING BUSINESS AS ALLETE), a corporation of the State of Minnesota, whose post office address is 30 West Superior Street, Duluth, Minnesota 55802 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK (formerly Irving Trust Company), a corporation of the State of New York, whose post office address is 101 Barclay Street, New York, New York 10286 (hereinafter sometimes called the "Corporate Trustee"), and DOUGLAS J. MACINNES (successor to Richard H. West, J. A. Austin, E. J. McCabe, D. W. May, J. A. Vaughan and W. T. Cunningham), whose post office address is 1784 W. McGalliard Avenue, Hamilton, New Jersey 08610 (said Douglas J. MacInnes being hereinafter sometimes called the "Co-Trustee" and the Corporate Trustee and the Co-Trustee being hereinafter together sometimes called the "Trustees"), as Trustees under the Mortgage and Deed of Trust, dated as of September 1, 1945, between the Company (formerly Minnesota Power & Light Company) and Irving Trust Company and Richard H. West, as Trustees, securing bonds issued and to be issued as provided therein (hereinafter sometimes called the "Mortgage"), reference to which mortgage is hereby made, this indenture (hereinafter sometimes called the "

Supplemental Indenture") being supplemental thereto:

WHEREAS, the Mortgage was filed and recorded in various official records in the State of Minnesota; and

WHEREAS, an instrument, dated as of October 16, 1957, was executed and delivered under which J. A. Austin succeeded Richard H. West as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

WHEREAS, an instrument, dated as of April 4, 1967, was executed and delivered under which E. J. McCabe in turn succeeded J. A. Austin as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

WHEREAS, under the Sixth Supplemental Indenture, dated as of August 1, 1975, to which reference is hereinafter made, D. W. May in turn succeeded E. J. McCabe as Co-Trustee under the Mortgage; and

WHEREAS, an instrument, dated as of June 25, 1984, was executed and

delivered under which J. A. Vaughan in turn succeeded D. W. May as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

WHEREAS, an instrument, dated as of July 27, 1988, was executed and delivered under which W. T. Cunningham in turn succeeded J. A. Vaughan as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

WHEREAS, an instrument, dated as of April 15, 1999, was executed and delivered under which Douglas J. MacInnes in turn succeeded W. T. Cunningham as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

WHEREAS, by the Mortgage the Company covenanted, among other things, that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired and intended to be subject to the lien thereof; and

WHEREAS, for said purposes, among others, the Company executed and delivered the following indentures supplemental to the Mortgage:

DESIGNATION -----	DATED AS OF -----
First Supplemental Indenture.....	March 1, 1949
Second Supplemental Indenture.....	July 1, 1951
Third Supplemental Indenture.....	March 1, 1957
Fourth Supplemental Indenture.....	January 1, 1968
Fifth Supplemental Indenture.....	April 1, 1971
Sixth Supplemental Indenture.....	August 1, 1975
Seventh Supplemental Indenture.....	September 1, 1976
Eighth Supplemental Indenture.....	September 1, 1977
Ninth Supplemental Indenture.....	April 1, 1978
Tenth Supplemental Indenture.....	August 1, 1978
Eleventh Supplemental Indenture.....	December 1, 1982
Twelfth Supplemental Indenture.....	April 1, 1987
Thirteenth Supplemental Indenture.....	March 1, 1992
Fourteenth Supplemental Indenture.....	June 1, 1992
Fifteenth Supplemental Indenture.....	July 1, 1992
Sixteenth Supplemental Indenture.....	July 1, 1992
Seventeenth Supplemental Indenture.....	February 1, 1993
Eighteenth Supplemental Indenture.....	July 1, 1993
Nineteenth Supplemental Indenture.....	February 1, 1997
Twentieth Supplemental Indenture.....	November 1, 1997

*

which supplemental indentures were filed and recorded in various official records in the State of Minnesota; and

WHEREAS, for said purposes, among others, the Company also executed and delivered a ** Supplemental Indenture, dated as of _____,

which was filed and recorded in various official records in the State of Minnesota as follows:

* Here will be inserted additional executed Supplemental Indentures.

** Here will be inserted the most recent executed Supplemental Indenture(s).

COUNTY IN MINNESOTA	RECORDER		REGISTRAR OF TITLES	
	DATE	DOC. NO.	DATE	DOC. NO.
Aitkin.....				
Benton.....				
Carlton.....				
Cass.....				
Crow Wing.....				
Hubbard.....				
Itasca.....				
Koochiching.....				
Lake.....				
Morrison.....				
Otter Tail.....				
Pine.....				
Roseau.....				
St. Louis.....				
Stearns.....				
Todd.....				
Wadena.....				

Office of Secretary of State of Minnesota; recorded _____ as Document No.

; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, as heretofore supplemented, the following series of First Mortgage Bonds:

SERIES	PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
3-1/8% Series due 1975.....	\$26,000,000	None
3-1/8% Series due 1979.....	4,000,000	None
3-5/8% Series due 1981.....	10,000,000	None
4-3/4% Series due 1987.....	12,000,000	None
6-1/2% Series due 1998.....	18,000,000	None
8-1/8% Series due 2001.....	23,000,000	None
10-1/2% Series due 2005.....	35,000,000	None
8.70% Series due 2006.....	35,000,000	None
8.35% Series due 2007.....	50,000,000	None
9-1/4% Series due 2008.....	50,000,000	None
Pollution Control Series A.....	111,000,000	None
Industrial Development Series A.....	2,500,000	None
Industrial Development Series B.....	1,800,000	None
Industrial Development Series C.....	1,150,000	None
Pollution Control Series B.....	13,500,000	None

SERIES -----	PRINCIPAL AMOUNT ISSUED -----	PRINCIPAL AMOUNT OUTSTANDING -----
Pollution Control Series C.....	2,000,000	None
Pollution Control Series D.....	3,600,000	None
7-3/4% Series due 1994.....	55,000,000	None
7-3/8% Series due March 1, 1997.....	60,000,000	None
7-3/4% Series due June 1, 2007.....	55,000,000	50,000,000
7-1/2% Series due August 1, 2007.....	35,000,000	35,000,000
Pollution Control Series E.....	111,000,000	111,000,000
7% Series due March 1, 2008.....	50,000,000	50,000,000
6-1/4% Series due July 1, 2003.....	25,000,000	25,000,000
7% Series due February 15, 2007.....	60,000,000	60,000,000
6.68% Series due November 15, 2007.....	20,000,000	20,000,000
Floating Rate Series due October 20, 2003....	250,000,000	250,000,000

which bonds are also hereinafter sometimes called bonds of the First through
 ** Series, respectively; and

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may (to the extent permitted by law) be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, or may establish the terms and provisions of any series of bonds (other than said First Series) by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of

 * Here will be inserted additional outstanding series.

** Here will be inserted the most recent outstanding series.

the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS, the Company now desires to create ----- new series of bonds and

(pursuant to the provisions of Section 120 of the Mortgage) to add to its covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the Mortgage, as heretofore supplemented; and

WHEREAS, the execution and delivery by the Company of this

Supplemental Indenture, and the terms of the bonds of the ----- Series,

hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Company, in consideration of the premises and of One Dollar to it duly paid by the Trustees at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustees and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, as heretofore supplemented, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances) unto THE BANK OF NEW YORK and DOUGLAS J. MACINNES, as Trustees under the Mortgage, and to their successor or successors in said trust, and to said Trustees and their successors and assigns forever, all property, real, personal and mixed, of the kind or nature specifically mentioned in the Mortgage, as heretofore supplemented, or of any other kind or nature acquired by the Company after the date of the execution and delivery of the Mortgage, as heretofore supplemented (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned or, subject to the provisions of subsection (I) of Section 87 of the Mortgage, hereafter acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this ----- Supplemental Indenture) all lands,

power sites, flowage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electricity by steam, water and/or other power; all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, water systems, steam heat and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric, gas and other machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables,

water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture and chattels; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

TOGETHER WITH all and singular the tenements, hereditaments, prescriptions, servitudes and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that, subject to the provisions of subsection (I) of Section 87 of the Mortgage, all the property, rights, and franchises acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) after the date hereof, except any herein or in the Mortgage, as heretofore supplemented, expressly excepted, shall be and are as fully granted and conveyed hereby and by the Mortgage and as fully embraced within the lien hereof and the lien of the Mortgage as if such property, rights and franchises were now owned by the Company and were specifically described herein or in the Mortgage and conveyed hereby or thereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, hypothecated, affected, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this

 Supplemental Indenture and from the lien and operation of the Mortgage, namely:
 (1) cash, shares of stock, bonds, notes and other obligations and other securities not hereafter specifically pledged, paid, deposited, delivered or held under the Mortgage or covenanted so to be; (2) merchandise, equipment, apparatus, materials or supplies held for the purpose of sale or other disposition in the usual course of business; fuel, oil and similar materials and supplies consumable in the operation of any of the properties of the Company; all aircraft, rolling stock, trolley coaches, buses, motor coaches, automobiles and other vehicles and materials and supplies held for the purpose of repairing or replacing (in whole or part) any of the same; all timber, minerals, mineral rights and royalties; (3) bills, notes and accounts receivable, judgments, demands and choses in action, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; the Company's contractual rights or other interest in or with respect to tires not owned by the Company; (4) the last day of the term of any lease or leasehold which may hereafter become subject to the lien of the Mortgage; (5) electric

energy, gas, steam, ice, and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; and (6) the Company's franchise to be a corporation; provided, however, that the property and rights expressly excepted from the lien and operation of this Supplemental Indenture and

from the lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that either or both of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XIII of the Mortgage by reason of the occurrence of a Default as defined in Section 65 thereof.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees and their successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as supplemented, this Supplemental

Indenture being supplemental thereto.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors in the trust in the same manner and with the same effect as if said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustees by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successors in said trust under the Mortgage as follows:

ARTICLE I
SERIES OF BONDS

SECTION 1. There shall be a series of bonds designated " % Series due

" (herein sometimes referred to as the " Series"), each

of which shall also bear the descriptive title "First Mortgage Bond", and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Series shall be

dated as in Section 10 of the Mortgage provided, mature on , be

issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof) and bear interest [at the rate of % per annum, payable

semi-annually on _____ and _____ of each year]*, commencing _____, the principal of and interest on each said bond to be payable _____ at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

** (I) Bonds of the _____ Series shall not be redeemable prior to _____

** (II) Bonds of the _____ Series shall be redeemable on and after _____, in whole at any time, or in part from time to time, prior to _____

maturity, upon notice as provided in Section 52 of the Mortgage mailed at least 30 days prior to the date fixed for redemption, at 100% of the principal amount of the bonds to be redeemed together, in each case, with accrued interest to the date fixed for redemption.

(III) At the option of the registered owner, any bonds of the _____

Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, together with a written instrument of transfer wherever required by the Company duly executed by the registered owner or by his duly authorized attorney, shall (subject to the provisions of Section 12 of the Mortgage) be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

Bonds of the _____ Series shall be transferable (subject to the _____

provisions of Section 12 of the Mortgage) at the office or agency of the Company in the Borough of Manhattan, The City of New York.

Upon any exchange or transfer of bonds of the _____ Series, the _____

Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the _____ Series.

Upon the delivery of this _____ Supplemental Indenture and upon _____

compliance with the applicable provisions of the Mortgage, there shall be an initial issue of bonds of the _____ Series for the aggregate principal amount of \$ _____.

* Bracketed material to be changed if bonds of the Series to which this Supplemental Indenture shall relate shall bear interest at a rate which may be changed during the life of such bonds or if such bonds shall bear interest payable other than semi-annually.

** These paragraphs will be omitted or changed if the bonds of the series to which this Supplemental Indenture shall relate shall not be subject to redemption or shall be subject to redemption on terms different from those described above.

ARTICLE II
DIVIDEND COVENANT

SECTION 2. The Company covenants and agrees that the provisions of subdivision (III) of Section 39 of the Mortgage, which are to remain in effect so long as any of the bonds of the First Series shall remain Outstanding, shall remain in full force and effect so long as any bonds of the First through Series shall remain Outstanding.

[ARTICLE III
AMENDMENT TO THE MORTGAGE
NUCLEAR FUEL

SECTION 3. Pursuant to the reservation of right in Section 2 of the Fifth Supplemental Indenture dated as of April 1, 1971 and there being no Outstanding bonds of any series created prior to the Sixth Series, the Company hereby amends the Mortgage, as supplemented, as set forth in paragraphs (A), (B) and (C) of Section 2 of such Fifth Supplemental Indenture (relating to Nuclear Fuel).]*

ARTICLE [IV]
MISCELLANEOUS PROVISIONS

SECTION [4]. Section 126 of the Mortgage, as heretofore amended, is hereby further amended by adding the words "and _____, "*** after the words "and

."***

SECTION [5]. Subject to the amendments provided for in this _____

Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this _____ Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

SECTION [6]. The holders of bonds of the _____ Series consent that

the Company may, but shall not be obligated to, fix a record date for the purpose of determining the holders of bonds of the _____ Series entitled to consent to any amendment, supplement or waiver. If a record date is fixed, those persons who were holders at such record date (or their duly designated

* The Company may insert the bracketed language in any one Supplemental Indenture executed after all bonds of the Fifth Series have been retired.

** Here will be inserted the maturity date of the most recent series of bonds.

*** Here will be inserted the maturity date of the series of bonds issued immediately before the most recent series of bonds.

proxies), and only those persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

SECTION [7]. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions herein and in the Mortgage set forth and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental

Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVII of the Mortgage shall apply to and form part of this Supplemental Indenture with the same force and effect as

if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Supplemental Indenture.

SECTION [8]. Whenever in this Supplemental Indenture any

party hereto is named or referred to, this shall, subject to the provisions of Articles XVI and XVII of the Mortgage, as heretofore supplemented, be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Supplemental Indenture contained by or on

behalf of the Company, or by or on behalf of the Trustees shall, subject as aforesaid, bind and inure to the benefit of the respective successors and assigns of such party whether so expressed or not.

SECTION [9]. Nothing in this Supplemental Indenture,

expressed or implied, is intended, or shall be construed, to confer upon, or give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy, or claim under or by reason of this Supplemental Indenture

or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Supplemental Indenture contained by and on behalf of the Company

shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

SECTION [10]. This Supplemental Indenture shall be executed

in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION [11]. The Company, the mortgagor named herein, by its execution hereof acknowledges receipt of a full, true and complete copy of this Supplemental Indenture.

IN WITNESS WHEREOF, Minnesota Power, Inc. (doing business as ALLETE) has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, and The Bank of New York has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents or one of its Assistant Vice Presidents and its corporate seal to be attested by one of its Assistant Treasurers or one of its Assistant Vice Presidents, and Douglas J. MacInnes has hereunto set his hand and affixed his seal, all in The City of New York, as of the day and year first above written.

MINNESOTA POWER, INC.
(DOING BUSINESS AS ALLETE)

By _____
[Name]
[Title]

Attest:

[Name]
[Title]

Executed, sealed and delivered by MINNESOTA POWER, INC.
(DOING BUSINESS AS ALLETE) in the presence of:

THE BANK OF NEW YORK
as Trustee

By

[Name]
[Title]

Attest:

[Name]
[Title]

DOUGLAS J. MACINNES

Executed, sealed and delivered by THE BANK OF NEW
YORK and DOUGLAS J. MACINNES in the presence of:

STATE OF MINNESOTA)
) SS.:
COUNTY OF ST. LOUIS)

On this ___ day of ___, before me, a Notary Public within
and for said County, personally appeared ___ and
___, to me personally known, who, being each by me duly sworn,
did say that they are respectively the ___ and the
___ of MINNESOTA POWER, INC. (DOING BUSINESS AS
ALLETE) of the State of Minnesota, the corporation named in the foregoing
instrument; that the seal affixed to the foregoing instrument is the corporate
seal of said corporation; that said instrument was signed and sealed in behalf
of said corporation by authority of its Board of Directors; and said
and acknowledged said instrument to be
the free act and deed of said corporation.

Personally came before me on this ___ day of ___,
___, to me known to be the ___, and
___, to me known to be the ___, of the
above named MINNESOTA POWER, INC. (DOING BUSINESS AS ALLETE), the corporation
described in and which executed the foregoing instrument, and to me personally
known to be the persons who as such officers executed the foregoing instrument
in the name and behalf of said corporation, who, being by me duly sworn did
depose and say and acknowledge that they are respectively the
and the ___ of said corporation; that the
seal affixed to said instrument is the corporate seal of said corporation; and
that they signed, sealed and delivered said instrument in the name and on behalf
of said corporation by authority of its Board of Directors and stockholders, and
said ___ and ___ then and there acknowledged
said instrument to be the free act and deed of said corporation and that such
corporation executed the same.

On the ___ day of ___, before me personally came
and ___, to me known, who, being by me duly
sworn, did depose and say that they respectively reside at
___, and
___; that they are respectively the
and the ___ of MINNESOTA POWER, INC.
(DOING BUSINESS AS ALLETE), one of the corporations described in and which
executed the above instrument; that they know the seal of said corporation; that
the seal affixed to said instrument is such corporate seal; that it was so
affixed by order of the Board of Directors of said corporation, and that they
signed their names thereto by like order.

GIVEN under my hand and notarial seal this ___ day of ___.

Notary Public

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

On this _____ day of _____, before me, a Notary Public within and for said County, personally appeared _____ and

_____, to me personally known, who, being each by me duly sworn, did say that they are respectively a _____ and an _____ of

THE BANK OF NEW YORK of the State of New York, the corporation named in the foregoing instrument; that the seal affixed to the foregoing instrument is the corporate seal of said corporation; that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors; and said _____ and _____ acknowledged said instrument to be the free act and deed of said corporation.

Personally came before me on this _____ day of _____, _____, to me known to be a _____, and _____, known to me to be an _____, of the above

named THE BANK OF NEW YORK, the corporation described in and which executed the foregoing instrument, and to me personally known to be the persons who as such officers executed the foregoing instrument in the name and behalf of said corporation, who, being by me duly sworn did depose and say and acknowledge that they are respectively a _____ and an _____ of said corporation; that the seal affixed to said instrument is the corporate seal of said corporation; and that they signed, sealed and delivered said instrument in the name and on behalf of said corporation by authority of its Board of Directors, and said _____ and _____ then and there acknowledged said instrument to be the free act and deed of said corporation and that such corporation executed the same.

On the _____ day of _____, before me personally came _____ and _____, to me known, who, being by me duly sworn, did depose and say that they respectively reside at _____, and _____; that they are respectively a _____ and an _____ of

THE BANK OF NEW YORK, one of the corporations described in and which executed the above instrument; that they know the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that they signed their names thereto by like order.

GIVEN under my hand and notarial seal this _____ day of _____.

Notary Public, State of New York

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

On this day of , before me personally appeared

DOUGLAS J. MACINNES, to me known to be the person described in and who executed
the foregoing instrument, and acknowledged that he executed the same as his free
act and deed.

Personally came before me this day of , the above named

DOUGLAS J. MACINNES, to me known to be the person who executed the foregoing
instrument, and acknowledged the same.

On the day of , before me personally came DOUGLAS J.

MACINNES, to me known to be the person described in and who executed the
foregoing instrument, and acknowledged that he executed the same.

GIVEN under my hand and notarial seal this day of .

Notary Public, State of New York

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

TO

LASALLE BANK NATIONAL ASSOCIATION,
TRUSTEE

INDENTURE
(FOR UNSECURED DEBT SECURITIES)

DATED AS OF FEBRUARY 1, 2001

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ALLETE
 (LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)
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NOTE: THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.

INDENTURE, dated as of February 1, 2001, between ALLETE (legally incorporated as MINNESOTA POWER, INC.), a corporation duly organized and existing under the laws of the State of Minnesota (herein called the "Company"), having its principal office at 30 West Superior Street, Duluth Minnesota 55802, and LASALLE BANK NATIONAL ASSOCIATION, a corporation duly organized and existing under the laws of the United States of America, having its principal corporate trust office at 135 South LaSalle Street, Suite 1960, Chicago, Illinois 60603, as Trustee (herein called the "Trustee").

RECITAL OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (herein called the "Securities"), in an unlimited aggregate principal amount to be issued in one or more series as contemplated herein; and all acts necessary to make this Indenture a valid agreement of the Company have been performed.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned to them in Article One of this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. DEFINITIONS.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) all terms used herein without definition which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States at the

date of such computation or, at the election of the Company from time to time, at the date of the execution and delivery of this Indenture; provided, however, that in determining generally accepted accounting principles applicable to the Company, the Company shall, to the extent required, conform to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company; and

(d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Six and Article Nine, are defined in those Articles.

"ACT", when used with respect to any Holder of a Security, has the meaning specified in Section 104.

"AFFILIATE" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "CONTROL" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or through one or more intermediaries, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

"AUTHENTICATING AGENT" means any Person (other than the Company or an Affiliate of the Company) authorized by the Trustee pursuant to Section 915 to act on behalf of the Trustee to authenticate one or more series of Securities.

"AUTHORIZED OFFICER" means the Chairman of the Board, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary, or any other officer or agent of the Company duly authorized by the Board of Directors to act in respect of matters relating to this Indenture.

"BOARD OF DIRECTORS" means either the board of directors of the Company or any committee thereof duly authorized to act in respect of matters relating to this Indenture.

"BOARD RESOLUTION" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BUSINESS DAY", when used with respect to a Place of Payment or any other particular location specified in the Securities or this Indenture, means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in such Place of Payment or other location are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified as contemplated by Section 301.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the date of execution and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body, if any, performing such duties at such time.

"COMPANY" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"COMPANY REQUEST" or "COMPANY ORDER" means a written request or order signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

"CORPORATE TRUST OFFICE" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of execution and delivery of this Indenture is located in Suite 1960 at 135 South LaSalle Street, Chicago, Illinois 60603.

"CORPORATION" means a corporation, association, company, limited liability company, joint stock company or business trust.

"DEFAULTED INTEREST" has the meaning specified in Section 307.

"DISCOUNT SECURITY" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 802. "Interest" with respect to a Discount Security means interest, if any, borne by such Security at a Stated Interest Rate.

"DOLLAR" or "\$" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"EVENT OF DEFAULT" has the meaning specified in Section 801.

"GOVERNMENTAL AUTHORITY" means the government of the United States or of any State or Territory thereof or of the District of Columbia or of any county, municipality or other political subdivision of any of the foregoing, or any department, agency, authority or other instrumentality of any of the foregoing.

"GOVERNMENT OBLIGATIONS" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States and entitled to the benefit of the full faith and credit thereof; and

(b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due

in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company (which may include the Trustee or any Paying Agent) subject to Federal or state supervision or examination with a combined capital and surplus of at least \$50,000,000; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom.

"HOLDER" means a Person in whose name a Security is registered in the Security Register.

"INDENTURE" means this instrument as originally executed and delivered and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of a particular series of Securities established as contemplated by Section 301.

"INTEREST PAYMENT DATE", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"MATURITY", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as provided in such Security or in this Indenture, whether at the Stated Maturity, by declaration of acceleration, upon call for redemption or otherwise.

"OFFICER'S CERTIFICATE" means a certificate signed by an Authorized Officer and delivered to the Trustee.

"OPINION OF COUNSEL" means a written opinion of counsel, who may be counsel for the Company, or other counsel acceptable to the Trustee.

"OUTSTANDING", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(a) Securities theretofore canceled or delivered to the Security Registrar for cancellation;

(b) Securities deemed to have been paid in accordance with Section 701; and

(c) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it and the Company that such Securities are held by a bona fide purchaser or purchasers in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether or not the Holders of the requisite principal amount of the Securities Outstanding under this Indenture, or the Outstanding Securities of any series, have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether or not a quorum is present at a meeting of Holders of Securities,

(x) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor (unless the Company, such Affiliate or such obligor owns all Securities Outstanding under this Indenture, or all Outstanding Securities of each such series, as the case may be, determined without regard to this provision) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Trustee knows to be so owned shall be so disregarded; provided, however, that Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor; and

(y) the principal amount of a Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 802;

provided, further, that, in the case of any Security the principal of which is payable from time to time without presentment or surrender, the principal amount of such Security that shall be deemed to be Outstanding at any time for all purposes of this Indenture shall be the original principal amount thereof less the aggregate amount of principal thereof theretofore paid.

"PAYING AGENT" means any Person, including the Company, authorized by the Company to pay the principal of, and premium, if any, or interest, if any, on any Securities on behalf of the Company.

"PERIODIC OFFERING" means an offering of Securities of a series from time to time any or all of the specific terms of which Securities, including without limitation the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents from time to time subsequent to the initial request for the authentication and delivery of such Securities by the Trustee, all as contemplated in Section 301 and clause (b) of Section 303.

"PERSON" means any individual, corporation, partnership, limited liability partnership, joint venture, trust or unincorporated organization or any Governmental Authority.

"PLACE OF PAYMENT", when used with respect to the Securities of any series, means the place or places, specified as contemplated by Section 301, at which, subject to Section 602, principal of and premium, if any, and interest, if any, on the Securities of such series are payable.

"PREDECESSOR SECURITY" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed (to the extent lawful) to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"REDEMPTION PRICE", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

"RESPONSIBLE OFFICER", when used with respect to the Trustee, means any Vice President, Assistant Vice President, Trust Officer or other officer of the Trustee assigned by the Trustee to the Corporate Trust Administration Division of the Trustee (or any successor division or department of the Trustee).

"SECURITIES" has the meaning stated in the first recital of this Indenture and more particularly means any securities authenticated and delivered under this Indenture.

"SECURITY REGISTER" and "SECURITY REGISTRAR" have the respective meanings specified in Section 305.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

"STATED INTEREST RATE" means a rate (whether fixed or variable) at which an obligation by its terms is stated to bear simple interest. Any calculation or other determination to be made under this Indenture by reference to the Stated Interest Rate on a Security shall be made without regard to the effective interest cost to the Company of such Security and without regard to the Stated Interest Rate on, or the effective cost to the Company of, any other indebtedness in respect of which the Company's obligations are evidenced or secured in whole or in part by such Security.

"STATED MATURITY", when used with respect to any obligation or any installment of principal thereof or interest thereon, means the date on which the principal of such obligation or such installment of principal or interest is stated to be due and payable (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

"TRUST INDENTURE ACT" means, as of any time, the Trust Indenture Act of 1939, or any successor statute, as in effect at such time.

"TRUSTEE" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such with respect to one or more series of Securities pursuant to the applicable

provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"UNITED STATES" means the United States of America, its Territories, its possessions and other areas subject to its political jurisdiction.

SECTION 102. COMPLIANCE CERTIFICATES AND OPINIONS.

Except as otherwise expressly provided in this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action (including any covenants compliance with which constitutes a condition precedent) have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each Person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such Person, such condition or covenant has been complied with.

SECTION 103. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion are based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever, subsequent to the receipt by the Trustee of any Board Resolution, Officer's Certificate, Opinion of Counsel or other document or instrument, a clerical, typographical or other inadvertent or unintentional error or omission shall be discovered therein, a new document or instrument may be substituted therefor in corrected form with the same force and effect as if originally filed in the corrected form and, irrespective of the date or dates of the actual execution and/or delivery thereof, such substitute document or instrument shall be deemed to have been executed and/or delivered as of the date or dates required with respect to the document or instrument for which it is substituted. Anything in this Indenture to the contrary notwithstanding, if any such corrective document or instrument indicates that action has been taken by or at the request of the Company which could not have been taken had the original document or instrument not contained such error or omission, the action so taken shall not be invalidated or otherwise rendered ineffective but shall be and remain in full force and effect, except to the extent that such action was a result of willful misconduct or bad faith. Without limiting the generality of the foregoing, any Securities issued under the authority of such defective document or instrument shall nevertheless be the valid obligations of the Company entitled to the benefits of this Indenture equally and ratably with all other Outstanding Securities, except as aforesaid.

SECTION 104. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, election, waiver or other action provided by this Indenture to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing or, alternatively, may be embodied in and evidenced by the record of Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders duly called and held in accordance with the provisions of Article Thirteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the

"Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 901) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders shall be proved in the manner provided in Section 1306.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof or may be proved in any other manner which the Trustee and the Company deem sufficient. Where such execution is by a signer acting in a capacity other than his or her individual capacity, such certificate or affidavit shall also constitute sufficient proof of his or her authority.

(c) The principal amount (except as otherwise contemplated in clause (y) of the first proviso to the definition of Outstanding) and serial numbers of Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of a Holder shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Securities for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Securities by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proven.

(f) Securities of any series authenticated and delivered after any Act of Holders may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any action taken by such Act of Holders. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to such action may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

(g) If the Company shall solicit from Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand,

authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of the Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of the record date.

SECTION 105. NOTICES, ETC. TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with, the Trustee by any Holder or by the Company, or the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and delivered personally to an officer or other responsible employee of the addressee, or transmitted by facsimile transmission or other direct written electronic means to such telephone number or other electronic communications address as the parties hereto shall from time to time designate, or transmitted by certified or registered mail, charges prepaid, to the applicable address set below such party's name below or to such other address as either party hereto may from time to time designate:

If to the Trustee, to:

LaSalle Bank National Association
Corporate Trust Department
135 South LaSalle Street, Suite 1960
Chicago, Illinois 60603

Attention: Wayne Evans
Telephone: (312) 904-2442
Telecopy: (312) 904-2236

If to the Company, to:

ALLETE
30 West Superior Street
Duluth, Minnesota 55802

Attention: Treasurer
Telephone: (218) 723-3992
Telecopy: (218) 723-3912

Any communication contemplated herein shall be deemed to have been made, given, furnished and filed if personally delivered, on the date of delivery, if transmitted by facsimile transmission or other direct written electronic means, on the date of transmission, and if transmitted by registered mail, on the date of receipt.

SECTION 106. NOTICE TO HOLDERS OF SECURITIES; WAIVER.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given, and shall be deemed given, to Holders if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, if any, and not earlier than the earliest date, if any, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Any notice required by this Indenture may be waived in writing by the Person entitled to receive such notice, either before or after the event otherwise to be specified therein, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 107. CONFLICT WITH TRUST INDENTURE ACT.

If any provision of this Indenture limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Indenture by, or is otherwise governed by, any of the provisions of the Trust Indenture Act, such other provision shall control; and if any provision hereof otherwise conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 108. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings in this Indenture and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company and Trustee shall bind their respective successors and assigns, whether so expressed or not.

SECTION 110. SEPARABILITY CLAUSE.

In case any provision in this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. BENEFITS OF INDENTURE.

Nothing in this Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. GOVERNING LAW.

This Indenture and the Securities shall be governed by and construed in accordance with the internal laws of the State of New York, except to the extent that the law of any other jurisdiction shall be mandatorily applicable.

SECTION 113. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities other than a provision in Securities of any series, or in the Board Resolution or Officer's Certificate which establishes the terms of the Securities of such series, which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment, in each case with the same force and effect, and in the same amount, as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, as the case may be, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

ARTICLE TWO

SECURITY FORMS

SECTION 201. FORMS GENERALLY.

The definitive Securities of each series shall be in substantially the form or forms thereof established in the indenture supplemental hereto establishing such series or in a Board Resolution establishing such series, or in an Officer's Certificate pursuant to such supplemental indenture or Board Resolution, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. If the form or forms of Securities of any series are established in a Board Resolution or in an Officer's Certificate pursuant to a Board Resolution, such Board Resolution and Officer's Certificate, if any, shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities.

Unless otherwise specified as contemplated by Sections 301 or 1201(g), the Securities of each series shall be issuable in registered form without coupons. The definitive Securities shall be produced in such manner as shall be determined by the officers executing such Securities, as evidenced by their execution thereof.

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's certificate of authentication shall be in substantially the form set forth below:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

LaSalle Bank National Association
as Trustee

By: _____
Authorized Signatory

ARTICLE THREE

THE SECURITIES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. Subject to the last paragraph of this Section, prior to the authentication and delivery of Securities of any series there shall be established by specification in a supplemental indenture or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution:

(a) the title of the Securities of such series (which shall distinguish the Securities of such series from Securities of all other series);

(b) any limit upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 406 or 1206 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);

(c) the Person or Persons (without specific identification) to whom interest on Securities of such series shall be payable on any Interest Payment Date, if other than the Persons in whose names such Securities (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such interest;

(d) the date or dates on which the principal of the Securities of such series is payable or any formulary or other method or other means by which such date or dates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension);

(e) the rate or rates at which the Securities of such series shall bear interest, if any (including the rate or rates at which overdue principal shall bear interest, if different from the rate or rates at which such Securities shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any), or any formulary or other method or other means by which such rate or rates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise; the date or dates from which such interest shall accrue; the Interest Payment Dates on which such interest shall be payable and the Regular Record Date, if any, for the interest payable on such Securities on any Interest Payment Date; and the basis of computation of interest, if other than as provided in Section 310;

(f) the place or places at which or methods by which (1) the principal of and premium, if any, and interest, if any, on Securities of such series shall be payable, (2) registration of transfer of Securities of such series may be effected, (3) exchanges of Securities of such series may be effected and (4) notices and demands to or upon the Company in respect of the Securities of such series and this Indenture may be served; the Security Registrar and any Paying Agent or Agents for such series; and if such is the case, that the principal of such Securities shall be payable without presentment or surrender thereof;

(g) the period or periods within which, or the date or dates on which, the price or prices at which and the terms and conditions upon which the Securities of such series may be redeemed, in whole or in part, at the option of the Company and any restrictions on such redemptions, including but not limited to a restriction on a partial redemption by the Company of the Securities of any series, resulting in delisting of such Securities from any national exchange;

(h) the obligation or obligations, if any, of the Company to redeem or purchase the Securities of such series pursuant to any sinking fund or other mandatory redemption provisions or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which such Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and applicable exceptions to the requirements of Section 404 in the case of mandatory redemption or redemption at the option of the Holder;

(i) the denominations in which Securities of such series shall be issuable if other than denominations of One Thousand Dollars (\$1,000) and any integral multiple thereof;

(j) the currency or currencies, including composite currencies, in which payment of the principal of and premium, if any, and interest, if any, on the Securities of such series shall be payable (if other than in Dollars) and the formulary or other method or other means by which the equivalent of any such amount in Dollars is to be determined for any purpose, including for the purpose of determining the principal amount of such Securities deemed to be Outstanding at any time;

(k) if the principal of or premium, if any, or interest, if any, on the Securities of such series are to be payable, at the election of the Company or a Holder thereof, in a coin or currency other than that in which the Securities are stated to be payable, the period or periods within which and the terms and conditions upon which, such election may be made;

(l) if the principal of or premium, if any, or interest, if any, on the Securities of such series are to be payable, or are to be payable at the election of the Company or a Holder thereof, in securities or other property, the type and amount of such securities or other property, or the formulary or other method or other means by which such amount shall be determined, and the period or periods within which, and the terms and conditions upon which, any such election may be made;

(m) if the amount payable in respect of principal of or premium, if any, or interest, if any, on the Securities of such series may be determined with reference to an index or other fact or event ascertainable outside this Indenture, the manner in which such amounts shall be determined to the extent not established pursuant to clause (e) of this paragraph;

(n) if other than the principal amount thereof, the portion of the principal amount of Securities of such series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 802;

(o) any Events of Default, in addition to those specified in Section 801, with respect to the Securities of such series, and any covenants of the Company for the benefit of the Holders of the Securities of such series, in addition to those set forth in Article Six;

(p) the terms, if any, pursuant to which the Securities of such series may be converted into or exchanged for shares of capital stock or other securities of the Company or any other Person;

(q) the obligations or instruments, if any, which shall be considered to be Government Obligations in respect of the Securities of such series denominated in a currency other than Dollars or in a composite currency, and any additional or alternative provisions for the reinstatement of the Company's indebtedness in respect of such Securities after the satisfaction and discharge thereof as provided in Section 701;

(r) if the Securities of such series are to be issued in global form, (i) any limitations on the rights of the Holder or Holders of such Securities to transfer or exchange the same or to obtain the registration of transfer thereof, (ii) any limitations on the rights of the Holder or Holders thereof to obtain certificates therefor in definitive form in lieu of temporary form and (iii) any and all other matters incidental to such Securities;

(s) if the Securities of such series are to be issuable as bearer securities, any and all matters incidental thereto which are not specifically addressed in a supplemental indenture as contemplated by clause (g) of Section 1201;

(t) to the extent not established pursuant to clause (r) of this paragraph, any limitations on the rights of the Holders of the Securities of such Series to transfer or exchange such Securities or to obtain the registration of transfer thereof; and if a service charge will be made for the registration of transfer or exchange of Securities of such series the amount or terms thereof;

(u) any exceptions to Section 113, or variation in the definition of Business Day, with respect to the Securities of such series;

(v) any collateral security, assurance or guarantee for the Securities of such series;

(w) the non-applicability of Section 608 to the Securities of such Series or any exceptions or modifications of Section 608 with respect to the Securities of such Series; any rights or duties of another Person to assume the obligations of the Company with respect to the Securities of such series (whether as joint obligor, primary obligor, secondary obligor or substitute obligor) and any rights or duties to discharge and release any obligor with respect to the Securities of such series or the Indenture to the extent related to such series;

(x) any rights to change or eliminate any provision of this Indenture or to add any new provision to this Indenture (by supplemental indenture or otherwise) without the consent of the Holders of the Securities of such series; and

(y) any other terms of the Securities of such series not inconsistent with the provisions of this Indenture.

With respect to Securities of a series subject to a Periodic Offering, the indenture supplemental hereto or the Board Resolution which establishes such series, or the Officer's Certificate pursuant to such supplemental indenture or Board Resolution, as the case may be, may provide general terms or parameters for Securities of such series and provide either that the specific terms of Securities of such series shall be specified in a Company Order or that such terms shall be determined by the Company or its agents in accordance with procedures specified in a Company Order as contemplated by clause (b) of Section 303.

Unless otherwise specified with respect to a series of Securities pursuant to Section 301(b), any limit upon the aggregate principal amount of a series of Securities may be increased without the consent of any Holders and additional Securities of such series may be authenticated and delivered up to the limit upon the aggregate principal amount authorized with respect to such series as so increased.

SECTION 302. DENOMINATIONS.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, the Securities of each series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiple thereof.

SECTION 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, the Securities shall be executed on behalf of the Company by an Authorized Officer and may have the corporate seal of the Company affixed thereto or reproduced thereon attested by any other Authorized Officer. The signature of any or all of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of execution Authorized Officers shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

The Trustee shall authenticate and deliver Securities of a series, for original issue, at one time or from time to time in accordance with the Company Order referred to below, upon receipt by the Trustee of:

(a) the instrument or instruments establishing the form or forms and terms of such series, as provided in Sections 201 and 301;

(b) a Company Order requesting the authentication and delivery of such Securities and, to the extent that the terms of such Securities shall not have been established in an indenture supplemental hereto or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or Board Resolution, all as contemplated by Sections 201 and 301, either (i) establishing such terms or (ii) in the case of Securities of a series subject to a Periodic Offering, specifying procedures, acceptable to the Trustee, by which such terms are to be established (which procedures may provide, to the extent acceptable to the Trustee, for authentication and delivery pursuant to oral or electronic instructions from the Company or any agent or agents thereof, which oral instructions are to be promptly confirmed electronically or in writing), in either case in accordance with the instrument or instruments delivered pursuant to clause (a) above;

(c) the Securities of such series, executed on behalf of the Company by an Authorized Officer;

(d) an Opinion of Counsel to the effect that:

(i) the form or forms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture;

(ii) the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture; and

(iii) such Securities, when authenticated and delivered by the Trustee and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will have been duly issued under this Indenture and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by this Indenture, and enforceable in accordance with their terms, except as the same may be limited by laws relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency laws and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

provided, however, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication and delivery of such Securities (provided

that such Opinion of Counsel addresses the authentication and delivery of all Securities of such series) and that, in lieu of the opinions described in clauses (ii) and (iii) above, Counsel may opine that:

(x) when the terms of such Securities shall have been established pursuant to a Company Order or Orders or pursuant to such procedures acceptable to the Trustee as may be specified from time to time by a Company Order or Orders, all as contemplated by and in accordance with the instrument or instruments delivered pursuant to clause (a) above, such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of this Indenture; and

(y) such Securities, when authenticated and delivered by the Trustee in accordance with this Indenture and the Company Order or Orders or specified procedures referred to in paragraph (x) above and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will have been duly issued under this Indenture and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by the Indenture, and enforceable in accordance with their terms, except as the same may be limited by laws relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency laws, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the form and terms thereof and the legality, validity, binding effect and enforceability thereof, and compliance of the authentication and delivery thereof with the terms and conditions of this Indenture, upon the Opinion of Counsel and other documents delivered pursuant to Sections 201 and 301 and this Section, as applicable, at or prior to the time of the first authentication of Securities of such series unless and until such opinion or other documents have been superseded or revoked or expire by their terms. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any applicable law or any applicable rule, regulation or order of any Governmental Authority having jurisdiction over the Company.

If the form or terms of the Securities of any series have been established by or pursuant to a Board Resolution or an Officer's Certificate as permitted by Sections 201 or 301, the Trustee shall not be required to authenticate such Securities if the issuance of such Securities pursuant to this Indenture will materially or adversely affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, each Security shall be dated the date of its authentication.

Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, no Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided

for herein executed by the Trustee or an Authenticating Agent by manual signature of an authorized signatory thereof, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold by the Company, and the Company shall deliver such Security to the Security Registrar for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Officer's Certificate or an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

SECTION 304. TEMPORARY SECURITIES.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities; provided, however, that temporary Securities need not recite specific redemption, sinking fund, conversion or exchange provisions.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, after the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable, without charge to the Holder thereof, for definitive Securities of such series upon surrender of such temporary Securities at the office or agency of the Company maintained pursuant to Section 602 in a Place of Payment for such Securities. Upon such surrender of temporary Securities for such exchange, the Company shall, except as aforesaid, execute and the Trustee shall authenticate and deliver in exchange therefor definitive Securities of the same series, of authorized denominations and of like tenor and aggregate principal amount.

Until exchanged in full as hereinabove provided, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and of like tenor authenticated and delivered hereunder.

SECTION 305. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.

The Company shall cause to be kept in each office designated pursuant to Section 602, with respect to the Securities of each series, a register (all registers kept in accordance with this Section being collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities of such series and the registration of transfer thereof. The Company shall designate one Person to maintain the Security Register for the Securities of each series on a consolidated basis, and such Person is referred to herein, with respect to such series, as the "Security Registrar." Anything herein to the

contrary notwithstanding, the Company may designate one or more of its offices as an office in which a register with respect to the Securities of one or more series shall be maintained, and the Company may designate itself the Security Registrar with respect to one or more of such series. The Security Register shall be open for inspection by the Trustee and the Company at all reasonable times.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, upon surrender for registration of transfer of any Security of such series at the office or agency of the Company maintained pursuant to Section 602 in a Place of Payment for such series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, of authorized denominations and of like tenor and aggregate principal amount.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, any Security of such series may be exchanged at the option of the Holder, for one or more new Securities of the same series, of authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities delivered upon any registration of transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Trustee or the Security Registrar) be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Security Registrar, as the case may be, duly executed by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise specified as contemplated by Section 301 with respect to Securities of any series, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 406 or 1206 not involving any transfer.

The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Securities of any series during a period of 15 days immediately preceding the date of the mailing of any notice of redemption of such Securities called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 306. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the ownership of and the destruction, loss or theft of any Security and (b) such security or indemnity as may be reasonably required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security is held by a Person purporting to be the owner of such Security, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

Notwithstanding the foregoing, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone other than the Holder of such new Security, and any such new Security shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the related Regular Record Date by virtue of having been such Holder, and

such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall promptly cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at the address of such Holder as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date.

(b) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to interest which may accrue, which were carried by such other Security.

SECTION 308. PERSONS DEEMED OWNERS.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and premium, if any, and (subject to Sections 305 and 307) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue,

and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. CANCELLATION BY SECURITY REGISTRAR.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Security Registrar, be delivered to the Security Registrar and, if not theretofore canceled, shall be promptly canceled by the Security Registrar. The Company may at any time deliver to the Security Registrar for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever or which the Company shall not have issued and sold, and all Securities so delivered shall be promptly canceled by the Security Registrar. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities held by the Security Registrar shall be disposed of in accordance with a Company Order delivered to the Security Registrar and the Trustee, and the Security Registrar shall promptly deliver a certificate of disposition to the Trustee and the Company unless, by a Company Order, similarly delivered, the Company shall direct that canceled Securities be returned to it. The Security Registrar shall promptly deliver evidence of any cancellation of a Security in accordance with this Section 309 to the Trustee and the Company.

SECTION 310. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year consisting 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 such period.

SECTION 311. PAYMENT TO BE IN PROPER CURRENCY.

In the case of the Securities of any series denominated in any currency other than Dollars or in a composite currency (the "Required Currency"), except as otherwise specified with respect to such Securities as contemplated by Section 301, the obligation of the Company to make any payment of the principal thereof, or the premium, if any, or interest, if any, thereon, shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is in a currency other than the Required Currency, the Trustee may take such actions as it considers appropriate to exchange such currency for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any shortfall or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor except in the case of its negligence or willful misconduct.

ARTICLE FOUR

REDEMPTION OF SECURITIES

SECTION 401. APPLICABILITY OF ARTICLE.

Securities of any series which are redeemable before their Stated Maturity (or, if the principal of the Securities of any series is payable in installments, the Stated Maturity of the final installment of the principal thereof) shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of such series) in accordance with this Article.

SECTION 402. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution or an Officer's Certificate. The Company shall, at least 45 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of such Securities to be redeemed. In the case of any redemption of Securities (a) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with such restriction or condition.

SECTION 403. SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected by the Trustee from the Outstanding Securities of such series not previously called for redemption, by such method as shall be provided for any particular series, or, in the absence of any such provision, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of such series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of such series; provided, however, that if, as indicated in an Officer's Certificate, the Company shall have offered to purchase all or any principal amount of the Securities then Outstanding of any series, and less than all of such Securities as to which such offer was made shall have been tendered to the Company for such purchase, the Trustee, if so directed by Company Order, shall select for redemption all or any principal amount of such Securities which have not been so tendered.

The Trustee shall promptly notify the Company and the Security Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected to be redeemed in part, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 404. NOTICE OF REDEMPTION.

Notice of redemption shall be given in the manner provided in Section 106 to the Holders of the Securities to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

All notices of redemption shall state:

(a) the Redemption Date,

(b) the Redemption Price, or the formula pursuant to which the Redemption Price is to be determined if the Redemption Price cannot be determined at the time the notice is given,

(c) if less than all the Securities of any series are to be redeemed, the identification of the particular Securities to be redeemed and the portion of the principal amount of any Security to be redeemed in part and, in the case of any such Security of such series to be redeemed in part, that, on and after the Redemption Date, upon surrender of such Security, a new Security or Securities of such series in principal amount equal to the remaining unpaid principal amount thereof will be issued as provided in Section 406,

(d) that on the Redemption Date the Redemption Price, together with accrued interest, if any, to the Redemption Date, will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(e) the place or places where such Securities are to be surrendered for payment of the Redemption Price and accrued interest, if any, unless it shall have been specified as contemplated by Section 301 with respect to such Securities that such surrender shall not be required,

(f) that the redemption is for a sinking or other fund, if such is the case,

(g) the CUSIP numbers, if any, assigned to such Securities; provided however, that such notice may state that no representation is made as to the correctness of CUSIP numbers, and the redemption of such Securities shall not be affected by any defect in or omission of such number, and

(h) such other matters as the Company shall deem desirable or appropriate.

Unless otherwise specified with respect to any Securities in accordance with Section 301, with respect to any notice of redemption of Securities at the election of the Company, unless, upon the giving of such notice, such Securities shall be deemed to have been paid in accordance with Section 701, such notice may state that such redemption shall be conditional upon the receipt by the Paying Agent or Agents for such Securities, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Securities and that if such money shall not have been so received such notice shall be of no force or effect and the Company shall not be required to redeem such Securities. In the

event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received and such redemption was not required to be made, and the Paying Agent or Agents for the Securities otherwise to have been redeemed shall promptly return to the Holders thereof any of such Securities which had been surrendered for payment upon such redemption.

Notice of redemption of Securities to be redeemed at the election of the Company, and any notice of non-satisfaction of a condition for redemption as aforesaid, shall be given by the Company or, at the Company's request, by the Security Registrar in the name and at the expense of the Company. Notice of mandatory redemption of Securities shall be given by the Security Registrar in the name and at the expense of the Company.

SECTION 405. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Securities or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Securities or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with such notice, such Security or portion thereof shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that no such surrender shall be a condition to such payment if so specified as contemplated by Section 301 with respect to such Security; and provided, further, that except as otherwise specified as contemplated by Section 301 with respect to such Security, any installment of interest on any Security the Stated Maturity of which installment is on or prior to the Redemption Date shall be payable to the Holder of such Security, or one or more Predecessor Securities, registered as such at the close of business on the related Regular Record Date according to the terms of such Security and subject to the provisions of Section 307.

SECTION 406. SECURITIES REDEEMED IN PART.

Upon the surrender of any Security which is to be redeemed only in part at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities of the same series, of any authorized denomination requested by such Holder and of like tenor and in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE FIVE

SINKING FUNDS

SECTION 501. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of the Securities of any series, except as otherwise specified as contemplated by Section 301 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 502. Each sinking fund payment shall be applied to the redemption of Securities of the series in respect of which it was made as provided for by the terms of such Securities.

SECTION 502. SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES.

The Company (a) may deliver to the Trustee Outstanding Securities (other than any previously called for redemption) of a series in respect of which a mandatory sinking fund payment is to be made and (b) may apply as a credit Securities of such series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities or Outstanding Securities purchased by the Company, in each case in satisfaction of all or any part of such mandatory sinking fund payment with respect to the Securities of such series; provided, however, that no Securities shall be applied in satisfaction of a mandatory sinking fund payment if such Securities shall have been previously so applied. Securities so applied shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 503. REDEMPTION OF SECURITIES FOR SINKING FUND.

Not less than 45 days prior to each sinking fund payment date for the Securities of any series, the Company shall deliver to the Trustee an Officer's Certificate specifying:

- (a) the amount of the next succeeding mandatory sinking fund payment for such series;
- (b) the amount, if any, of the optional sinking fund payment to be made together with such mandatory sinking fund payment;
- (c) the aggregate sinking fund payment;

(d) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by the payment of cash; and

(e) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by delivering and crediting Securities of such series pursuant to Section 502 and stating the basis for such credit and that such Securities have not previously been so credited, and the Company shall also deliver to the Trustee any Securities to be so delivered. If the Company shall not deliver such Officer's Certificate, the next succeeding sinking fund payment for such series shall be made entirely in cash in the amount of the mandatory sinking fund payment. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 403 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 404. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 405 and 406.

ARTICLE SIX

COVENANTS

SECTION 601. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.

The Company shall pay the principal of and premium, if any, and interest, if any, on the Securities of each series in accordance with the terms of such Securities and this Indenture.

SECTION 602. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in each Place of Payment for the Securities of each series an office or agency where payment of such Securities shall be made, where the registration of transfer or exchange of such Securities may be effected and where notices and demands to or upon the Company in respect of such Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of each such office or agency and prompt notice to the Holders of any such change in the manner specified in Section 106. If at any time the Company shall fail to maintain any such required office or agency in respect of Securities of any series, or shall fail to furnish the Trustee with the address thereof, payment of such Securities shall be made, registration of transfer or exchange thereof may be effected and notices and demands in respect thereof may be served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent for all such purposes in any such event.

The Company may also from time to time designate one or more other offices or agencies with respect to the Securities of one or more series, for any or all of the foregoing purposes and may from time to time rescind such designations; provided, however, that, unless otherwise specified as contemplated by Section 301 with respect to the Securities of such series, no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes in each Place of Payment for such Securities in accordance with the requirements set forth above.

The Company shall give prompt written notice to the Trustee, and prompt notice to the Holders in the manner specified in Section 106, of any such designation or rescission and of any change in the location of any such other office or agency.

Anything herein to the contrary notwithstanding, any office or agency required by this Section may be maintained at an office of the Company, in which event the Company shall perform all functions to be performed at such office or agency.

SECTION 603. MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to the Securities of any series, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on any of such Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided. The Company shall promptly notify the Trustee of any failure by the Company (or any other obligor on such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities.

Whenever the Company shall have one or more Paying Agents for the Securities of any series, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on such Securities, deposit with such Paying Agents sums sufficient (without duplication) to pay the principal and premium or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of any failure by it so to act.

The Company shall cause each Paying Agent for the Securities of any series, other than the Company or the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(a) hold all sums held by it for the payment of the principal of and premium, if any, or interest, if any, on such Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any failure by the Company (or any other obligor upon such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent and furnish to the Trustee such information as it possesses regarding the names and addresses of the Persons entitled to such sums.

The Company may at any time pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent and, if so stated in a Company Order delivered to the Trustee, in accordance with the provisions of Article Seven; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and premium, if any, or interest, if any, on any Security and remaining unclaimed for two years after such principal and premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or, if then held by the Company, shall be discharged from such trust; and, upon such payment or discharge, the Holder of such Security shall, as an unsecured general creditor and not as a Holder of an Outstanding Security, look only to the Company for payment of the amount so due and payable and remaining unpaid, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such payment to the Company, may at the expense of the Company cause to be mailed, on one occasion only, notice to such Holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company.

SECTION 604. CORPORATE EXISTENCE.

Subject to the rights of the Company under Article Eleven, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 605. MAINTENANCE OF PROPERTIES.

The Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) all its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the judgment of the Company, may be necessary so that the business carried on in connection therewith may be properly conducted; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any of its properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business.

SECTION 606. ANNUAL OFFICER'S CERTIFICATE AS TO COMPLIANCE.

Not later than September 15 in each year, commencing September 15, 2001, the Company shall deliver to the Trustee an Officer's Certificate which need not comply with Section 102, executed by the principal executive officer, the principal financial officer or the principal accounting officer of the

Company, as to (i) such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture, such compliance to be determined without regard to any period of grace or requirement of notice under this Indenture and (ii) any other statements as may be required by the provisions of Section 314(a) of the Trust Indenture Act.

SECTION 607. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in (a) Section 602 or any additional covenant or restriction specified with respect to the Securities of any series, as contemplated by Section 301, if before the time for such compliance the Holders of at least a majority in aggregate principal amount of the Outstanding Securities of all series with respect to which compliance with Section 602 or such additional covenant or restriction is to be omitted, considered as one class, shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition and (b) Section 604, 605 or Article Eleven if before the time for such compliance the Holders of at least a majority in principal amount of Securities Outstanding under this Indenture shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition; but, in the case of (a) or (b), no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 608. LIMITATION ON LIENS.

(a) Except as otherwise specified as contemplated by Section 301 for Securities of any series, so long as any Securities of any series are Outstanding, the Company shall not suffer any Lien (other than Permitted Liens) to be created or to exist upon

(i) shares of capital stock of majority owned subsidiaries of the Company to the extent that such capital stock is directly owned by the Company or

(ii) any of the electric utility property of the Company, including without limitation, any electric utility plants, lines, pipes, mains, cables, machinery, boilers, transmission lines, pipe lines, stations, buildings, generators, power houses, transformers, towers, poles, insulators, distribution systems or supply systems or other property, real or personal, or improvements, extensions, additions, renewals or replacements of the foregoing used or useful or to be used in or in connection with the business of generating, manufacturing, producing, transmitting, transporting, distributing or supplying electricity or hot water for light, heat, power, refrigeration or other purposes, or steam or hot water for power, heat or other purposes, or any other property of the Company, real, personal or mixed, of whatever kind or nature, whether owned at the date of the execution and delivery of this Indenture or hereafter acquired (other than Excepted Property with respect to all of the property described in this subsection (a)(ii) of this Section),

all except as expressly contemplated in subsection (b) of this Section.

(b) The provisions of subsection (a) shall not prohibit the creation or existence of any Lien on property of the Company which secures indebtedness for borrowed money if either:

(1) the Company shall make effective provision whereby the Outstanding Securities shall be secured equally and ratably with the indebtedness secured by such Lien; or

(2) the Company shall deliver to the Trustee bonds, notes or other evidences of indebtedness secured by such Lien (hereinafter called "Secured Obligations") (i) in an aggregate principal amount equal to the aggregate principal amount of each series then Outstanding, (ii) maturing (or being subject to mandatory redemption) on the Stated Maturities of such series and (iii) containing, in addition to any mandatory redemption provisions applicable to all Secured Obligations outstanding under such Lien and any mandatory redemption provisions contained therein pursuant to clause (ii) above, mandatory redemption provisions correlative to the provisions, if any, for the mandatory redemption (pursuant to a sinking fund or otherwise) of the Securities of such series or for the redemption thereof at the option of the Holder, as well as a provision for mandatory redemption upon an acceleration of the maturity of all Outstanding Securities of such series following an Event of Default (such mandatory redemption to be rescinded upon the rescission of such acceleration); it being expressly understood that such Secured Obligations (x) may, but need not, bear interest, (y) may, but need not, contain provisions for the redemption thereof at the option of the issuer, any such redemption to be made at a redemption price or prices not less than the principal amount thereof and (z) shall be held by the Trustee for the benefit of the Holders of all Securities of such series from time to time Outstanding subject to such terms and conditions relating to surrender to the Company, transfer restrictions, voting, application of payments of principal and interest and other matters as shall be set forth in an indenture supplemental hereto specifically providing for the delivery to the Trustee of such Secured Obligations.

(c) If the Company shall elect either of the alternatives described in subsection (b), the Company shall deliver to the Trustee:

(1) an amendment to this Indenture (i) together with evidence of appropriate inter-creditor arrangements, whereby this Indenture shall be secured by the Lien referred to in subsection (b) equally and ratably with all other indebtedness secured by such Lien or (ii) providing for the delivery to the Trustee of Secured Obligations;

(2) an Officer's Certificate (i) stating that, to the knowledge of the signer, (x) no Event of Default has occurred and is continuing and (y) no event has occurred and is continuing which entitles the secured party under such Lien to accelerate the maturity of the indebtedness outstanding thereunder and (y) stating the aggregate principal amount of indebtedness issuable, and then proposed to be issued, under and secured by such Lien;

(3) an Opinion of Counsel (i) if this Indenture is to be secured by such Lien, to the effect that all Securities then Outstanding are entitled to the benefit of such Lien equally and ratably with all other indebtedness outstanding under such Lien or (ii) if Secured Obligations are to be delivered to the Trustee, to the effect that such Secured Obligations have been duly issued under such Lien and constitute valid obligations, entitled to the benefit of such Lien equally and ratably with all other indebtedness then outstanding under such Lien.

(d) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

"EXCEPTED PROPERTY" means

(1) all cash on hand or in banks or other financial institutions, deposit accounts, shares of stock, interests in general or limited partnerships, bonds, notes, evidences of indebtedness and other securities not hereafter paid or delivered to, deposited with or held by the Trustee hereunder or required so to be, other than shares of capital stock of majority owned subsidiaries of the Company to the extent such capital stock is directly owned by the Company;

(2) all contracts, leases, operating agreements, and other agreements of whatsoever kind and nature; all contract rights, bills, notes and other instruments and chattel paper (except to the extent that any of the same constitute securities, in which case they are separately excepted from this Indenture under clause (1) above); all revenues, income and earnings, all accounts, accounts receivable and unbilled revenues, and all rents, tolls, issues, product and profits, claims, credits, demands and judgments; all governmental and other licenses, permits, franchises, consents and allowances; all patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights, claims, credits, choses in action and other intangible property and general intangibles including, but not limited to, computer software;

(3) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment; all rolling stock, rail cars and other railroad equipment; all vessels, boats, barges and other marine equipment; all airplanes, helicopters, aircraft engines and other flight equipment; all parts, accessories and supplies used in connection with any of the foregoing; and all personal property of such character that the perfection of a security interest therein or other Lien thereon is not governed by the Uniform Commercial Code as in effect in the jurisdiction in which such property is located;

(4) all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of any property of the Company; all fuel, including nuclear fuel, whether or not any such fuel is in a form consumable in the operation of any property of the Company, including separate components of any fuel in the forms in

which such components exist at any time before, during or after the period of the use thereof as fuel; all hand and other portable tools and equipment; all furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes or are otherwise not necessary for the operation or maintenance of the facilities, machinery, equipment or fixtures of the Company for (i) the generation, transmission or distribution of electric energy, (ii) the transmission, storage or distribution of gas or (iii) the appropriation, storage, transmission or distribution of water;

(5) all coal, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land; and all electric energy, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by the Company;

(6) all real property, leaseholds, gas rights, wells, gathering, tap or other pipe lines, or facilities, equipment or apparatus, in any case used or to be used primarily for the production or gathering of natural gas;

(7) all hydroelectric plants and all lands, power sites, flowage rights, water rights, riparian rights, permits, licenses, franchises, privileges, leaseholds, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, aqueducts, structures, facilities, equipment, or apparatus, in any case used or to be used primarily in connection with the Company's hydroelectric plants; and

(8) all leasehold interests held by the Company as lessee.

"LIEN" means any mortgage, deed of trust, pledge, security interest, encumbrance, easement, lease, reservation, restriction, servitude, charge or similar right and any other lien of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, and any defect, irregularity, exception or limitation in record title.

"PERMITTED LIENS" means, as of any particular time, any of the following:

(1) Liens for taxes, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith by appropriate proceedings;

(2) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' Liens, other Liens incident to construction, Liens or privileges of any employees of the Company for salary or wages earned, but not yet payable, and other Liens, including without limitation Liens for worker's compensation awards, arising in the ordinary course of business for charges or requirements

which are not delinquent or which are being contested in good faith and by appropriate proceedings;

(3) Liens in respect of attachments, judgments or awards arising out of judicial or administrative proceedings (i) in an aggregate amount not exceeding Ten Million Dollars (\$10,000,000) or (ii) with respect to which the Company shall (x) in good faith be prosecuting an appeal or other proceeding for review and with respect to which the Company shall have secured a stay of execution pending such appeal or other proceeding or (y) have the right to prosecute an appeal or other proceeding for review;

(4) easements, leases, reservations or other rights of others in, on, over, and/or across, and laws, regulations and restrictions affecting, and defects, irregularities, exceptions and limitations in title to, the property of the Company or any part thereof; provided, however, that such easements, leases, reservations, rights, laws, regulations, restrictions, defects, irregularities, exceptions and limitations do not in the aggregate materially impair the use by the Company of its property considered as a whole for the purposes for which it is held by the Company;

(5) defects, irregularities, exceptions and limitations in title to real property subject to rights-of-way in favor of the Company or otherwise or used or to be used by the Company primarily for right-of-way purposes or real property held under lease, easement, license or similar right; provided, however, that (i) the Company shall have obtained from the apparent owner or owners of such real property a sufficient right, by the terms of the instrument granting such right-of-way, lease, easement, license or similar right, to the use thereof for the purposes for which the Company acquired the same, (ii) the Company has power under eminent domain or similar statutes to remove such defects, irregularities, exceptions or limitations or (iii) such defects, irregularities, exceptions and limitations may be otherwise remedied without undue effort or expense; and defects, irregularities, exceptions and limitations in title to flood lands, flooding rights and/or water rights;

(6) Liens securing indebtedness or other obligations neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest upon real property or rights in or relating to real property acquired by the Company for the purpose of the transmission or distribution of electric energy, gas or water, for the purpose of telephonic, telegraphic, radio, wireless or other electronic communication or otherwise for the purpose of obtaining rights-of-way;

(7) leases existing at the date of the execution and delivery of this Indenture affecting properties owned by the Company at said date and renewals and extensions thereof; and leases affecting such properties entered into after such date or affecting properties acquired by the Company after such date which, in either case, (i) have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by the Company of such properties for the respective purposes for which they are held by the Company;

(8) Liens vested in lessors, licensors, franchisors or permittees for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings;

(9) controls, restrictions, obligations, duties and/or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or orders of Governmental Authorities, upon any property of the Company or the operation or use thereof or upon the Company with respect to any of its property or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserved to or otherwise vested in Governmental Authorities to impose any such controls, restrictions, obligations, duties and/or other burdens;

(10) rights which Governmental Authorities may have by virtue of franchises, grants, licenses, permits or contracts, or by virtue of law, to purchase, recapture or designate a purchaser of or order the sale of, any property of the Company, to terminate franchises, grants, licenses, permits, contracts or other rights or to regulate the property and business of the Company; and any and all obligations of the Company correlative to any such rights;

(11) Liens required by law or governmental regulations (i) as a condition to the transaction of any business or the exercise of any privilege or license, (ii) to enable the Company to maintain self-insurance or to participate in any funds established to cover any insurance risks, (iii) in connection with workmen's compensation, unemployment insurance, social security, any pension or welfare benefit plan or (iv) to share in the privileges or benefits required for companies participating in one or more of the arrangements described in clauses (ii) and (iii) above;

(12) Liens on property of the Company which are granted by the Company to secure duties or public or statutory obligations or to secure, or serve in lieu of, surety, stay or appeal bonds;

(13) rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other products, developed, produced, manufactured, generated, purchased or otherwise acquired by the Company or by others on property of the Company;

(14) (i) rights and interests of Persons other than the Company arising out of contracts, agreements and other instruments to which the Company is a party and which relate to the common ownership or joint use of property; and (ii) all Liens on the interests of Persons other than the Company in property owned in common by such Persons and

the Company if and to the extent that the enforcement of such Liens would not adversely affect the interests of the Company in such property in any material respect;

(15) any restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public service corporation;

(16) any Liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made;

(17) grants, by the Company of easements, ground leases or rights-of-way in, upon, over and/or across the property or rights-of-way of the Company for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines, railways, removal of coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment; provided, however, that no such grant shall materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by the Company;

(18) Prepaid Liens;

(19) Purchase Money Liens and any other Liens existing or placed upon property at the time of, or within one hundred eighty (180) days after, the acquisition thereof by the Company, and any extensions, renewals and/or replacements of any such Liens to secure any refundings, refinancings and/or replacements of the indebtedness secured thereby; provided, however, that no such Purchase Money Lien or other Lien shall extend to or cover any property of the Company other than (i) the property so acquired and improvements, extensions and additions to such property and renewals, replacements and substitutions of or for such property or any part or parts thereof and (ii) with respect to Purchase Money Liens, other property subsequently acquired by the Company;

(20) Liens on property of the Company which secure indebtedness for borrowed money which matures less than one year from the date of the issuance or incurrence thereof and is not extendible at the option of the issuer, and any extensions, renewals and/or replacements of any such Liens to secure any refundings, refinancings and/or replacements of such indebtedness by or with similar indebtedness;

(21) Liens created or assumed by the Company in connection with the issuance of debt securities the interest on which is not included in gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (or any successor provision of law), for the purpose of financing, in whole or in part, the acquisition or construction of property to be used by the Company, to the extent that such Lien is required in connection with the issuance of such debt securities either by applicable law or by the issuer of such debt securities or is otherwise necessary in order to establish or maintain such exclusion from gross income; and any

extensions, renewals and/or replacements of any such Liens to secure any refundings, refinancings and/or replacement of such debt securities by or with similar securities;

(22) Liens securing indebtedness or lease obligations (i) which are related to the construction or acquisition of property not previously owned by the Company or (ii) which are related to the financing of a project involving the development or expansion of property of the Company and (iii) the obligee in respect of which has no recourse to the Company or any property of the Company other than the property constructed or acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (or the proceeds thereof);

(23) Liens created by the Mortgage and Deed of Trust dated September 1, 1945 between the Company and Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas I. MacInnes, successor), as Trustees, as heretofore and hereafter supplemented and amended (the "Mortgage"); and Liens created by any other indenture hereafter executed by the Company pursuant to which bonds issued under the Mortgage are or are to be delivered to the trustee(s) under such indenture in a principal amount at least equal to the principal amount of debt securities to be secured by such indenture;

(24) any mortgage, pledge, security interest, Lien or encumbrance upon any shares of capital stock of majority owned subsidiaries of the Company to the extent such capital stock is directly owned by the Company, created at the time of the acquisition of such capital stock by the Company, or within 270 days after such time, to secure all or a portion of the purchase price for such capital stock;

(25) any mortgage, pledge, security interest, Lien or encumbrance upon any such capital stock existing thereon at the time of the acquisition thereof by the Company (whether or not the obligations secured thereby are assumed by the Company and whether or not such mortgage, pledge, security interest, Lien or encumbrance was created in contemplation of such acquisition);

(26) any extension, renewal or replacement of any mortgage, pledge, security interest, Lien or encumbrance permitted by Subsection (24) or (25) above, or of any indebtedness for borrowed money secured thereby; provided that the principal amount of indebtedness so secured immediately following the time of such extension, renewal or replacement shall not exceed the principal amount of indebtedness so secured immediately preceding the time of such extension, renewal or replacement, and that such extension, renewal or replacement mortgage, pledge, security interest, Lien or encumbrance shall be limited to no more than the same proportion of all shares of capital stock as were covered by the mortgage, pledge, security interest, Lien or encumbrance that was extended, renewed or replaced; or

(27) in addition to the Permitted Liens defined in clauses (1) through (26) above, Liens on any property of the Company (other than Excepted Property) to secure indebtedness for borrowed money (under circumstances not otherwise excepted from the operation of this

Section) in an aggregate principal amount not exceeding 2.5% of the total assets of the Company and its consolidated subsidiaries, as shown on the latest balance sheet of the Company and its consolidated subsidiaries, audited by independent certified public accountants, dated prior to the date of the issuance or incurrence of such indebtedness.

"PREPAID LIEN" means any Lien securing indebtedness for the payment, prepayment or redemption of which there shall have been irrevocably deposited in trust with the trustee or other holder of such Lien moneys and/or Investment Securities which (together with the interest reasonably expected to be earned from the investment and reinvestment in Investment Securities of the moneys and/or the principal of and interest on the Investment Securities so deposited) shall be sufficient for such purpose; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the instrument creating such Lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder. As used herein, the term "Investment Securities" means any of the following obligations or securities on which neither the Company, any other obligor on the Outstanding Securities nor any Affiliate of either is the obligor: (a) Government Obligations; (b) interest bearing deposit accounts (which may be represented by certificates of deposit) in any national or state bank (which may include the Trustee or any Paying Agent) or savings and loan association which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (c) bankers' acceptances drawn on and accepted by any commercial bank (which may include the Trustee or any Paying Agent) which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (d) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States or the District of Columbia, or any political subdivision of any of the foregoing, which are rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (e) bonds or other obligations of any agency or instrumentality of the United States; (f) corporate debt securities which are rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (g) repurchase agreements with respect to any of the foregoing obligations or securities with any banking or financial institution (which may include the Trustee or any Paying Agent) which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (h) securities issued by any regulated investment company (including any investment company for which the Trustee or any Paying Agent is the advisor), as defined in Section 851 of the Internal Revenue Code of 1986, as amended, or any successor section of such Code or successor federal statute, provided that the portfolio of such investment company is limited to obligations or securities of the character and investment

quality contemplated in clauses (a) through (f) above and repurchase agreements which are fully collateralized by any of such obligations or securities; and (i) any other obligations or securities which may lawfully be purchased by the Trustee in its capacity as such.

"PURCHASE MONEY LIEN" means, with respect to any property being acquired by the Company, a Lien on such property which

(1) is taken or retained by the transferor of such property to secure all or part of the purchase price thereof;

(2) is granted to one or more Persons other than the transferor which, by making advances or incurring an obligation, give value to enable the grantor of such Lien to acquire rights in or the use of such property;

(3) is held by a trustee or agent for the benefit of one or more Persons described in clause (a) or (b) above, provided that such Lien may be held, in addition, for the benefit of one or more other Persons which shall have theretofore given, or may thereafter give, value to or for the benefit or account of the grantor of such Lien for one or more other purposes; or

(4) otherwise constitutes a purchase money mortgage or a purchase money security interest under applicable law;

and, without limiting the generality of the foregoing, for purposes of this Indenture, the term Purchase Money Lien shall be deemed to include any Lien described above whether or not such Lien (i) shall permit the issuance or other incurrence of additional indebtedness secured by such Lien on such property, (ii) shall permit the subjection to such Lien of additional property and the issuance or other incurrence of additional indebtedness on the basis thereof and/or (iii) shall have been granted prior to the acquisition of such property, shall attach to or otherwise cover property other than the property being acquired and/or shall secure obligations issued prior and/or subsequent to the issuance of the obligations delivered in connection with such acquisition.

ARTICLE SEVEN

SATISFACTION AND DISCHARGE

SECTION 701. DEFEASANCE.

Any Security or Securities, or any portion of the principal amount thereof, shall be deemed to have been paid for all purposes of this Indenture, and the entire indebtedness of the Company in respect thereof shall be deemed to have been satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

(a) money in an amount which shall be sufficient, or

(b) in the case of a deposit made prior to the Maturity of such Securities or portions thereof, Government Obligations, which shall not contain provisions permitting the redemption or other prepayment thereof at

the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Trustee or such Paying Agent, shall be sufficient, or

(c) a combination of (a) or (b) which shall be sufficient,

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on or prior to Maturity; provided, however, that in the case of the provision for payment or redemption of less than all the Securities of any series, such Securities or portions thereof shall have been selected by the Trustee as provided herein and, in the case of a redemption, the notice requisite to the validity of such redemption shall have been given or irrevocable authority shall have been given by the Company to the Trustee to give such notice, under arrangements satisfactory to the Trustee; and provided, further, that the Company shall have delivered to the Trustee and such Paying Agent:

(x) if such deposit shall have been made prior to the Maturity of such Securities, a Company Order stating that the money and Government Obligations deposited in accordance with this Section shall be held in trust, as provided in Section 703; and

(y) if Government Obligations shall have been deposited, an Opinion of Counsel that the obligations so deposited constitute Government Obligations and do not contain provisions permitting the redemption or other prepayment at the option of the issuer thereof, and an opinion of an independent public accountant of nationally recognized standing, selected by the Company, to the effect that the requirements set forth in clause (b) above have been satisfied; and

(z) if such deposit shall have been made prior to the Maturity of such Securities, an Officer's Certificate stating the Company's intention that, upon delivery of such Officer's Certificate, its indebtedness in respect of such Securities or portions thereof will have been satisfied and discharged as contemplated in this Section.

Upon the deposit of money or Government Obligations, or both, in accordance with this Section, together with the documents required by clauses (x), (y) and (z) above, the Trustee shall, upon receipt of a Company Request, acknowledge in writing that the Security or Securities or portions thereof with respect to which such deposit was made are deemed to have been paid for all purposes of this Indenture and that the entire indebtedness of the Company in respect thereof has been satisfied and discharged as contemplated in this Section. In the event that all of the conditions set forth in the preceding paragraph shall have been satisfied in respect of any Securities or portions thereof except that, for any reason, the Officer's Certificate specified in clause (z) shall not have been delivered, such Securities or portions thereof shall nevertheless be deemed to have been paid for all purposes of this Indenture, and the Holders of such Securities or portions thereof shall

nevertheless be no longer entitled to the benefits of this Indenture or of any of the covenants of the Company under Article Six (except the covenants contained in Sections 602 and 603) or any other covenants made in respect of such Securities or portions thereof as contemplated by Section 301, but the indebtedness of the Company in respect of such Securities or portions thereof shall not be deemed to have been satisfied and discharged prior to Maturity for any other purpose, and the Holders of such Securities or portions thereof shall continue to be entitled to look to the Company for payment of the indebtedness represented thereby; and, upon Company Request, the Trustee shall acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Indenture.

If payment at Stated Maturity of less than all of the Securities of any series is to be provided for in the manner and with the effect provided in this Section, the Security Registrar shall select such Securities, or portions of principal amount thereof, in the manner specified by Section 403 for selection for redemption of less than all the Securities of a series.

In the event that Securities which shall be deemed to have been paid for purposes of this Indenture, and, if such is the case, in respect of which the Company's indebtedness shall have been satisfied and discharged, all as provided in this Section do not mature and are not to be redeemed within the 60 day period commencing with the date of the deposit of moneys or Government Obligations, as aforesaid, the Company shall, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Securities, to the Holders of such Securities to the effect that such deposit has been made and the effect thereof.

Notwithstanding that any Securities shall be deemed to have been paid for purposes of this Indenture, as aforesaid, the obligations of the Company and the Trustee in respect of such Securities under Sections 304, 305, 306, 404, 503 (as to notice of redemption), 602, 603, 907 and 915 and this Article Seven shall survive.

The Company shall pay, and shall indemnify the Trustee or any Paying Agent with which Government Obligations shall have been deposited as provided in this Section against, any tax, fee or other charge imposed on or assessed against such Government Obligations or the principal or interest received in respect of such Government Obligations, including, but not limited to, any such tax payable by any entity deemed, for tax purposes, to have been created as a result of such deposit.

Anything herein to the contrary notwithstanding, (a) if, at any time after a Security would be deemed to have been paid for purposes of this Indenture, and, if such is the case, the Company's indebtedness in respect thereof would be deemed to have been satisfied or discharged, pursuant to this Section (without regard to the provisions of this paragraph), the Trustee or any Paying Agent, as the case may be, shall be required to return the money or Government Obligations, or combination thereof, deposited with it as aforesaid to the Company or its representative under any applicable Federal or State bankruptcy, insolvency or other similar law, such Security shall thereupon be deemed retroactively not to have been paid and any satisfaction and discharge of the Company's indebtedness in respect thereof shall retroactively be deemed not to have been effected, and such Security shall be deemed to remain Outstanding and (b) any satisfaction and discharge of the Company's indebtedness in respect of any Security shall be subject to the provisions of the last paragraph of Section 603.

SECTION 702. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall upon Company Request cease to be of further effect (except as hereinafter expressly provided), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) no Securities remain Outstanding hereunder; and

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company;

provided, however, that if, in accordance with the last paragraph of Section 701, any Security, previously deemed to have been paid for purposes of this Indenture, shall be deemed retroactively not to have been so paid, this Indenture shall thereupon be deemed retroactively not to have been satisfied and discharged, as aforesaid, and to remain in full force and effect, and the Company shall execute and deliver such instruments as the Trustee shall reasonably request to evidence and acknowledge the same.

Notwithstanding the satisfaction and discharge of this Indenture as aforesaid, the obligations of the Company and the Trustee under Sections 304, 305, 306, 404, 503 (as to notice of redemption), 602, 603, 907 and 915 and this Article Seven shall survive.

Upon satisfaction and discharge of this Indenture as provided in this Section, the Trustee shall assign, transfer and turn over to the Company, subject to the lien provided by Section 907, any and all money, securities and other property then held by the Trustee for the benefit of the Holders of the Securities other than money and Government Obligations held by the Trustee pursuant to Section 703 and shall execute and deliver to the Company such instruments as, in the judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence the satisfaction and discharge of this Indenture.

SECTION 703. APPLICATION OF TRUST MONEY.

Neither the Government Obligations nor the money deposited pursuant to Section 701, nor the principal or interest payments on any such Government Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest, if any, on the Securities or portions of principal amount thereof in respect of which such deposit was made, all subject, however, to the provisions of Section 603; provided, however, that, so long as there shall not have occurred and be continuing an Event of Default any cash received from such principal or interest payments on such Government Obligations, if not then needed for such purpose, shall, to the extent practicable, be invested in Government Obligations of the type described in clause (b) in the first paragraph of Section 701 maturing at such times and in such amounts as shall be sufficient to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on and prior to the Maturity thereof, and interest earned from such reinvestment shall be paid over to the Company as received, free and clear of any trust, lien or pledge under this Indenture except the lien provided by Section 907; and provided, further, that, so long as there shall not have occurred and be continuing an Event of Default, any moneys held in accordance with this Section on the Maturity of all such Securities in excess of the amount required to pay

the principal of and premium, if any, and interest, if any, then due on such Securities shall be paid over to the Company free and clear of any trust, lien or pledge under this Indenture except the lien provided by Section 907; and provided, further, that if an Event of Default shall have occurred and be continuing, moneys to be paid over to the Company pursuant to this Section shall be held until such Event of Default shall have been waived or cured.

ARTICLE EIGHT

EVENTS OF DEFAULT; REMEDIES

SECTION 801. EVENTS OF DEFAULT.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events:

(a) failure to pay interest, if any, on any Security of such series within 30 days after the same becomes due and payable; or

(b) failure to pay the principal of or premium, if any, on any Security of such series when due and payable whether at Maturity, upon redemption or otherwise; or

(c) failure to perform or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more series of Securities other than such series) for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 33% in principal amount of the Outstanding Securities of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, unless the Trustee, or the Trustee and the Holders of a principal amount of Securities of such series not less than the principal amount of Securities the Holders of which gave such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Holders of such principal amount of Securities of such series, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

(d) the entry by a court having jurisdiction in the premises of (1) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (2) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree

or order for relief or any such other decree or order shall have remained unstayed and in effect for a period of 90 consecutive days; or

(e) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors; or

(f) any other Event of Default specified with respect to Securities of such series.

SECTION 802. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT If an Event of Default due to the default in payment of principal of, or interest on, any series of Securities or due to the default in the performance or breach of any other covenant or warranty of the Company applicable to the Securities of such series but not applicable to all Outstanding Securities shall have occurred and be continuing, either the Trustee or the Holders of not less than 33% in principal amount of the Securities of such series may then declare the principal amount (or, if any of the Securities of such series are Discount Securities, such portion of the principal amount as may be specified in the terms thereof as contemplated by Section 301) of all Securities of such series and interest accrued thereon to be due and payable immediately. If an Event of Default due to default in the performance of any other of the covenants or agreements herein applicable to all Outstanding Securities or an Event of Default specified in Section 801(d) or (e) shall have occurred and be continuing, either the Trustee or the Holders of not less than 33% in principal amount of all Securities then Outstanding (considered as one class), and not the Holders of the Securities of any one of such series, may declare the principal amount (or, if any of the Securities are Discount Securities, such portion of the principal amount as may be specified in the terms thereof as contemplated by Section 301) of all Outstanding Securities and interest accrued thereon to be due and payable immediately. As a consequence of each such declaration (herein referred to as a declaration of acceleration) with respect to Securities of any series, the principal amount (or specified portion thereof in the case of Discount Securities) of such Securities and interest accrued thereon shall become due and payable immediately.

At any time after such a declaration of acceleration with respect to Securities of any series shall have been made and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as hereinafter in this Article provided, the Event or Events of Default giving rise to such declaration of acceleration shall, without further act, be deemed to have been waived, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled, if

(a) the Company shall have paid or deposited with the Trustee a sum sufficient to pay

(1) all overdue interest, if any, on all Securities of such series;

(2) the principal of and premium, if any, on any Securities of such series which have become due otherwise than by such declaration of acceleration and interest, if any, thereon at the rate or rates prescribed therefor in such Securities;

(3) to the extent that payment of such interest is lawful, interest upon overdue interest, if any, at the rate or rates prescribed therefor in such Securities; and

(4) all amounts due to the Trustee under Section 907; and

(b) any other Event or Events of Default with respect to Securities of such series, other than the nonpayment of the principal of Securities of such series which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 813.

No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 803. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

If an Event of Default described in clause (a) or (b) of Section 801 shall have occurred and be continuing, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Securities of the series with respect to which such Event of Default shall have occurred, the whole amount then due and payable on such Securities for principal and premium, if any, and interest, if any, and, to the extent permitted by law, interest on premium, if any, and on any overdue principal and interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 907. Unless otherwise specified pursuant to Section 301 with respect to any series of Securities, the rate or rates at which Securities shall bear interest on overdue principal, premium, if any, and interest, if any, shall be, to the extent permitted by law, the same rate or rates at which such Securities shall bear interest prior to Maturity.

If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series shall have occurred and be continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of

such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 804. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due to the Trustee under Section 907) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amounts due it under Section 907.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 805. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

SECTION 806. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, if any, upon presentation of the Securities in respect of which or for the benefit of which such money shall have been collected and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 907;

SECOND: To the payment of the amounts then due and unpaid upon the Securities for principal of and premium, if any, and interest, if any, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, if any, respectively; and

THIRD: To the payment of the remainder, if any, to the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 807. LIMITATION ON SUITS.

No Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder shall have previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of such series;

(b) the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of such series in respect of which an Event of Default shall have occurred and be continuing shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and

(e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series in respect of which an Event of Default shall have occurred and be continuing, considered as one class;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of

such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 808. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Section 307) interest, if any, on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 809. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, and Trustee and such Holder shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and such Holder shall continue as though no such proceeding had been instituted.

SECTION 810. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 811. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 812. CONTROL BY HOLDERS OF SECURITIES.

If an Event of Default shall have occurred and be continuing in respect of a series of Securities, the Holders of a majority in aggregate principal amount of the Outstanding Securities of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on

the Trustee, with respect to the Securities of such series; provided, however, that if an Event of Default shall have occurred and be continuing with respect to more than one series of Securities, the Holders of a majority in aggregate principal amount of the Outstanding Securities of all such series, considered as one class, shall have the right to make such direction, and not the Holders of the Securities of any one of such series; and provided, further, that such direction shall not be in conflict with any rule of law or with this Indenture. The Trustee may take any other action, deemed proper by the Trustee, which is not inconsistent with any such direction. Before proceeding to exercise any right or power hereunder at the direction of such Holders, the Trustee shall be entitled to receive from such Holders reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with any such direction.

SECTION 813. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

(a) in the payment of the principal of or premium, if any, or interest, if any, on any Security of such series, or

(b) in respect of a covenant or provision hereof which under Section 1202 cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any and all Events of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 814. UNDERTAKING FOR COSTS.

The Company and the Trustee agree, and each Holder by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; all in the manner, to the extent and except as otherwise provided in the Trust Indenture Act; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Outstanding Securities of all series in respect of which such suit may be brought, considered as one class, or to any suit instituted by any Holder for the enforcement of the payment of the

principal of or premium, if any, or interest, if any, on any Security on or after the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

SECTION 815. WAIVER OF STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE NINE

THE TRUSTEE

SECTION 901. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) The Trustee shall have and be subject to all the duties and responsibilities specified with respect to an indenture trustee in the Trust Indenture Act and no implied covenants or obligations shall be read into this Indenture against the Trustee. For purposes of Sections 315(a) and 315(c) of the Trust Indenture Act, the term "default" is hereby defined as an Event of Default which has occurred and is continuing.

(b) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Notwithstanding anything contained in this Indenture to the contrary, the duties and responsibilities of the Trustee under this Indenture shall be subject to the protections, exculpations and limitations on liability afforded to an indenture trustee under the provisions of the Trust Indenture Act. For the purposes of Sections 315(b)(2) and 315(d)(2) of the Trust Indenture Act, the term "responsible officer" is hereby defined as a Responsible Officer and the chairman or vice chairman of the board of directors, the chairman or vice chairman of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller of the Trustee, or any other officer of the Trustee customarily performing functions similar to those performed by a Responsible Officer or any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 902. NOTICE OF DEFAULTS.

The Trustee shall give notice of any default hereunder with respect to the Securities of any series to the Holders of Securities of such series in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default of the character specified in Section 801(c), no such notice to Holders shall be given until at least 45 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

SECTION 903. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 901 and to the applicable provisions of the Trust Indenture Act:

(a) the Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, or as otherwise expressly provided herein, and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any Holder pursuant to this Indenture, unless such Holder shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order,

bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall (subject to applicable legal requirements) be entitled to examine, during normal business hours, the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be charged with knowledge of any default or Event of Default, as the case may be, with respect to the Securities of any series for which it is acting as Trustee unless either (1) a Responsible Officer of the Trustee shall have actual knowledge of the default or Event of Default, as the case may be, or (2) written notice of such default or Event of Default, as the case may be, shall have been given to the Trustee by the Company, any other obligor on such Securities or by any Holder of such Securities; and

(i) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder.

SECTION 904. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 905. MAY HOLD SECURITIES.

Each of the Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 908 and 913, may otherwise deal with the Company with the same rights it would have if it were not the Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 906. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as expressly provided herein or otherwise agreed with, and for the sole benefit of, the Company.

SECTION 907. COMPENSATION AND REIMBURSEMENT.

The Company shall

(a) pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except to the extent that any such expense, disbursement or advance may be attributable to the Trustee's negligence, wilful misconduct or bad faith; and

(c) indemnify the Trustee for, and hold it harmless from and against, any loss, liability or expense reasonably incurred by it arising out of or in connection with the acceptance or administration of the trust or trusts hereunder or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, wilful misconduct, bad faith or breach of its obligations under this Indenture.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such other than property and funds held in trust under Section 703 (except as otherwise provided in Section 703). "Trustee" for purposes of this Section shall include any predecessor Trustee; provided, however, that the negligence, wilful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

In addition to the rights provided to the Trustee pursuant to the provisions of the immediately preceding paragraph of this Section 907, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 801(d) or Section 801(e), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

The provisions of this Section 907 shall survive the termination of this Indenture.

SECTION 908. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Securities of any series, shall not be deemed to have a conflicting

interest arising from its capacity as trustee in respect of the Securities of any other series.

SECTION 909. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States, any State or Territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal or State authority, or

(b) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 910. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 911.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 911 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 908 after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, or

(2) the Trustee shall cease to be eligible under Section 909 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by a Board Resolution may remove the Trustee with respect to all Securities or (y) subject to Section 814, any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause (other than as contemplated in clause (y) in subsection (d) of this Section), with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 911. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 911, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 911, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, an Event of Default shall have occurred and be continuing, and except with respect to a Trustee appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities pursuant to subsection (e) of this Section, if the Company shall have delivered to the Trustee (i) a Board Resolution appointing a successor Trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such

successor Trustee in accordance with Section 911, the Trustee shall be deemed to have resigned as contemplated in subsection (b) of this Section, the successor Trustee shall be deemed to have been appointed by the Company pursuant to subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 911, all as of such date, and all other provisions of this Section and Section 911 shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this subsection (f).

(g) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of Securities of such series as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its corporate trust office.

SECTION 911. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee with respect to the Securities of all series, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums owed to it, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts

hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee, upon payment of all sums owed to it, shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any instruments which fully vest in and confirm to such successor Trustee all such rights, powers and trusts referred to in subsection (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 912. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 913. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

If the Trustee shall be or become a creditor of the Company or any other obligor upon the Securities (other than by reason of a relationship described in Section 311(b) of the Trust Indenture Act), the Trustee shall be subject to any and all applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company or such other obligor. For purposes of Section 311(b) of the Trust Indenture Act:

(a) the term "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(b) the term "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to,

possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 914. CO-TRUSTEES AND SEPARATE TRUSTEES.

At any time or times, for the purpose of meeting the legal requirements of any applicable jurisdiction, the Company and the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the Holders of at least 33% in principal amount of the Securities then Outstanding, the Company shall for such purpose join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, or to act as separate trustee, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument or instruments from the Company be required by any co-trustee or separate trustee so appointed to more fully confirm to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following conditions:

(a) the Securities shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed either by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee;

(c) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Company, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, if an Event of Default shall have occurred and be continuing, the

Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(d) no co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder; and

(e) any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 915. APPOINTMENT OF AUTHENTICATING AGENT.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Securities of one or more series, which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issuance and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States, any State or territory thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof

to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

The provisions of Sections 308, 904 and 905 shall be applicable to each Authenticating Agent.

If an appointment with respect to the Securities of one or more series shall be made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

LaSalle Bank National Association
As Trustee

By _____
As Authenticating
Agent

By _____
Authorized Signatory

If all of the Securities of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 102 and need not be accompanied by an Opinion of Counsel), shall appoint, in accordance with this Section and in accordance with such procedures as shall be acceptable to the Trustee, an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

ARTICLE TEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 1001. LISTS OF HOLDERS.

Semiannually, not later than June 1 and December 1 in each year, commencing June 1, 2001, and at such other times as the Trustee may request in writing, the Company shall furnish or cause to be furnished to the Trustee information as to the names and addresses of the Holders, and the Trustee shall preserve such information and similar information received by it in any other capacity and afford to the Holders access to information so preserved by it, all to such extent, if any, and in such manner as shall be required by the Trust Indenture Act; provided, however, that no such list need be furnished so long as the Trustee shall be the Security Registrar.

SECTION 1002. REPORTS BY TRUSTEE AND COMPANY.

Not later than November 1 in each year, commencing November 1, 2001, the Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Securities are listed, a report, dated as of the next preceding September 1, with respect to any events and other matters described in Section 313(a) of the Trust Indenture Act, in such manner and to the extent required by the Trust Indenture Act. The Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Securities are listed, and the Company shall file with the Trustee (within 30 days after filing with the Commission in the case of reports which pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and transmit to the Holders, such other information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust Indenture Act. The Company shall notify the Trustee of the listing of any Securities on any securities exchange or of the delisting thereof.

ARTICLE ELEVEN

CONSOLIDATION, MERGER, CONVEYANCE OR OTHER TRANSFER

SECTION 1101. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other Person, or convey or otherwise transfer or lease its properties and assets substantially as an entirety to any Person, unless

(a) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a Person organized and validly existing under the laws of the United States, any State thereof or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and premium, if any, and interest, if

any, on all Outstanding Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(c) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, or other transfer or lease and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transactions have been complied with.

SECTION 1102. SUCCESSOR PERSON SUBSTITUTED.

Upon any consolidation by the Company with or merger by the Company into any other Person conveyance, or other transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 1101, the successor Person by such consolidation or into which the Company is merged or the Person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities Outstanding hereunder.

ARTICLE TWELVE

SUPPLEMENTAL INDENTURES

SECTION 1201. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities, all as provided in Article Eleven; or

(b) to add one or more covenants of the Company or other provisions for the benefit of all Holders or for the benefit of the Holders of, or to remain in effect only so long as there shall be Outstanding, Securities of one or more specified series, or to surrender any right or power herein conferred upon the Company; or

(c) to add any additional Events of Default with respect to all or any series of Securities Outstanding hereunder; or

(d) to change or eliminate any provision of this Indenture or to add any new provision to this Indenture; provided, however, that if such change, elimination or addition shall adversely affect the interests of the Holders of Securities of any series (other than any series the terms of which permit such change, elimination or addition) Outstanding on the date of such indenture supplemental hereto in any material respect, such change, elimination or addition shall become effective with respect to such series only pursuant to the provisions of Section 1202 hereof or when no Security of such series remains Outstanding; or

(e) to provide collateral security for all or part of the Securities; or

(f) to establish the form or terms of Securities of any series as contemplated by Sections 201 and 301; or

(g) to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the holders thereof, and for any and all other matters incidental thereto; or

(h) to evidence and provide for the acceptance of appointment hereunder by a separate or successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 911(b); or

(i) to provide for the procedures required to permit the Company to utilize, at its option, a noncertificated system of registration for all, or any series of, the Securities; or

(j) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Securities shall be payable, (2) all or any series of Securities may be surrendered for registration of transfer, (3) all or any series of Securities may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Securities and this Indenture may be served; or

(k) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other changes to the provisions hereof or to add other provisions with respect to matters or questions arising under this Indenture, provided that such other changes or additions shall not adversely affect the interests of the Holders of Securities of any series in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act as in effect at the date of the execution and delivery of this Indenture or at any time thereafter shall be amended and

(x) if any such amendment shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such

changes or incorporate such provisions by reference or otherwise, this Indenture shall be deemed to have been amended so as to conform to such amendment to the Trust Indenture Act, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to effect or evidence such changes or additional provisions; or

(y) if any such amendment shall permit one or more changes to, or the elimination of, any provisions hereof which, at the date of the execution and delivery hereof or at any time thereafter, are required by the Trust Indenture Act to be contained herein, this Indenture shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to evidence such amendment hereof.

SECTION 1202. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under this Indenture, considered as one class, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or modifying in any manner the rights of the Holders of Securities of such series under the Indenture; provided, however, that if there shall be Securities of more than one series Outstanding hereunder and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that no such supplemental indenture shall:

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 802, or change the coin or currency (or other property), in which any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of any Security (or, in the case of redemption, on or after the Redemption Date), without, in any such case, the consent of the Holder of such Security, or

(b) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Indenture or of any default hereunder and its consequences, or reduce the requirements of Section 1304 for quorum or voting, without, in any such

case, the consent of the Holders of each Outstanding Security of such series, or

(c) modify any of the provisions of this Section, Section 607 or Section 813 with respect to the Securities of any series, except to increase the percentages in principal amount referred to in this Section or such other Sections or to provide that other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 911(b) and 1201(h).

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof. A waiver by a Holder of such Holder's right to consent under this Section shall be deemed to be a consent of such Holder.

SECTION 1203. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 901) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 1204. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Any supplemental indenture permitted by this Article may restate this Indenture in its entirety, and, upon the execution and delivery thereof, any such restatement shall supersede this Indenture as theretofore in effect for all purposes.

SECTION 1205. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 1206. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

SECTION 1207. MODIFICATION WITHOUT SUPPLEMENTAL INDENTURE.

If the terms of any particular series of Securities shall have been established in a Board Resolution or an Officer's Certificate as contemplated by Section 301, and not in an indenture supplemental hereto, additions to, changes in or the elimination of any of such terms may be effected by means of a supplemental Board Resolution or Officer's Certificate, as the case may be, delivered to, and accepted by, the Trustee; provided, however, that such supplemental Board Resolution or Officer's Certificate shall not be accepted by the Trustee or otherwise be effective unless all conditions set forth in this Indenture which would be required to be satisfied if such additions, changes or elimination were contained in a supplemental indenture shall have been appropriately satisfied. Upon the acceptance thereof by the Trustee, any such supplemental Board Resolution or Officer's Certificate shall be deemed to be a "supplemental indenture" for purposes of Section 1204 and 1206.

ARTICLE THIRTEEN

MEETINGS OF HOLDERS; ACTION WITHOUT MEETING

SECTION 1301. PURPOSES FOR WHICH MEETINGS MAY BE CALLED.

A meeting of Holders of Securities of one or more, or all, series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

SECTION 1302. CALL, NOTICE AND PLACE OF MEETINGS.

(a) The Trustee may at any time call a meeting of Holders of Securities of one or more, or all, series for any purpose specified in Section 1301, to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine, or, with the approval of the Company, at any other place. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) If the Trustee shall have been requested to call a meeting of the Holders of Securities of one or more, or all, series by the Company or by the Holders of 33% in aggregate principal amount of all of such series,

considered as one class, for any purpose specified in Section 1301, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or in such other place as shall be determined or approved by the Company, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

(c) Any meeting of Holders of Securities of one or more, or all, series shall be valid without notice if the Holders of all Outstanding Securities of such series are present in person or by proxy and if representatives of the Company and the Trustee are present, or if notice is waived in writing before or after the meeting by the Holders of all Outstanding Securities of such series, or by such of them as are not present at the meeting in person or by proxy, and by the Company and the Trustee.

SECTION 1303. PERSONS ENTITLED TO VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders of Securities of one or more, or all, series a Person shall be (a) a Holder of one or more Outstanding Securities of such series, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to attend any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1304. QUORUM; ACTION.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of the series with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of Holders of Securities of such series; provided, however, that if any action is to be taken at such meeting which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series, considered as one class, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Except as provided by Section 1305(e), notice of the reconvening of any meeting adjourned for more than 30 days shall be given as provided in Section 1302(a) not less than 10 days prior to the date

on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Except as limited by Section 1202, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of the series with respect to which such meeting shall have been called, considered as one class; provided, however, that, except as so limited, any resolution with respect to any action which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series, considered as one class, may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series, considered as one class.

Any resolution passed or decision taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities of the series with respect to which such meeting shall have been held, whether or not present or represented at the meeting.

SECTION 1305. ATTENDANCE AT MEETINGS; DETERMINATION OF VOTING RIGHTS;
CONDUCT AND ADJOURNMENT OF MEETINGS.

(a) Attendance at meetings of Holders of Securities may be in person or by proxy; and, to the extent permitted by law, any such proxy shall remain in effect and be binding upon any future Holder of the Securities with respect to which it was given unless and until specifically revoked by the Holder or future Holder of such Securities before being voted.

(b) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities in regard to proof of the holding of such Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(c) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 1302(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting

shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series represented at the meeting, considered as one class.

(d) At any meeting each Holder or proxy shall be entitled to one vote for each \$1 principal amount of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(e) Any meeting duly called pursuant to Section 1302 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series represented at the meeting, considered as one class; and the meeting may be held as so adjourned without further notice.

SECTION 1306. COUNTING VOTES AND RECORDING ACTION OF MEETINGS.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities, of the series with respect to which the meeting shall have been called, held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports of all votes cast at the meeting. A record of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1302 and, if applicable, Section 1304. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 1307. ACTION WITHOUT MEETING.

In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by written instruments as provided in Section 104.

ARTICLE FOURTEEN

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 1401. LIABILITY SOLELY CORPORATE.

No recourse shall be had for the payment of the principal of or premium, if any, or interest, if any, on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under this Indenture, against any incorporator, stockholder, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Indenture and all the Securities are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or indirectly through the Company or any predecessor or successor corporation, because of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or to be implied herefrom or therefrom, and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of this Indenture and the issuance of the Securities.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

ALLETE
(legally incorporated as Minnesota Power, Inc.)

By: /s/ David G. Gartzke

LaSalle Bank National Association, Trustee

By: /s/ Wayne M. Evans

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

OFFICER'S CERTIFICATE

David G. Gartzke, the Senior Vice President - Finance and Chief Financial Officer of ALLETE (legally incorporated as Minnesota Power, Inc.) (the "Company"), pursuant to the authority granted in the Board Resolutions of the Company dated July 19, 2000 and January 18, 2001, and Sections 102, 201 and 301 of the Indenture defined herein, does hereby certify to LaSalle Bank National Association (the "Trustee"), as Trustee under the Indenture of the Company (For Unsecured Debt Securities) dated as of February 1, 2001 (the "Indenture") that:

1. The Securities of the first series to be issued under the Indenture shall be designated "7.80% Senior Notes due February 15, 2008" (the "Senior Notes of the First Series"). All capitalized terms used in this certificate which are not defined herein but are defined in the form of Senior Notes of the First Series attached hereto as Exhibit A shall have the meanings set forth in such Exhibit A; all other capitalized terms used in this certificate which are not defined herein but are defined in the Indenture shall have the meanings set forth in the Indenture;
2. The Senior Notes of the First Series shall mature and the principal shall be due and payable together with all accrued and unpaid interest thereon on February 15, 2008;
3. The Senior Notes of the First Series shall bear interest as provided in the form of the Senior Notes of the First Series set forth in Exhibit A hereto;
4. The Corporate Trust Office of the Trustee in Chicago, Illinois will be the place at which (i) the principal (and premium, if any) and each installment of interest on the Senior Notes of the First Series shall be payable, (ii) registration and registration of transfers and exchanges in respect of the Senior Notes of the First Series may be effected, and (iii) notices and demands to or upon the Company in respect of the Senior Notes of the First Series may be served; and the Trustee will be the Security Registrar and the Paying Agent for the Senior Notes of the First Series; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates supplemental to this Officer's Certificate, any such place or the Security Registrar or such Paying Agent;
5. The Senior Notes of the First Series shall be redeemable as provided in the form of the Senior Notes of the First Series set forth in Exhibit A hereto;
6. The Senior Notes of the First Series will be originally issued in global form payable to Cede & Co. and will, unless and until the Senior Notes of the First Series are exchanged in whole or in part for certificated Senior Notes of the First Series registered in the names of various beneficial holders thereof (in accordance with the conditions set forth in the legend appearing in the form of the Senior Notes of the First Series, set forth in Exhibit A hereto), contain restrictions on transfer, substantially as described in such form;
7. No service charge shall be made for the registration of transfer or exchange of the Senior Notes of the First Series; provided, however, that the Company may require payment of a sum sufficient to cover any

tax or other governmental charge that may be imposed in connection with the exchange or transfer;

8. If the Company shall make any deposit of money and/or Government Obligations with respect to any Senior Notes of the First Series, or any portion of the principal amount thereof, as contemplated by Section 701 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 701 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(A) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of the Senior Notes of the First Series, shall assume the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Government Obligations (meeting the requirements of Section 701), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Government Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Senior Notes of the First Series or portions thereof, all in accordance with and subject to the provisions of said Section 701; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery

to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof; or

(B) an Opinion of Counsel to the effect that, as a result of a change in law occurring after the date of this certificate, the Holders of such Senior Notes of the First Series, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected;

9. The Senior Notes of the First Series shall have such other terms and provisions as are provided in the form set forth in Exhibit A hereto, and shall be issued in substantially such form;
10. The following clauses of Section 301 of the Indenture are not applicable to the Senior Notes of the First Series: (b), (h) through (q), (s) and (u) through (x).
11. The undersigned has read all of the covenants and conditions contained in the Indenture relating to the issuance of the Senior Notes of the First Series and the definitions in the Indenture relating thereto and in respect of which this certificate is made;
12. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon discussions by the undersigned with officers and employees of the Company familiar with the matters set forth herein;

13. In the opinion of the undersigned, he has made such examination or investigation as is necessary to express an informed opinion whether or not such covenants and conditions have been complied with; and
14. In the opinion of the undersigned, such conditions and covenants and conditions precedent, if any (including any covenants compliance with which constitutes a condition precedent) to the authentication and delivery of the Senior Notes of the First Series requested in the accompanying Company Order have been complied with.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 21st day of February, 2001.

/s/ David G. Gartzke

David G. Gartzke
Senior Vice President - Finance
and Chief Financial Officer

[FORM OF FACE OF SENIOR NOTE]

[(SEE LEGEND AT THE END OF THIS SECURITY FOR
RESTRICTIONS ON TRANSFERABILITY AND CHANGE OF FORM)]

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

7.80% SENIOR NOTES DUE FEBRUARY 15, 2008

ALLETE (legally incorporated as MINNESOTA POWER, INC.), a corporation duly organized and existing under the laws of the State of Minnesota (herein referred to as the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal sum of (\$) on February 15, 2008 (the "Maturity

Date"), and to pay interest on said principal sum, semi-annually on February 15 and August 15 of each year (each an "Interest Payment Date"), commencing August 15, 2001, at the rate of 7.80% per annum, plus the Applicable Adjustment Amount, if any, as provided on the reverse hereof, until the principal hereof is paid or made available for payment. Interest on the Securities of this series will accrue from February 21, 2001, to the first Interest Payment Date, and thereafter will accrue from the last Interest Payment Date to which interest has been paid or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the Business Day preceding the corresponding Interest Payment Date; provided, however, that if the Securities of this series are not held by a securities depository in a book-entry only form, the Regular Record Date will be the close of business on the 15th calendar day next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture referred to on the reverse hereof.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the corporate trust office of LaSalle Bank National Association, Chicago, Illinois or at such other office or agency as may be designated for such purpose by the Company, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that, at the option of the Company, interest on this Security may be paid by check mailed to the address of the person entitled thereto, as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

ALLETE
(legally incorporated as MINNESOTA POWER, INC.)

By: _____

ATTEST:

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

Dated:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

LaSalle Bank National Association, as Trustee

By: _____

Authorized Signatory

[FORM OF REVERSE OF SENIOR NOTE]

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture (For Unsecured Debt Securities), dated as of February 1, 2001 (herein, together with any amendments thereto, called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and LaSalle Bank National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including the Board Resolutions and Officer's Certificate filed with the Trustee on February 21, 2001 creating the series designated on the face hereof, for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered.

This Security will bear interest for each Interest Period (as defined below) at a rate of 7.80% per annum, except as described below. In the event of any downgrade of the Company's senior unsecured long-term debt ratings that would result in an increase in the interest rate payable on this Security, as described below, the Company will notify LaSalle Bank National Association, or its successor appointed by the Company acting as Calculation Agent (the "Calculation Agent").

The period commencing on an Interest Payment Date and ending on the day preceding the next succeeding Interest Payment Date shall be an "Interest Period," provided, however, that the first Interest Period shall begin on February 21, 2001 and extend through August 14, 2001, the day preceding the first Interest Payment Date.

Interest payments for this Security will be computed and paid on the basis of a 360-day year of twelve 30-day months, and for any period, within an Interest Period, that is shorter than a full month, on the basis of the actual number of days elapsed in such period. The period from the 15th day of one calendar month to the 15th day of the next calendar month shall be deemed to be one month for the purposes of this calculation. If an Interest Payment Date falls on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day. All dollar amounts resulting from such calculation will be rounded, if necessary, to the nearest cent with one-half cent rounded upward.

In the event Moody's Investors Service, Inc. ("Moody's"), on the one hand, or Standard & Poor's Rating Service ("S&P"), on the other hand, have assigned to the Company's long-term senior unsecured debt a rating (a "Rating") listed under their respective names in the table immediately below as of any date within an Interest Period, the Calculation Agent shall use the Adjustment Amount opposite such Rating (an "Adjustment Amount") to determine the Applicable Adjustment Amount. The "Applicable Adjustment Amount" shall be the higher of (i) the applicable Moody's Adjustment Amount (as defined in the table below), if any, or (ii) the applicable S&P Adjustment Amount (as defined in the table below), if any. Adjustment Amounts, if any, shall be determined by the Calculation Agent based on the table immediately below and the respective Ratings of Moody's and S&P.

MOODY'S RATING	ADJUSTMENT AMOUNT	S&P RATING	ADJUSTMENT AMOUNT
Ba1	0.50%	BB+	0.50%
Ba2	0.75%	BB	0.75%
Ba3 or lower	1.00%	BB- or lower	1.00%

The interest rate in effect on each day following any such downgrade shall be 7.80% plus the Applicable Adjustment Amount.

The interest payable with respect to the Interest Period during which any such downgrade occurs, shall be calculated at a rate per annum equal to the weighted average of the interest rate in effect immediately before such downgrade and the interest in effect immediately after such downgrade (the "Weighted Average Interest Rate"). The Calculation Agent shall calculate such Weighted Average Interest Rate by multiplying each interest rate by the number of days such interest rate is in effect during such Interest Period, determining the sum of such products, and dividing such sum by the number of days in such Interest Period.

Promptly upon a determination that the interest rate will be changed, the Calculation Agent shall notify the Trustee of the applicable interest rate adjustments, the days to which each applicable interest rate applies within the Interest Period, the Weighted Average Interest Rate expected for the period if there is no further change in the Applicable Adjustment Amount during such Interest Period, and the interest rate expected for subsequent Interest Periods if there is no further change to the Applicable Adjustment Amount. Upon the request of a holder of this Security, the Calculation Agent shall provide to such holder information to date for the then-current Interest Period regarding the calculation of the interest rate for such Interest Period.

The securities of this series shall be redeemable, at the option of the Company, in whole at any time or in part from time to time, on any date prior to maturity (each a "Redemption Date"). The Company shall give notice of its intent to redeem the Securities of this series upon at least 30 days but no more than 60 days prior to a Redemption Date. If the Company redeems all or any part of the Securities of this series, it will pay a redemption price ("Redemption Price") equal to the sum of (1) 100% of the principal amount of the Securities of this series being redeemed plus (2) accrued and unpaid interest thereon, if any, to the Redemption Date plus (3) any applicable "make-whole premium." The Redemption Price for Securities of this series shall never be less than 100% of the principal amount of such Securities plus accrued and unpaid interest thereon to the Redemption Date.

The amount of the make-whole premium with respect to any Securities of this series to be redeemed shall be equal to the excess, if any, of:

- (1) the sum of the present values, calculated as of the Redemption Date, of:
 - (a) each interest payment that, but for such redemption, would have been payable on the Securities of this series being redeemed on each interest payment date occurring after the Redemption Date (excluding any accrued interest for the period prior to the Redemption Date); and

- (b) the principal amount that, but for such redemption, would have been payable at the final maturity of the Securities of this series being redeemed; over
- (2) the principal amount of the Securities of this series being redeemed.

The present values of interest and principal payments referred to in clause (1) above shall be determined in accordance with generally accepted principles of financial analysis. Such present values shall be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the Treasury Yield (as defined below) plus 30 basis points.

The Company shall appoint an independent investment banking institution of national standing to calculate the make-whole premium; provided that UBS Warburg LLC will make such calculation if (1) the Company fails to make such appointment at least 30 calendar days prior to the Redemption Date, or (2) the institution so appointed is unwilling or unable to make such calculation. If UBS Warburg LLC is to make such calculation but is unwilling or unable to do so, then the Trustee shall appoint an independent investment banking institution of national standing to make such calculation. In any case, the institution making such calculation is referred to herein as an "Independent Investment Banker."

For purposes of determining the make-whole premium, "Treasury Yield" shall mean a rate of interest per annum equal to the weekly average yield to maturity of United States Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Securities of this series to be redeemed, calculated to the nearest 1/12th of a year (the "Remaining Term"). The Independent Investment Banker shall determine the Treasury Yield as of the third business day immediately preceding the applicable Redemption Date.

The Independent Investment Banker shall determine the weekly average yields of United States Treasury Notes by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for United States Treasury Notes having a constant maturity that is the same as the Remaining Term, then the Treasury Yield shall be equal to such weekly average yield. In all other cases, the Independent Investment Banker shall calculate the Treasury Yield by interpolation, on a straight-line basis, between the weekly average yields on the United States Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the United States Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). The Independent Investment Banker shall round any weekly average yields so calculated to the nearest 1/100th of 1%, and shall round upward for any figure of 1/200th of 1% or above. If weekly average yields for United States Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the Independent Investment Banker shall select comparable rates and calculate the Treasury Yield by reference to those rates.

Upon the occurrence of a Change of Control, the Company will be required to offer to redeem the Securities of this series on the next business day after such Change of Control at a redemption price equal to 101% of the principal amount of the Securities of this series being redeemed plus accrued and unpaid interest thereon, if any, to the redemption date. The holders of the Securities of this series will be permitted twenty (20) business days after the offer in which to accept the offer by written notice to the Company. The Company will tender the redemption price to the accepting holders in exchange for their Securities within twenty (20) business days after receipt of timely written

notice of acceptance from those holders. A "Change of Control" shall be deemed to have occurred if at any time that any of the Securities of this series are outstanding the following events shall occur:

1. Any "person" (as defined in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding for this purpose the Company or any subsidiary of the Company or any Intermediate Holding Company, or any employee benefit plan of the Company or any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of such plan which acquires beneficial ownership of voting securities of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Company representing fifty percent (50%) or more of the combined voting power (not depending on the happening of a contingency) for the election of a majority of the members of the board of directors or any other governing body of the Company; provided, however, that no Change in Control shall be deemed to have occurred as the result of an acquisition of securities of the Company by the Company which, by reducing the number of voting securities outstanding, increases the direct or indirect beneficial ownership interest of any person to fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities, but any subsequent increase in the direct or indirect beneficial ownership interest of such a person in the Company shall be deemed a Change in Control; and provided further that if the Board of Directors of the Company determines in good faith that a person who has become the beneficial owner directly or indirectly of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities has inadvertently reached that level of ownership interest, and if such person divests within forty-five (45) days after notice to the Company a sufficient amount of securities of the Company so that the person no longer has a direct or indirect beneficial ownership interest in fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities, then no Change in Control shall be deemed to have occurred; or
2. Consummation of (a) an agreement for the sale or disposition of the Company or all or substantially all of the Company's assets, (b) a plan of merger or consolidation of the Company with any other company, or (c) a similar transaction or series of transactions involving the Company (any transaction described in parts (a) through (c) of this subparagraph being referred to as a "Business Combination"), in each case unless after such a Business Combination the shareholders of the Company immediately prior to the Business Combination continue to own, directly or indirectly, more than fifty (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the new (or continued) entity.

"Intermediate Holding Company" means any entity organized or established by or with the consent of the Company which acquires, directly or indirectly, voting securities of the Company in exchange for voting securities of such entity.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of a majority in aggregate principal amount of the Securities of all series at the time Outstanding in respect of which an Event of Default shall have occurred and be continuing shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of Securities of all series at the time Outstanding in respect of which an Event of Default shall have occurred and be continuing a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor and of authorized denominations, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

[LEGEND

Unless and until this Security is exchanged in whole or in part for certificated Securities registered in the names of the various beneficial holders hereof as then certified to the Trustee by The Depository Trust Company (55 Water Street, New York, New York) or its successor (the "Depository"), this Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

Unless this certificate is presented by an authorized representative of the Depository to the Company or its agent for registration of transfer, exchange or payment, and any certificate to be issued is registered in the name of Cede & Co., or such other name as requested by an authorized representative of the Depository and any amount payable thereunder is made payable to Cede & Co., or such other name, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This Security may be exchanged for certificated Securities registered in the names of the various beneficial owners hereof if (a) the Depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 90 days, or (b) the Company elects to issue certificated Securities to beneficial owners. Any such exchange shall be made upon receipt by the Trustee of a Company Order therefor and certificated Securities of this series shall be registered in such names and in such denominations as shall be certified to the Company and the Trustee by the Depository.]

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

OFFICER'S CERTIFICATE

_____, the _____ of ALLETE (legally incorporated as Minnesota Power, Inc.) (the "Company"), pursuant to the authority granted in the Board Resolutions of the Company dated _____, 2001, and Sections 102, 201 and 301

of the Indenture defined herein, does hereby certify to LaSalle Bank National Association (the "Trustee"), as Trustee under the Indenture of the Company (For Unsecured Debt Securities) dated as of February 1, 2001 (the "Indenture") that:

1. The Securities of the _____ series to be issued under the Indenture shall be designated "[_____ % Series _____ Senior Notes due _____] [Floating Rate Senior Notes due _____]" (the "Senior Notes of the _____ Series"). All capitalized terms used in this certificate which are not defined herein but are defined in the form of Senior Notes of the _____ Series attached hereto as Exhibit A shall have the meanings set forth in such Exhibit A; all other capitalized terms used in this certificate which are not defined herein but are defined in the Indenture shall have the meanings set forth in the Indenture;
2. [The Senior Notes of the _____ Series shall be limited in aggregate principal amount to \$ _____ at any time Outstanding, except as contemplated in Section 301(b) of the Indenture;]
3. The Senior Notes of the _____ Series shall mature and the principal shall be due and payable together with all accrued and unpaid interest thereon on _____;
4. The Senior Notes of the _____ Series shall bear interest as provided in the form of the Senior Notes of the _____ Series set forth in Exhibit A hereto;
5. The Corporate Trust Office of the Trustee in Chicago, Illinois will be the place at which (i) the principal (and premium, if any) and each installment of interest on the Senior Notes of the First Series shall be payable, (ii) registration and registration of transfers and exchanges in respect of the Senior Notes of the _____ Series may be effected, and (iii) notices and demands to or upon the Company in respect of the Senior Notes of the _____ Series may be served; and the Trustee will be the Security Registrar and the Paying Agent for the Senior Notes of the _____ Series; provided, however, that the _____ Company reserves the right to change, by one or more Officer's Certificates supplemental to this Officer's Certificate, any such place or the Security Registrar or such Paying Agent;
6. [Redemption provisions, if any, should be inserted];
7. [The Senior Notes of the _____ Series will be originally issued in global form payable to Cede & Co. and will, unless and until the Senior Notes of the _____ Series are exchanged in whole or in part for certificated Senior Notes of the _____ Series registered in the names of various beneficial holders thereof (in accordance with the conditions set forth in the legend appearing in the form of the Senior Notes of the _____ Series, set forth in Exhibit A hereto), contain restrictions on transfer, substantially as described in such form;]
8. No service charge shall be made for the registration of transfer or exchange of the Senior Notes of the _____ Series; provided, however, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer;
9. If the Company shall make any deposit of money and/or Government Obligations with respect to any Senior Notes of the _____ Series,

or any portion of the principal amount thereof, as contemplated by Section 701 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 701 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(A) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of the Senior Notes of the _____ Series, shall assume the obligation

(which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Government Obligations (meeting the requirements of Section 701), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Government Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Senior Notes of the _____ Series or portions thereof, all

in accordance with and subject to the provisions of said Section 701; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof; or

(B) an Opinion of Counsel to the effect that, as a result of a change in law occurring after the date of this certificate, the Holders of such Senior Notes of the _____ Series, or portions of

the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected;

10. The Senior Notes of the _____ Series shall have such other terms

and provisions as are provided in the form thereof set forth in Exhibit A hereto, and shall be issued in substantially such form;
11. The following clauses of Section 301 of the Indenture are not applicable to the Senior Notes of the _____ Series: [insert clauses

not applicable].
12. The undersigned has read all of the covenants and conditions contained in the Indenture relating to the issuance of the Senior Notes of the _____ Series and the definitions in the Indenture relating thereto

and in respect of which this certificate is made;
13. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon discussions by the undersigned with officers and employees of the Company familiar with the matters set forth herein;

14. In the opinion of the undersigned, he has made such examination or investigation as is necessary to express an informed opinion whether or not such covenants and conditions have been complied with; and
15. In the opinion of the undersigned, such conditions and covenants and conditions precedent, if any (including any covenants compliance with which constitutes a condition precedent) to the authentication and delivery of the Senior Notes of the _____ Series requested in the accompanying Company Order have been complied with.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this _____
day of _____, 200 .

NO. _____
CUSIP NO. _____

[FORM OF FACE OF SENIOR NOTE]

[(SEE LEGEND AT THE END OF THIS SECURITY FOR
RESTRICTIONS ON TRANSFERABILITY AND CHANGE OF FORM)]

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

[% SENIOR NOTES, DUE _____ , _____] [FLOATING RATE SENIOR NOTES DUE _____]

ALLETE (legally incorporated as MINNESOTA POWER, INC.), a corporation duly organized and existing under the laws of the State of Minnesota (herein referred to as the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to [Cede & Co.] or registered assigns, the principal sum of _____ Dollars on _____ , and to pay interest on said

principal sum, from _____ , 200 _____ , or from the most recent Interest Payment

Date to which interest has been paid or duly provided for, [semi-annually on _____ and _____ of each year, commencing _____ , 200 _____ , at the rate of _____ %

per annum] [quarterly on _____ , _____ , _____ and _____ of each year,

commencing _____ , at the per annum interest rate determined by _____]

until the principal hereof is paid or made available for payment. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Securities of this series will accrue from _____ , 200 _____ , to the first Interest Payment Date,

and thereafter will accrue from the last Interest Payment Date to which interest has been paid or duly provided for. In the event that any Interest Payment Date is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of such delay) with the same force and effect as if made on the Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be [the Business Day preceding the corresponding Interest Payment Date; provided, however, that if the Securities of this series are not held by a securities depository in a book entry only form, the Regular Record Date will be the close of business on the 15th calendar day next preceding] such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture referred to on the reverse hereof.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the corporate trust office of LaSalle Bank National Association, Chicago, Illinois or at such other office or agency as may be designated for such purpose by the Company, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that, at the option of the Company, interest on this Security may be paid by check mailed to the address of the person entitled thereto, as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

ALLETE
(legally incorporated as MINNESOTA POWER, INC.)

By: _____

ATTEST:

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

Dated:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

LASALLE BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

[FORM OF REVERSE OF SENIOR NOTE]

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture (For Unsecured Debt Securities), dated as of February 1, 2001 (herein, together with any amendments thereto, called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and LaSalle Bank National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including the Board Resolutions and Officer's Certificate filed with the Trustee on _____, 200 (the

"Officer's Certificate") creating the series designated on the face hereof, for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$ _____.

[Formula for calculation of interest, if applicable, should be inserted]

[Redemption provisions, if any, should be inserted]

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than a majority in aggregate principal amount of the Securities of all series at the time Outstanding in respect of which an Event of Default shall have occurred and be continuing shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of Securities of all series at the time Outstanding in respect of which an Event of Default shall have occurred and be continuing a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor and of authorized denominations, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture and in the Officer's Certificate establishing the terms of the Securities of this series.

[LEGEND

Unless and until this Security is exchanged in whole or in part for certificated Securities registered in the names of the various beneficial holders hereof as then certified to the Trustee by The Depository Trust Company (55 Water Street, New York, New York) or its successor (the "Depository"), this Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

Unless this certificate is presented by an authorized representative of the Depository to the Company or its agent for registration of transfer, exchange or payment, and any certificate to be issued is registered in the name of Cede & Co., or such other name as requested by an authorized representative of the Depository and any amount payable thereunder is made payable to Cede & Co., or such other name, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This Security may be exchanged for certificated Securities registered in the names of the various beneficial owners hereof if (a) the Depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 90 days, or (b) the Company elects to issue certificated Securities to beneficial owners. Any such exchange shall be made upon receipt by the Trustee of a Company Order therefor and certificated Securities of this series shall be registered in such names and in such denominations as shall be certified to the Company and the Trustee by the Depository.]

TRUST AGREEMENT
OF ALLETE CAPITAL II

This TRUST AGREEMENT of ALLETE Capital II (the "Trust"), dated as of March 13, 2001, among (i) ALLETE (legally incorporated as Minnesota Power, Inc.), a Minnesota corporation (the "Depositor"), (ii) The Bank of New York, a New York banking corporation (the "Property Trustee"), not in its individual capacity but solely as trustee of the Trust, (iii) The Bank of New York (Delaware), a Delaware banking corporation (the "Delaware Trustee"), not in its individual capacity but solely as trustee of the Trust, and (iv) Philip R. Halverson, an individual employed by the Depositor or one of its affiliates, not in his individual capacity but solely as trustee of the Trust (the "Administrative Trustee") (the Administrative Trustee, together with any administrative trustees appointed by the Depositor after the date hereof, the "Administrative Trustees") (each of such trustees in (ii), (iii) and (iv) a "Trustee" and collectively, the "Trustees"). The Depositor and the Trustees hereby agree as follows:

1. The trust created hereby shall be known as "ALLETE Capital II", in which name the Trustees, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Depositor hereby assigns, transfers, conveys and sets over to the Trustees the sum of \$10. The Trustees hereby acknowledge receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustees hereby declare that they will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. ss.3801 et seq. (the "Business Trust Act"), and that this document constitutes the governing instrument of the Trust. The Trustees are hereby authorized and directed to execute and file a certificate of trust with the Secretary of State of the State of Delaware in accordance with the provisions of the Business Trust Act.

3. The Depositor and the Trustees will enter into an amended and restated Trust Agreement, satisfactory to each such party and substantially in the form to be included as an exhibit to the 1933 Act Registration Statement referred to below, to provide for the contemplated operation of the Trust created hereby and the issuance of the preferred trust securities and common trust securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustees shall not have any duty or obligation hereunder or with respect of the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise.

4. The Depositor and the Trustees hereby authorize and direct each of the Administrative Trustees, and the Depositor, acting singly or together, (and, in the case of (iv) below, Robert J. Reger, Jr., as authorized representative of the Trust) (i) to prepare and file with the Securities and Exchange Commission (the "Commission") and execute, in each case on behalf of the Trust, (a) a Registration Statement on Form S-3 (the "1933 Act Registration Statement") (including any pre-effective or post-effective amendments thereto), relating to the registration under the Securities Act of 1933, as amended, of the preferred trust securities of the Trust and certain other securities and (b) a Registration Statement on Form 8-A (the "1934 Act Registration Statement")

(including all pre-effective and post-effective amendments thereto) relating to the registration of the preferred trust securities of the Trust under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, (ii) to prepare and file with The New York Stock Exchange, Inc. (the "Exchange") and execute on behalf of the Trust a listing application and all other applications, statements, certificates, agreements and other instruments as shall be necessary or desirable to cause the preferred trust securities to be listed on the Exchange, (iii) to prepare and file and execute on behalf of the Trust such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and other papers and documents as shall be necessary or desirable to register the preferred trust securities under the securities or blue sky laws of such jurisdictions as the Depositor or the Administrative Trustee, on behalf of the Trust, may deem necessary or desirable and (iv) to execute and deliver, on behalf of the Trust, an underwriting agreement in respect of the sale of the preferred trust securities in such form as the Depositor shall approve. In the event that any filing referred to above is required by the rules and regulations of the Commission, the Exchange or state securities or blue sky laws, to be executed on behalf of the Trust by one or more of the Trustees, each of the Trustees, in its or his capacity as Trustee of the Trust, is hereby authorized and, to the extent so required, directed to join in any such filing and to execute on behalf of the Trust any and all of the foregoing, it being understood that the Property Trustee and the Delaware Trustee, in their capacities as Trustees of the Trust, respectively, shall not be required to join in any such filing or execute on behalf of the Trust any such document unless required by the rules and regulations of the Commission, the Exchange or state securities or blue sky laws. In connection with the filings referred to above, the Depositor and each Trustee, solely in its or his capacity as trustee of the Trust, hereby constitutes and appoints David G.

Gartzke, Philip R. Halverson, James K. Vizanko and Robert J. Reger, Jr., and each of them, as its or his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for the Depositor or such Trustee or in the Depositor's or such Trustee's name, place and stead, in any and all capacities, to sign any and all filings and amendments (including post-effective amendments) to any of such filings (including the 1933 Act Registration Statement and the 1934 Act Registration Statement) and to file the same, with all exhibits thereto and other documents in connection therewith, with the Commission, the Exchange and securities or blue sky administrators, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as the Depositor or such Trustee might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their respective substitute or substitutes, shall do or cause to be done by virtue hereof.

5. This Trust Agreement may be executed in one or more counterparts.

6. The number of Trustees initially shall be three (3) and thereafter the number of Trustees shall be such number as set forth in the amended and restated Trust Agreement or as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; provided, however, that to the extent required by the Business Trust Act, one Trustee shall be either a natural person who is a resident of the State of Delaware, or, if not a natural person, an entity which has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable Delaware law. Subject to the foregoing, the Depositor is entitled to appoint or remove without cause any Trustee at any

time. Any one or more of the Trustees may resign upon thirty (30) days prior written notice to Depositor.

7. The Depositor shall have the right to dissolve the Trust at any time prior to the issuance of any preferred trust security. Upon dissolution of the Trust pursuant to this Section 7, each of the Administrative Trustees, acting singly, is hereby authorized to prepare, execute and file a Certificate of Cancellation in respect of the Trust with the Secretary of State of the State of Delaware.

8. This Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed as of the day and year first above written.

ALLETE
(legally incorporated as Minnesota Power, Inc.),
as Depositor

By: /s/ Philip R. Halverson

Name: Philip R. Halverson
Title: Vice President, General Counsel
& Secretary

THE BANK OF NEW YORK,
not in its individual capacity
but solely as Trustee

By: /s/ Thomas B. Zakrzewski

Name: Thomas B. Zakrzewski
Title: Vice President

THE BANK OF NEW YORK (DELAWARE),
not in its individual capacity but
solely as Trustee

By: /s/ Patrick Burns

Name: Patrick Burns
Title: SVP

PHILIP R. HALVERSON,
not in his individual capacity
but solely as Trustee

By: /s/ Philip R. Halverson

CERTIFICATE OF TRUST

OF

ALLETE CAPITAL II

THIS CERTIFICATE OF TRUST of ALLETE Capital II (the "Trust"), dated as of March 13, 2001, is being duly executed and filed by the undersigned, as trustees, to form a business trust under the Delaware Business Trust Act (12 Del. C. ss. 3801, et seq.).

1. Name. The name of the business trust being created hereby is ALLETE Capital II.

2. Delaware Trustee. The name and business address of the trustee of the Trust with a principal place of business in the State of Delaware are The Bank of New York (Delaware), White Clay Center, Route 273, Newark, New Castle County, Delaware 19711.

3. Effective Date. This Certificate of Trust shall be effective as of its filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the undersigned, being the only trustees of the Trust, have executed this Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK
not in its individual capacity
but solely as Trustee

By: /s/ Thomas B. Zakrzewski

Name: Thomas B. Zakrzewski
Title: Vice President

PHILIP R. HALVERSON
Not in his individual capacity
but solely as Trustee

By: /s/ Philip R. Halverson

THE BANK OF NEW YORK (DELAWARE),
not in its individual capacity
but solely as Trustee

By: /s/ Patrick Burns

Name: Patrick Burns
Title: SVP

TRUST AGREEMENT
OF ALLETE CAPITAL III

This TRUST AGREEMENT of ALLETE Capital III (the "Trust"), dated as of March 13, 2001, among (i) ALLETE (legally incorporated as Minnesota Power, Inc.), a Minnesota corporation (the "Depositor"), (ii) The Bank of New York, a New York banking corporation (the "Property Trustee"), not in its individual capacity but solely as trustee of the Trust, (iii) The Bank of New York (Delaware), a Delaware banking corporation (the "Delaware Trustee"), not in its individual capacity but solely as trustee of the Trust, and (iv) Philip R. Halverson, an individual employed by the Depositor or one of its affiliates, not in his individual capacity but solely as trustee of the Trust (the "Administrative Trustee") (the Administrative Trustee, together with any administrative trustees appointed by the Depositor after the date hereof, the "Administrative Trustees") (each of such trustees in (ii), (iii) and (iv) a "Trustee" and collectively, the "Trustees"). The Depositor and the Trustees hereby agree as follows:

1. The trust created hereby shall be known as "ALLETE Capital III", in which name the Trustees, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.
2. The Depositor hereby assigns, transfers, conveys and sets over to the Trustees the sum of \$10. The Trustees hereby acknowledge receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustees hereby declare that they will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. ss.3801 et seq. (the "Business Trust Act"), and that this document constitutes the governing instrument of the Trust. The Trustees are hereby authorized and directed to execute and file a certificate of trust with the Secretary of State of the State of Delaware in accordance with the provisions of the Business Trust Act.
3. The Depositor and the Trustees will enter into an amended and restated Trust Agreement, satisfactory to each such party and substantially in the form to be included as an exhibit to the 1933 Act Registration Statement referred to below, to provide for the contemplated operation of the Trust created hereby and the issuance of the preferred trust securities and common trust securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustees shall not have any duty or obligation hereunder or with respect of the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise.
4. The Depositor and the Trustees hereby authorize and direct each of the Administrative Trustees, and the Depositor, acting singly or together, (and, in the case of (iv) below, Robert J. Reger, Jr., as authorized representative of the Trust) (i) to prepare and file with the Securities and Exchange Commission (the "Commission") and execute, in each case on behalf of the Trust, (a) a Registration Statement on Form S-3 (the "1933 Act Registration Statement") (including any pre-effective or post-effective amendments thereto), relating to the registration under the Securities Act of 1933, as amended, of the preferred trust securities of the Trust and certain other securities and (b) a Registration Statement on Form 8-A (the "1934 Act Registration Statement")

(including all pre-effective and post-effective amendments thereto) relating to the registration of the preferred trust securities of the Trust under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, (ii) to prepare and file with The New York Stock Exchange, Inc. (the "Exchange") and execute on behalf of the Trust a listing application and all other applications, statements, certificates, agreements and other instruments as shall be necessary or desirable to cause the preferred trust securities to be listed on the Exchange, (iii) to prepare and file and execute on behalf of the Trust such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and other papers and documents as shall be necessary or desirable to register the preferred trust securities under the securities or blue sky laws of such jurisdictions as the Depositor or the Administrative Trustee, on behalf of the Trust, may deem necessary or desirable and (iv) to execute and deliver, on behalf of the Trust, an underwriting agreement in respect of the sale of the preferred trust securities in such form as the Depositor shall approve. In the event that any filing referred to above is required by the rules and regulations of the Commission, the Exchange or state securities or blue sky laws, to be executed on behalf of the Trust by one or more of the Trustees, each of the Trustees, in its or his capacity as Trustee of the Trust, is hereby authorized and, to the extent so required, directed to join in any such filing and to execute on behalf of the Trust any and all of the foregoing, it being understood that the Property Trustee and the Delaware Trustee, in their capacities as Trustees of the Trust, respectively, shall not be required to join in any such filing or execute on behalf of the Trust any such document unless required by the rules and regulations of the Commission, the Exchange or state securities or blue sky laws. In connection with the filings referred to above, the Depositor and each Trustee, solely in its or his capacity as trustee of the Trust, hereby constitutes and appoints David G.

Gartzke, Philip R. Halverson, James K. Vizanko and Robert J. Reger, Jr., and each of them, as its or his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for the Depositor or such Trustee or in the Depositor's or such Trustee's name, place and stead, in any and all capacities, to sign any and all filings and amendments (including post-effective amendments) to any of such filings (including the 1933 Act Registration Statement and the 1934 Act Registration Statement) and to file the same, with all exhibits thereto and other documents in connection therewith, with the Commission, the Exchange and securities or blue sky administrators, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as the Depositor or such Trustee might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their respective substitute or substitutes, shall do or cause to be done by virtue hereof.

5. This Trust Agreement may be executed in one or more counterparts.

6. The number of Trustees initially shall be three (3) and thereafter the number of Trustees shall be such number as set forth in the amended and restated Trust Agreement or as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; provided, however, that to the extent required by the Business Trust Act, one Trustee shall be either a natural person who is a resident of the State of Delaware, or, if not a natural person, an entity which has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable Delaware law. Subject to the foregoing, the Depositor is entitled to appoint or remove without cause any Trustee at any

time. Any one or more of the Trustees may resign upon thirty (30) days prior written notice to Depositor.

7. The Depositor shall have the right to dissolve the Trust at any time prior to the issuance of any preferred trust security. Upon dissolution of the Trust pursuant to this Section 7, each of the Administrative Trustees, acting singly, is hereby authorized to prepare, execute and file a Certificate of Cancellation in respect of the Trust with the Secretary of State of the State of Delaware.

8. This Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed as of the day and year first above written.

ALLETE
(legally incorporated as Minnesota Power, Inc.),
as Depositor

By: /s/ Philip R. Halverson

Name: Philip R. Halverson
Title: Vice President, General Counsel
& Secretary

THE BANK OF NEW YORK,
not in its individual capacity
but solely as Trustee

By: /s/ Thomas B. Zakrzewski

Name: Thomas B. Zakrzewski
Title: Vice President

THE BANK OF NEW YORK (DELAWARE),
not in its individual capacity but
solely as Trustee

By: /s/ Patrick Burns

Name: Patrick Burns
Title: SVP

PHILIP R. HALVERSON,
not in his individual capacity
but solely as Trustee

By: /s/ Philip R. Halverson

CERTIFICATE OF TRUST

OF

ALLETE CAPITAL III

THIS CERTIFICATE OF TRUST of ALLETE Capital III (the "Trust"), dated as of March 13, 2001, is being duly executed and filed by the undersigned, as trustees, to form a business trust under the Delaware Business Trust Act (12 Del. C. ss. 3801, et seq.).

1. Name. The name of the business trust being created hereby is ALLETE Capital III.

2. Delaware Trustee. The name and business address of the trustee of the Trust with a principal place of business in the State of Delaware are The Bank of New York (Delaware), White Clay Center, Route 273, Newark, New Castle County, Delaware 19711.

3. Effective Date. This Certificate of Trust shall be effective as of its filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the undersigned, being the only trustees of the Trust, have executed this Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK
not in its individual capacity
but solely as Trustee

By: /s/ Thomas B. Zakrzewski

Name: Thomas B. Zakrzewski
Title: Vice President

PHILIP R. HALVERSON
Not in his individual capacity
but solely as Trustee

By: /s/ Philip R. Halverson

THE BANK OF NEW YORK (DELAWARE),
not in its individual capacity
but solely as Trustee

By: /s/ Patrick Burns

Name: Patrick Burns
Title: SVP

=====

AMENDED AND RESTATED

TRUST AGREEMENT

BETWEEN

ALLETE (LEGALLY INCORPORATED AS MINNESOTA POWER, INC.), AS DEPOSITOR

AND

THE BANK OF NEW YORK,

THE BANK OF NEW YORK (DELAWARE),

-----'

-----'

-----'

AND

-----, AS TRUSTEES

AND

THE SEVERAL HOLDERS

DATED AS OF

ALLETE CAPITAL

--

=====

ALLETE Capital

--

Certain Sections of this Trust Agreement relating to
Sections 310 through 318 of the
Trust Indenture Act of 1939:

Trust Indenture Act Section	Trust Agreement Section
-----	-----
Section 310(a)(1)	8.07
(a)(2)	8.07
(a)(3)	8.09
(a)(4)	Not Applicable
(b)	8.08
Section 311(a)	8.13
(b)	8.13
Section 312(a)	5.07
(b)	5.07
(c)	5.07
Section 313(a)	8.14(a)
(a)(4)	8.14(b)
(b)	8.14(b)
(c)	8.14(a)
(d)	8.14(a), 8.14(b)
Section 314(a)	Not Applicable
(b)	Not Applicable
(c)(1)	Not Applicable
(c)(2)	Not Applicable
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	Not Applicable
Section 315(a)	8.01

(b).....8.02, 8.14(b)
(c).....8.01(a)
(d).....8.01, 8.03
(e).....Not Applicable
Section 316(a).....Not Applicable
(a)(1)(A).....Not Applicable
(a)(1)(B).....Not Applicable
(a)(2).....Not Applicable
(b).....Not Applicable
(c).....Not Applicable
Section 317(a)(1).....Not Applicable
(a)(2).....Not Applicable
(b).....5.09
Section 318(a).....10.10

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Trust Agreement.

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AMENDED AND RESTATED TRUST AGREEMENT, dated as of _____, between

(i) ALLETE (legally incorporated as Minnesota Power, Inc.), a Minnesota corporation (the "Depositor"), (ii) THE BANK OF NEW YORK, a New York banking corporation, as trustee (the "Property Trustee" and, in its separate capacity and not in its capacity as Property Trustee, the "Bank"), (iii) THE BANK OF NEW YORK (DELAWARE), a Delaware banking corporation, as Delaware trustee (the "Delaware Trustee"), (iv) Philip R. Halverson, _____,

and _____, as trustees, each an individual, and

each of whose address is c/o ALLETE, 30 West Superior Street, Duluth, Minnesota 55802-2093 (each, an "Administrative Trustee" and collectively the "Administrative Trustees") (the Property Trustee, the Delaware Trustee and the Administrative Trustees are referred to herein each as a "Trustee" and collectively as the "Trustees") and (v) the several Holders, as hereinafter defined.

W I T N E S S E T H:
- - - - -

WHEREAS, the Depositor, the Property Trustee, the Delaware Trustee and Philip R. Halverson, as Administrative Trustee, have heretofore duly declared and established a business trust pursuant to the Delaware Business Trust Act by the entering into of that certain Trust Agreement, dated as of March _____, 2001 (the "Original Trust Agreement"), and by the execution by the Property Trustee, the Delaware Trustee and Philip R. Halverson, as Administrative Trustee and filing with the Secretary of State of the State of Delaware of the Certificate of Trust, dated March _____, 2001, a copy of which is attached as Exhibit A; and

WHEREAS, the Trust and the Depositor entered into an Underwriting Agreement dated _____ with _____ and _____

WHEREAS, the parties hereto desire to amend and restate the Original Trust Agreement in its entirety as set forth herein to provide for, among other things, (i) the acquisition by the Trust from the Depositor of all of the right, title and interest in the Debentures, as hereinafter defined, (ii) the issuance of the Common Trust Securities, as hereinafter defined, by the Trust to the Depositor, and (iii) the issuance of the Preferred Trust Securities, as hereinafter defined, by the Trust.

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, each party, for the benefit of the other party and for the benefit of the Securityholders, hereby amends and restates the Original Trust Agreement in its entirety and agrees as follows:

ARTICLE I.

DEFINED TERMS

SECTION 1.01. DEFINITIONS. For all purposes of this Trust Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Trust Agreement; and

(d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or other subdivision.

"Act" has the meaning specified in Section 6.08.

"Additional Amount" means, with respect to Trust Securities of a given Liquidation Amount for a given period, the amount of Additional Interest (as defined in the Subordinated Indenture) paid by the Debenture Issuer on a Like Amount of Debentures for such period.

"Administrative Trustee" means each of the individuals identified as an "Administrative Trustee" in the preamble to this Trust Agreement solely in their capacities as Administrative Trustees of the Trust and not in their individual capacities, or such trustee's successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Adverse Tax Consequence" means any of the circumstances described in clauses (i), (ii) and (iii) of the definition of "Tax Event" herein.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Bank" has the meaning specified in the preamble to this Trust Agreement.

"Bankruptcy Event" means, with respect to any Person:

(i) the entry of a decree or order by a court having jurisdiction in the premises judging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjudication or composition of or in respect of such Person under Federal bankruptcy law or any other applicable Federal or State law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of such Person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(ii) the institution by such Person of proceedings to be adjudicated a bankrupt or insolvent, or of the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under Federal bankruptcy law or any other applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or similar official of such Person or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

"Bankruptcy Laws" has the meaning specified in Section 10.09.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Depositor to have been duly adopted by the Depositor's Board of Directors or a duly authorized committee thereof and to be in full force and effect on the date of such certification, and delivered to the appropriate Trustee.

"Business Day" means a day other than (x) a Saturday or a Sunday, (y) a day on which banks in New York, New York are authorized or obligated by law or executive order to remain closed or (z) a day on which the Property Trustee's Corporate Trust Office or the Debenture Trustee's principal corporate trust office is closed for business.

"Certificate of Trust" has the meaning specified in Section 2.07(d).

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Closing Date" means the date of execution and delivery of this Trust Agreement.

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

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the

Trust Indenture Act, then the body performing such duties at such time.

"Common Trust Security" means a security representing an undivided beneficial interest in the assets of the Trust having a Liquidation Amount of \$[25] and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions, Debentures and a Liquidation Distribution as provided herein.

"Common Trust Securities Certificate" means a certificate evidencing ownership of Common Trust Securities, substantially in the form attached as Exhibit B.

"Corporate Trust Office" means the principal corporate trust office of the Property Trustee located in New York, New York which at the date of execution of this Trust Agreement is located at 101 Barclay Street, New York, New York 10286, Attention: Corporate Trust Administration.

"Covered Person" means: (a) any officer, director, shareholder, partner, member, representative, employee or agent of the Trust or the Trust's Affiliates; and (b) any Holder of Trust Securities.

"Debenture Event of Default" means an "Event of Default" as defined in the Subordinated Indenture.

"Debenture Issuer" means ALLETE, a Minnesota corporation, in its capacity as issuer of the Debentures and its successors.

"Debenture Redemption Date" means "Redemption Date" as defined in the Subordinated Indenture with respect to the Debentures.

"Debenture Trustee" means The Bank of New York, as trustee under the Subordinated Indenture, and its permitted successors and assigns as such trustee.

"Debentures" means up to \$ _____ aggregate principal amount of the Debenture Issuer's _____ % Junior Subordinated Debentures, Series _____, issued pursuant to the Subordinated Indenture which will mature on _____.

"Definitive Preferred Trust Securities Certificates" means Preferred Trust Securities Certificates issued in certificated, fully registered form as provided in Section 5.11.

"Delaware Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to time.

"Delaware Trustee" means the banking corporation identified as the "Delaware Trustee" in the preamble to this Trust Agreement solely in its capacity as Delaware Trustee of the Trust and not in its individual capacity, or its successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Depositor" has the meaning specified in the preamble to this Trust Agreement and includes ALLETE, in its capacity as Holder of the Common Trust Securities and its successors.

"Distribution Date" has the meaning specified in Section 4.01(a).

"Distributions" means amounts payable in respect of the Trust Securities as provided in Section 4.01.

"Early Termination Event" has the meaning specified in Section 9.02.

"Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) the occurrence of a Debenture Event of Default; or

(ii) default by the Trust in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days; or

(iii) default by the Trust in the payment of any Redemption Price, plus accumulated and unpaid Distributions, of any Trust Security when it becomes due and payable; or

(iv) default in the performance, or breach, in any material respect of any covenant or warranty of the Trustees in this Trust Agreement (other than a covenant or warranty a default in whose performance or breach is specifically dealt with in clause (ii) or (iii) above) and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Trust by the Holders of at least 10% in Liquidation Amount of the Outstanding Preferred Trust Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(v) the occurrence of a Bankruptcy Event with respect to the Trust.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expense Agreement" means the Agreement as to Expenses and Liabilities, dated the date hereof, between the Depositor and the Trust, substantially in the form attached as Exhibit C, as amended from time to time.

"Expiration Date" shall have the meaning specified in Section 9.01.

"Guarantee" means the Guarantee Agreement executed and delivered by the Depositor and The Bank of New York, a New York

banking corporation, as trustee, contemporaneously with the execution and delivery of this Trust Agreement, for the benefit of the Holders of the Preferred Trust Securities, as amended from time to time.

"Indemnified Person" means any Trustee, any Affiliate of any Trustee, or any officer, director, shareholder, member, partners, employee, representative or agent of any Trustee, or any employee or agent of the Trust or its Affiliates.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Lien" means any lien, pledge, charge, encumbrance, mortgage, deed of trust, adverse ownership interest, hypothecation, assignment, security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Like Amount" means (i) Trust Securities having a Liquidation Amount equal to the principal amount of Debentures to be contemporaneously redeemed in accordance with the Subordinated Indenture and the proceeds of which will be used to pay the Redemption Price of such Trust Securities plus accumulated and unpaid Distributions to the date of such payment and (ii) Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holders to which such Debentures are distributed.

"Liquidation Amount" means the stated amount of \$__ per Trust Security.

"Liquidation Date" means the date on which Debentures are to be distributed to Holders of Trust Securities in connection with a dissolution and liquidation of the Trust pursuant to Section 9.04.

"Liquidation Distribution" has the meaning specified in Section 9.04(e).

"Offer" has the meaning specified in Section 2.07(c).

"Officers' Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Depositor, and delivered to the appropriate Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 8.16 shall be the principal executive, financial or accounting officer of the Depositor. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Trust, the Property Trustee, the Delaware Trustee or the Depositor, but not an employee of the Trust, the Property Trustee, the Delaware Trustee or the Depositor, and who shall be reasonably acceptable to the Property Trustee. Any Opinion of Counsel delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement shall include statements comparable to the statements referred to in the definition of "Officers' Certificate" herein.

"Original Trust Agreement" has the meaning specified in the recitals to this Trust Agreement.

"Outstanding," when used with respect to Preferred Trust Securities, means, as of the date of determination, all Preferred Trust Securities theretofore delivered under this Trust Agreement, except:

(i) Preferred Trust Securities theretofore canceled by the Transfer Agent and Registrar or delivered to the Transfer Agent and Registrar for cancellation;

(ii) Preferred Trust Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Preferred Trust Securities; provided that, if such Preferred Trust Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Trust Agreement; and

(iii) Preferred Trust Securities in exchange for or in lieu of which other Preferred Trust Securities have been delivered pursuant to this Trust Agreement, including pursuant to Sections 5.04, 5.05 or 5.11;

provided, however, that in determining whether the Holders of the requisite Liquidation Amount of the Outstanding Preferred Trust Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Preferred Trust Securities owned by the Depositor, any Trustee or any Affiliate of the Depositor or any Trustee shall be disregarded and deemed not to be Outstanding, except that (a) in determining whether any Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Preferred Trust Securities which such Trustee knows to be so owned shall be so disregarded and (b) the foregoing shall not apply at any time when all of the Outstanding Preferred Trust Securities are owned by the Depositor, one or more of the Trustees and/or any such Affiliate. Preferred Trust Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the

Administrative Trustee the pledgee's right so to act with respect to such Preferred Trust Securities and that the pledgee is not the Depositor or any Affiliate of the Depositor.

"Owner" means each Person who is the beneficial owner of a Trust Securities Certificate as reflected in the records of the Securities Depository or, if a Securities Depository participant is not the beneficial owner, then as reflected in the records of a Person maintaining an account with such Securities Depository (directly or indirectly), in accordance with the rules of such Securities Depository.

"Paying Agent" means any paying agent or co-paying agent appointed pursuant to Section 5.09 and shall initially be The Bank of New York.

"Payment Account" means a segregated non-interest-bearing corporate trust account maintained by the Property Trustee with _____, or such other banking institution as the Depositor shall select for the benefit of the Securityholders in which all amounts paid in respect of the Debentures will be held and from which the Paying Agent, pursuant to Section 5.09, shall make payments to the Securityholders in accordance with Sections 4.01 and 4.02.

"Person" means any individual, corporation, partnership, joint venture, trust, limited liability company or corporation, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Trust Security" means a security representing an undivided beneficial interest in the assets of the Trust having a Liquidation Amount of \$ _____ and having rights provided therefor in this Trust Agreement, including the right to receive Distributions, Debentures and a Liquidation Distribution as provided herein and, in certain circumstances, a preference over the Common Trust Securities.

"Preferred Trust Securities Certificate" means a certificate evidencing ownership of Preferred Trust Securities, substantially in the form attached as Exhibit D.

"Property Trustee" means the commercial bank or trust company identified as the "Property Trustee" in the preamble to this Trust Agreement solely in its capacity as Property Trustee of the Trust and not in its individual capacity, or its successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Redemption Date" means, with respect to any Trust Security to be redeemed, the date fixed for such redemption by or pursuant to this Trust Agreement; provided that each Debenture Redemption Date shall be a Redemption Date for a Like Amount of Trust Securities.

"Redemption Price" means, with respect to any date fixed for redemption of any Trust Security, the Liquidation Amount of such Trust Security.

"Relevant Trustee" shall have the meaning specified in Section 8.10.

"Responsible Officer," when used with respect to the Property Trustee means an officer of the Property Trustee assigned by the Property Trustee to administer its corporate trust matters.

"Securities Depository" shall have the meaning specified in Section 5.12. The Depository Trust Company will be the initial Securities Depository.

"Securities Register" shall mean the Securities Register as described in Section 5.04.

"Securityholder" or "Holder" means a Person in whose name a Trust Security or Securities is registered in the Securities Register; any such Person shall be a beneficial owner of such security within the meaning of the Delaware Business Trust Act.

"Subordinated Indenture" means the Indenture, dated as of _____, between the Depositor and the Debenture Trustee, as trustee, as amended or supplemented from time to time.

"Tax Event" means the receipt by the Trust or the Depositor of an opinion of counsel experienced in such matters to the effect that, as a result of (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to issue or adopt any such administrative pronouncement, ruling, regulatory procedure or regulation) (each, an "Administrative Action"), or (c) any amendment to, clarification of, or change in the official position or the interpretation of any such Administrative Action or judicial decision or any interpretation or pronouncement that provides for a position with respect to such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case by any legislative body, court, governmental authority or regulatory body, irrespective of the time or manner in which such amendment, clarification or change is introduced or made known, which amendment, clarification, or change is effective, which Administrative Action is taken or which judicial decision is issued, in each case on or after the date of issuance of the Preferred Trust Securities, there is more than an insubstantial risk that (i) the Trust is, or will be, subject to United States federal income tax with respect to interest received on the Debentures, (ii) interest payable by the Depositor on the Debentures is not, or will not be, fully deductible by the Depositor for United States federal income tax purposes, or (iii) the Trust is, or will be, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Transfer Agent and Registrar" shall mean the transfer agent and registrar for the Preferred Trust Securities appointed by the Trust and shall be initially The Bank of New York.

"Trust" means the Delaware business trust created by the Original Trust Agreement and the Certificate of Trust and continued hereby and identified on the cover page to this Trust Agreement.

"Trust Agreement" means this Amended and Restated Trust Agreement, as the same may be modified, amended or supplemented in accordance with the applicable provisions hereof, including all exhibits hereto, including, for all purposes of this Amended and Restated Trust Agreement and any such modification, amendment or supplement, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Amended and Restated Trust Agreement and any such modification, amendment or supplement, respectively.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as amended and in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Property" means (i) the Debentures, (ii) any cash on deposit in, or owing to, the Payment Account and (iii) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held by the Property Trustee pursuant to the trusts of this Trust Agreement.

"Trust Securities Certificate" means any one of the Common Trust Securities Certificates or the Preferred Trust Securities Certificates.

"Trust Security" means any one of the Common Trust Securities or the Preferred Trust Securities.

"Underwriting Agreement" means the Underwriting Agreement, dated as of _____, among the Trust, the Depositor and [the _____ representatives of] the underwriters named therein.

ARTICLE II.

ESTABLISHMENT OF THE TRUST

SECTION 2.01. NAME. The Trust continued hereby shall be known as "ALLETE Capital " in which name the Trustees may conduct the business of the Trust, make and execute contracts and other instruments on behalf of the Trust and sue and be sued.

SECTION 2.02. OFFICE OF THE DELAWARE TRUSTEE; PRINCIPAL PLACE OF BUSINESS. The office of the Delaware Trustee in the State of Delaware is White Clay Center, Route 273, Newark, Delaware 19711, or at such other address in Delaware as the Delaware Trustee may designate by written notice to the Securityholders and the Depositor. The principal place of business of the Trust is ALLETE, 30 West Superior Street, Duluth, Minnesota 55802-2093.

SECTION 2.03. INITIAL CONTRIBUTION OF TRUST PROPERTY; ORGANIZATIONAL EXPENSES. The Property Trustee acknowledges receipt in trust from the Depositor in connection with the Original Trust Agreement of the sum of \$10, which constituted the initial Trust Property. The Depositor shall pay organizational expenses of the Trust as they arise or shall, upon request of any Trustee, promptly reimburse such Trustee for any such expenses paid by such Trustee. The Depositor shall make no claim upon the Trust Property for the payment of such expenses.

SECTION 2.04. ISSUANCE OF THE PREFERRED TRUST SECURITIES. On _____, an authorized representative of the Depositor and the Trust _____ both executed and delivered the Underwriting Agreement. Contemporaneously with the execution and delivery of this Trust Agreement, one of the Administrative Trustees, on behalf of the Trust in accordance with Section 5.02, executed and delivered Preferred Trust Securities Certificates, registered in the name of the nominee of The Depository Trust Company, having an aggregate Liquidation Amount of \$ _____. [In the event and to the extent the over-allotment option _____ granted by the Trust and the Depositor pursuant to the Underwriting Agreement is exercised by the underwriters named therein, on each option closing date, one of the Administrative Trustees, on behalf of the Trust, shall execute in accordance with Section 5.02 and deliver to the underwriters named in the Underwriting Agreement, Preferred Trust Securities Certificates, registered in the name of the nominee of The Depository Trust Company, having an aggregate Liquidation Amount of up to \$ _____.]

SECTION 2.05. SUBSCRIPTION AND PURCHASE OF DEBENTURES; ISSUANCE OF THE COMMON TRUST SECURITIES. Contemporaneously with the execution and delivery of this Trust Agreement, (a) the Administrative Trustees, on behalf of the Trust, subscribed to and purchased from the Debenture Issuer Debentures, registered in the name of the Property Trustee and having an aggregate principal amount equal to \$ _____, in satisfaction of the purchase price for such Debentures, (b) _____ one of the Administrative Trustees, on behalf of the Trust, executed and delivered to the Depositor Common Trust Securities Certificates, registered in the name of the Depositor, representing _____ Common Trust Securities having an aggregate Liquidation Amount of \$ _____, and (c) the Property Trustee, on behalf of the Trust, delivered to the Debenture Issuer the sum of \$ _____ representing the proceeds from the sale of the Preferred Trust Securities pursuant to the Underwriting Agreement. [In the event and to the extent the over-allotment option granted by the Trust and the Depositor pursuant to the Underwriting Agreement is exercised by the underwriters named therein, on each option closing date, one of the Administrative Trustees, on behalf of the Trust, shall execute in accordance with Section 5.02 and deliver to the Depositor Common Trust Securities Certificates, registered in the name of the Depositor, and the Property Trustee, on behalf of the Trust, shall deliver to the Debenture Issuer the proceeds from each sale of additional Preferred Trust Securities pursuant to the Underwriting Agreement; provided, however, that the aggregate Liquidation Amount of Common Trust Securities issued in connection with the exercise of the over-allotment option shall not exceed \$ _____ and the aggregate proceeds to the Debenture Issuer from the sale of additional Preferred Trust Securities in connection with the exercise of the over-allotment option shall not exceed \$ _____. In connection with the over-allotment option, the Trust may purchase additional Debentures in the amount equal to the Liquidation Amount of the Common Securities plus the Liquidation Amount of the Preferred Securities.]

SECTION 2.06. DECLARATION OF TRUST; APPOINTMENT OF ADDITIONAL ADMINISTRATIVE TRUSTEES. The exclusive purposes and functions of the Trust are (i) to issue Trust Securities and invest the proceeds thereof in Debentures, and (ii) to engage in those activities necessary or incidental thereto. The Depositor hereby appoints the Trustees as trustees of the Trust, to have all the rights, powers and duties to the extent set forth herein. The Property Trustee hereby declares that it will hold the Trust Property in trust upon and subject to the conditions set forth herein for the benefit of the Securityholders. The Trustees shall have all rights, powers and duties set forth herein and in accordance with applicable law with respect to accomplishing the purposes of the Trust. Anything in this Trust Agreement to the contrary notwithstanding, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Property Trustee or the Administrative Trustees set forth herein. The Delaware Trustee shall be one of the Trustees of the Trust for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Delaware Business Trust Act.

SECTION 2.07. AUTHORIZATION TO ENTER INTO CERTAIN TRANSACTIONS. (a) The Trustees shall conduct the affairs of the Trust in accordance with the terms of this Trust Agreement. Subject to the limitations set forth in paragraph (b) of this Section and Article VIII and in accordance with the following provisions (A) and (B), the Trustees shall have the authority to enter into all transactions and agreements determined by the Trustees to be appropriate in exercising the authority, express or implied, otherwise granted to the Trustees under this Trust Agreement, and to perform all acts in furtherance thereof, including without limitation, the following:

(A) As among the Trustees, the Administrative Trustees, acting singly or together, shall have the power, duty and authority to act on behalf of the Trust with respect to the following matters:

(i) the issuance and sale of the Trust Securities;

(ii) without the consent of any Person, to cause the Trust to enter into and to execute, deliver and perform on behalf of the Trust, the Expense Agreement, and such other agreements as may be necessary or desirable in connection with the consummation of the Underwriting Agreement;

(iii) to qualify the Trust to do business in any jurisdiction as may be necessary or desirable;

(iv) the collection of interest, principal and any other payments made in respect of the Debentures;

(v) the registration of the Preferred Trust Securities under the Securities Act of 1933, as amended, and under state securities or blue sky laws, and the qualification of this Trust Agreement as a trust indenture under the Trust Indenture Act;

(vi) the appointment of a Paying Agent and a Transfer Agent and Registrar in accordance with this Trust Agreement;

(vii) registering transfers of the Trust Securities in accordance with this Trust Agreement;

(viii) the establishment of a record date for any of the purposes contemplated by Section 6.07 hereof;

(ix) to the extent provided in this Trust Agreement, the winding up of the affairs of and liquidation of the Trust and the preparation, execution and filing of the certificate of cancellation with the Secretary of State of Delaware; and

(x) the taking of any action incidental to the foregoing as the Administrative Trustees may from time to time determine is necessary or advisable to protect and conserve the Trust Property for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

(B) As among the Trustees, the Property Trustee shall have the power, duty and authority to act on behalf of the Trust with respect to the following ministerial matters:

(i) the establishment of the Payment Account;

(ii) the receipt of the Debentures;

(iii) the deposit of interest, principal and any other payments made in respect of the Debentures in the Payment Account; (iv) the distribution of amounts owed to the Securityholders in respect of the Trust Securities in accordance with the terms of this Trust Agreement;

(v) the sending of notices of default and other information regarding the Trust Securities and the Debentures to the Securityholders in accordance with the terms of this Trust Agreement;

(vi) the distribution of the Trust Property in accordance with the terms of this Trust Agreement;

(vii) to the extent provided in this Trust Agreement, the winding up of the affairs of and liquidation of the Trust and the execution of the certificate of cancellation to be prepared and filed by the Administrative Trustees with the Secretary of State of the State of Delaware; and

(viii) the taking of any ministerial action incidental to the foregoing as the Property Trustee may from time to time determine is necessary or advisable to protect and conserve the Trust Property for

the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

Subject to this Section 2.07(a)(B), the Property Trustee shall have none of the duties, powers or authority of the Administrative Trustees set forth in Sections 2.07(a)(A) and 2.07(c) or the Depositor set forth in Section 2.07(c). The Property Trustee shall have the power and authority to exercise all of the rights, powers and privileges of a holder of Debentures under the Subordinated Indenture and, if an Event of Default occurs and is continuing, the Property Trustee may, for the benefit of Holders of the Trust Securities, in its discretion, proceed to protect and enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to the terms of this Trust Agreement.

(b) So long as this Trust Agreement remains in effect, the Trust (or the Trustees acting on behalf of the Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, the Trustees shall not (i) acquire any investments or engage in any activities not authorized by this Trust Agreement, (ii) sell, assign, transfer, exchange, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Securityholders, except as expressly provided herein, (iii) take any action that would cause the Trust to fail or cease to qualify as a "grantor trust" for United States federal income tax purposes and not as an association taxable as a corporation, (iv) incur any indebtedness for borrowed money or (v) take or consent to any action that would result in the placement of a Lien on any of the Trust Property. The Trustees shall defend all claims and demands of all Persons at any time claiming any Lien on any of the Trust Property adverse to the interest of the Trust or the Securityholders in their capacity as Securityholders.

(c) In connection with the issue of the Preferred Trust Securities, the Depositor and the Administrative Trustees, acting singly or together, (and, in the case of (v) and (vii) below, Robert J. Reger, Jr., as authorized representative of the Trust) shall have the right and responsibility to assist the Trust with respect to, or effect on behalf of the Trust, the following (and any actions taken by the Depositor in furtherance of the following prior to the date of this Trust Agreement are hereby ratified and confirmed in all respects):

(i) to prepare for filing by the Trust with the Commission and to execute a registration statement on Form S-3 in relation to the Preferred Trust Securities, including any amendments thereto;

(ii) to prepare for filing by the Trust with the Commission and to execute a registration statement on Form 8-A including all amendments thereto;

(iii) to prepare and file with The New York Stock Exchange, Inc. and execute on behalf of the Trust a listing application and all other applications, statements, certificates, agreements and other instruments as shall be necessary or desirable to cause the Preferred Trust Securities to be listed on such exchange;

(iv) to determine the states in which to take appropriate action to qualify or register for sale all or part of the Preferred Trust

Securities and to do any and all such acts, other than actions which must be taken by or on behalf of the Trust, and advise the Trustees of actions they must take on behalf of the Trust, and prepare for execution and filing any documents to be executed and filed by the Trust or on behalf of the Trust, as the Depositor deems necessary or advisable in order to comply with the applicable laws of any such states;

(v) to execute and deliver on behalf of the Trust the Underwriting Agreement and such other agreements as may be necessary or desirable in connection with the consummation thereof;

(vi) to select the investment banker or bankers to act as underwriters with respect to the offer and sale by the Trust of the Preferred Trust Securities ("Offer") and negotiate the terms of the Underwriting Agreement providing for the Offer; and

(vii) to take any other actions necessary or desirable to carry out any of the foregoing activities.

(d) Notwithstanding anything herein to the contrary, the Administrative Trustees are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act or classified other than as a "grantor trust" for United States federal income tax purposes and not as an association taxable as a corporation and so that the Debentures will be treated as indebtedness of the Debenture Issuer for United States federal income tax purposes. In this connection, the Depositor and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust filed with the Secretary of State of the State of Delaware with respect to the Trust (as amended or restated from time to time, the "Certificate of Trust") or this Trust Agreement, that each of the Depositor and the Administrative Trustees determines in its discretion to be necessary or desirable for such purposes, as long as such action does not materially adversely affect the interests of the Holders of the Preferred Trust Securities.

SECTION 2.08. ASSETS OF TRUST. The assets of the Trust shall consist of the Trust Property.

SECTION 2.09. TITLE TO TRUST PROPERTY. Legal title to all Trust Property shall be vested at all times in the Property Trustee (in its capacity as such) and shall be held and administered by the Property Trustee for the benefit of the Securityholders in accordance with this Trust Agreement.

ARTICLE III.

PAYMENT ACCOUNT

SECTION 3.01. PAYMENT ACCOUNT. (a) (a) On or prior to the Closing Date, the Property Trustee shall establish the Payment Account. The Property Trustee and the Paying Agent appointed by the Administrative Trustees shall have exclusive control and sole right of withdrawal with respect to the Payment

Account for the purpose of making deposits in and withdrawals from the Payment Account in accordance with this Trust Agreement. All monies and other property deposited or held from time to time in the Payment Account shall be held by the Property Trustee in the Payment Account for the exclusive benefit of the Holders of Trust Securities and for distribution as herein provided, including (and subject to) any priority of payments provided for herein. The Property Trustee shall have no liability in any respect whatsoever in regards to any moneys or other property deposited in the Payment Account at an institution other than the Property Trustee.

(b) The Property Trustee shall deposit in the Payment Account, promptly upon receipt, all payments of principal or interest on, and any other payments or proceeds with respect to, the Debentures. Amounts held in the Payment Account shall not be invested by the Property Trustee pending distribution thereof.

ARTICLE IV.

DISTRIBUTIONS; REDEMPTION

SECTION 4.01. DISTRIBUTIONS. (a) (a) Distributions on the Trust Securities shall be cumulative, and will accumulate whether or not there are funds of the Trust available for the payment of Distributions. Distributions shall accrue from the Closing Date, and, except in the event that the Depositor exercises its right to extend the interest payment period for the Debentures pursuant to Section 311 of the Subordinated Indenture, shall be payable quarterly in arrears on _____, _____, _____, and _____ of each year, commencing on _____. If any date on which Distributions are otherwise payable on the Trust Securities is not a Business Day, then the payment of such Distribution shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) in each case, with the same force and effect as if made on such date (each date on which Distributions are payable in accordance with this Section 4.01(a) a "Distribution Date").

(b) Distributions payable on the Trust Securities shall be fixed at a rate of _____ % per annum of the Liquidation Amount of the Trust Securities. The amount of Distributions payable for any quarterly period shall be computed on the same basis as interest is calculated on the Debentures. If the interest payment period for the Debentures is extended pursuant to Section 311 of the Subordinated Indenture, then Distributions on the Trust Securities will be deferred for the period equal to the extension of the interest payment period for the Debentures and the rate per annum at which Distributions on the Trust Securities accumulate shall be increased by an amount such that the aggregate amount of Distributions that accumulate on all Trust Securities during any such extended interest payment period is equal to the aggregate amount of interest (including, to the extent permitted by law, interest payable on unpaid interest at the percentage rate per annum set forth above, compounded quarterly) that accrues during any such extended interest payment period on the Debentures. The amount of Distributions payable for any period shall include the Additional Amounts, if any.

(c) Distributions on the Trust Securities shall be made and shall be deemed payable on each Distribution Date only to the extent that the Trust has funds available in the Payment Account for the payment of such Distributions.

(d) Distributions on the Trust Securities with respect to a Distribution Date shall be payable to the Holders thereof as they appear on the Securities Register for the Trust Securities on the relevant record date, which shall be one Business Day prior to the relevant Distribution Date, if Trust Securities are in book-entry only form, and 15 days prior to the relevant Distribution Date if Trust Securities are not in book-entry only form.

SECTION 4.02. REDEMPTION. (a) On each Debenture Redemption Date and at the maturity date ("Maturity Date") for the Debentures (as defined in the Subordinated Indenture), the Property Trustee will be required to redeem a Like Amount of Trust Securities at the Redemption Price plus accumulated and unpaid Distributions to the Redemption Date or Maturity Date, as the case may be.

(b) Notice of redemption shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date to each Holder of Trust Securities to be redeemed, at such Holder's address appearing in the Security Register. All notices of redemption or liquidation shall state:

(i) the Redemption Date;

(ii) the Redemption Price and the amount of accumulated and unpaid Distributions to be paid on the Redemption Date;

(iii) the CUSIP number;

(iv) if less than all the Outstanding Trust Securities are to be redeemed, the identification and the total Liquidation Amount of the particular Trust Securities to be redeemed; and

(v) that on the Redemption Date the Redemption Price plus accumulated and unpaid Distributions to the Redemption Date will become due and payable upon each such Trust Security to be redeemed and that Distributions thereon will cease to accrue on and after said date.

(c) The Trust Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price plus accumulated and unpaid Distributions to the Redemption Date with the proceeds from the contemporaneous redemption of Debentures. Redemptions of the Trust Securities shall be made and the Redemption Price plus accumulated and unpaid Distributions to the Redemption Date shall be deemed payable on each Redemption Date only to the extent that the Trust has funds immediately available in the Payment Account for such payment.

(d) If the Property Trustee gives a notice of redemption in respect of any Preferred Trust Securities, then, by 12:00 noon, New York City time, on

the Redemption Date, subject to Section 4.02(c), the Property Trustee shall irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price plus accumulated and unpaid Distributions to the Redemption Date and will give the Paying Agent irrevocable instructions and authority to pay the Redemption Price plus accumulated and unpaid Distributions to the Redemption Date to the Holders thereof upon surrender of their Preferred Trust Securities Certificates and Common Trust Securities Certificates. Notwithstanding the foregoing, Distributions on the Trust Securities with respect to Distribution Dates occurring on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the Holders of such Trust Securities as they appear on the Securities Register for the Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then on the Redemption Date, all rights of Securityholders holding Trust Securities so called for redemption will cease, except the right of such Securityholders to receive the Redemption Price plus accumulated and unpaid Distributions to the Redemption Date thereof, but without interest thereon, and such Trust Securities will cease to be Outstanding. In the event that any Redemption Date is not a Business Day, then payment of the Redemption Price payable on such date plus accumulated and unpaid Distributions to such Redemption Date shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on such date. In the event that payment of the Redemption Price plus accumulated and unpaid Distributions in respect of any Trust Securities called for redemption is improperly withheld or refused and not paid either by the Trust or by the Depositor pursuant to the Guarantee, Distributions on such Trust Securities will continue to accrue, at the then applicable rate, from the Redemption Date originally established by the Trust for such Trust Securities to the date such Redemption Price plus accumulated and unpaid Distributions is actually paid, in which case the actual payment date will be deemed the date fixed for redemption for purposes of calculating the Redemption Price plus accumulated and unpaid Distributions to such date.

(e) Payment of the Redemption Price on the Trust Securities shall be made to the Holders thereof as they appear on the Securities Register for the Trust Securities on the Redemption Date.

(f) If less than all the Outstanding Trust Securities are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of Trust Securities to be redeemed shall be allocated to the Common Trust Securities and to the Preferred Trust Securities in the proportion that the aggregate Liquidation Amount of each is to the aggregate Liquidation Amount of all outstanding Trust Securities. The particular Preferred Trust Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Property Trustee from the Outstanding Preferred Trust Securities not previously called for redemption, by such method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$ -- or integral

-- multiples thereof) of the Liquidation Amount of Preferred Trust Securities of a denomination larger than \$. The Property Trustee shall promptly

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notify the Transfer Agent and Registrar in writing of the Preferred Trust

Securities selected for redemption and, in the case of any Preferred Trust Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of this Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Preferred Trust Securities shall relate, in the case of any Preferred Trust Securities redeemed or to be redeemed only in part, to the portion of the Liquidation Amount of Preferred Trust Securities which has been or is to be redeemed.

SECTION 4.03. SUBORDINATION OF COMMON TRUST SECURITIES. (a) Payment of Distributions (including Additional Amounts, if applicable) on, and the Redemption Price plus accumulated and unpaid Distributions of, the Trust Securities, as applicable, shall be made pro rata based on the Liquidation Amount of the Trust Securities; provided, however, that if on any Distribution Date or Redemption Date an Event of Default shall have occurred and be continuing, no payment of any Distribution (including Additional Amounts, if applicable) on, or Redemption Price plus accumulated and unpaid Distributions of, any Common Trust Security, and no other payment on account of the redemption, liquidation or other acquisition of Common Trust Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions (including Additional Amounts, if applicable) on all Outstanding Preferred Trust Securities for all distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price plus accumulated and unpaid Distributions the full amount of such Redemption Price plus accumulated and unpaid Distributions on all Outstanding Preferred Trust Securities, shall have been made or provided for, and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions (including Additional Amounts, if applicable) on, or Redemption Price plus accumulated and unpaid Distributions of, Preferred Trust Securities then due and payable.

(b) In the case of the occurrence of any Event of Default resulting from a Debenture Event of Default, the Holder of Common Trust Securities will be deemed to have waived any such Event of Default under this Trust Agreement until the effect of all such Events of Default with respect to the Preferred Trust Securities have been cured, waived or otherwise eliminated. Until all such Events of Default under this Trust Agreement with respect to the Preferred Trust Securities have been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the Holders of the Preferred Trust Securities and not the Holder of the Common Trust Securities, and only the Holders of the Preferred Trust Securities will have the right to direct the Property Trustee to act on their behalf.

SECTION 4.04. PAYMENT PROCEDURES. Payments in respect of the Preferred Trust Securities shall be made by check mailed to the address of the Person entitled thereto as such address shall appear on the Securities Register or, if the Preferred Trust Securities are held by a Securities Depository, such Distributions shall be made to the Securities Depository, which shall credit the relevant Persons' accounts at such Securities Depository on the applicable Distribution Dates. Payments in respect of the Common Trust Securities shall be made in such manner as shall be mutually agreed between the Administrative Trustees and the Holder of the Common Trust Securities.

SECTION 4.05. TAX RETURNS AND REPORTS. The Administrative Trustees shall prepare (or cause to be prepared), at the Depositor's expense and

direction, and file all United States federal, state and local tax and information returns and reports required to be filed by or in respect of the Trust. In this regard, the Administrative Trustees shall (a) prepare and file (or cause to be prepared or filed) the Internal Revenue Service Form 1041 (or any successor form) required to be filed in respect of the Trust in each taxable year of the Trust and (b) prepare and furnish (or cause to be prepared and furnished) to each Securityholder the related Internal Revenue Service Form 1099, or any successor form or the information required to be provided on such form. The Administrative Trustees shall provide the Depositor and the Property Trustee with a copy of all such returns, reports and schedules promptly after such filing or furnishing. The Trustees shall comply with United States federal withholding and backup withholding tax laws and information reporting requirements with respect to any payments to Securityholders under the Trust Securities.

SECTION 4.06. PAYMENTS UNDER INDENTURE. Any amount payable hereunder to any Holder of Preferred Trust Securities shall be reduced by the amount of any corresponding payment such Holder has directly received pursuant to Section 808 of the Subordinated Indenture. Notwithstanding the provisions hereunder to the contrary, Securityholders acknowledge that any Holder of Preferred Trust Securities that receives payment under Section 808 of the Subordinated Indenture may receive amounts greater than the amount such Holder may be entitled to receive pursuant to the other provisions of this Trust Agreement.

ARTICLE V.

TRUST SECURITIES CERTIFICATES

SECTION 5.01. INITIAL OWNERSHIP. Upon the creation of the Trust by the contribution by the Depositor pursuant to Section 2.03 and until the issuance of the Trust Securities, and at any time during which no Trust Securities are outstanding, the Depositor shall be the sole beneficial owner of the Trust.

SECTION 5.02. THE TRUST SECURITIES CERTIFICATES. The Trust Securities Certificates shall be issued in denominations of \$__ Liquidation Amount and integral multiples thereof. The Trust Securities Certificates shall be executed on behalf of the Trust by manual or facsimile signature of at least one Administrative Trustee and, if executed on behalf of the Trust by facsimile signature, the Preferred Trust Securities shall be countersigned by the Transfer Agent and Registrar or its agent. Trust Securities Certificates bearing the manual signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Trust and, if executed on behalf of the Trust by facsimile signature, countersigned by the Transfer Agent and Registrar or its agent, shall be validly issued and entitled to the benefits of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the delivery of such Trust Securities Certificates or did not hold such offices at the date of delivery of such Trust Securities Certificates. A transferee of a Trust Securities Certificate shall become a Securityholder, and shall be entitled to the rights and subject to the obligations of a Securityholder hereunder, upon due registration of such Trust Securities Certificate in such transferee's name pursuant to Section 5.04 or 5.12.

SECTION 5.03. EXECUTION AND DELIVERY OF TRUST SECURITIES CERTIFICATES.

On the Closing Date, [and in the event and to the extent the over-allotment option granted by the Trust and the Depositor pursuant to the Underwriting Agreement is exercised by the underwriters named therein, on each option closing date,] the Administrative Trustees, or any one of them, shall cause Trust Securities Certificates, in an aggregate Liquidation Amount as provided in Sections 2.04 and 2.05, to be executed on behalf of the Trust, and in the case of Preferred Trust Securities executed by facsimile signature, countersigned by the Transfer Agent and Registrar, or its agent, and delivered to or upon the written order of the Depositor signed by its chairman of the board, any of its vice presidents or its treasurer, without further corporate action by the Depositor, in authorized denominations. The Depositor agrees to indemnify, defend and hold The Bank of New York harmless against any and all costs and liabilities incurred without negligence arising out of or in connection with any such countersigning by it.

SECTION 5.04. REGISTRATION OF TRANSFER AND EXCHANGE OF TRUST SECURITIES CERTIFICATES. The Transfer Agent and Registrar shall keep or cause to be kept, at the office or agency maintained pursuant to Section 5.08, a Securities Register in which, subject to such reasonable regulations as it may prescribe, the Transfer Agent and Registrar shall provide for the registration of Preferred Trust Securities Certificates and the Common Trust Securities Certificates (subject to Section 5.10 in the case of the Common Trust Securities Certificates) and registration of transfers and exchanges of Preferred Trust Securities Certificates as herein provided. ALLETE shall be the initial Transfer Agent and Registrar.

Upon surrender for registration of transfer of any Preferred Trust Securities Certificate at the office or agency maintained pursuant to Section 5.08, the Administrative Trustees, or any one of them, shall execute on behalf of the Trust by manual or facsimile signature and, if executed on behalf of the Trust by facsimile signature, cause the Transfer Agent and Registrar or its agent to countersign and deliver, in the name of the designated transferee or transferees, one or more new Preferred Trust Securities Certificates in authorized denominations of a like aggregate Liquidation Amount. At the option of a Holder, Preferred Trust Securities Certificates may be exchanged for other Preferred Trust Securities Certificates in authorized denominations of the same class and of a like aggregate Liquidation Amount upon surrender of the Preferred Trust Securities Certificates to be exchanged at the office or agency maintained pursuant to Section 5.08.

Every Preferred Trust Securities Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to the Administrative Trustees and the Transfer Agent and Registrar duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Preferred Trust Securities Certificate surrendered for registration of transfer or exchange shall be canceled and subsequently disposed of by the Administrative Trustees in accordance with customary practice. The Trust shall not be required to (i) issue, register the transfer of, or exchange any Preferred Trust Securities during a period beginning at the opening of business 15 calendar days before the day of mailing of a notice of redemption of any Preferred Trust Securities called for redemption and ending at the close of business on the day of such mailing or (ii) 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 such Preferred Trust Securities being redeemed in part.

No service charge shall be made for any registration of transfer or exchange of Preferred Trust Securities Certificates, but the Transfer Agent and Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Preferred Trust Securities Certificates.

SECTION 5.05. MUTILATED, DESTROYED, LOST OR STOLEN TRUST SECURITIES CERTIFICATES. If (a) any mutilated Trust Securities Certificate shall be surrendered to the Transfer Agent and Registrar, or if the Transfer Agent and Registrar shall receive evidence to its satisfaction of the destruction, loss or theft of any Trust Securities Certificate and (b) there shall be delivered to the Transfer Agent and Registrar and the Administrative Trustees such security or indemnity as may be required by them to save each of them and the Depositor harmless, then in the absence of notice that such Trust Securities Certificate shall have been acquired by a bona fide purchaser, the Administrative Trustees, or any one of them, on behalf of the Trust shall execute by manual or facsimile signature and, if execution on behalf of the Trust is by facsimile signature, countersigned by a Transfer Agent and Registrar or its agent; and the Administrative Trustees, or any one of them, and, if executed on behalf of the Trust by facsimile signature, countersigned by the Transfer Agent and Registrar or its agent shall make available for delivery, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Trust Securities Certificate, a new Trust Securities Certificate of like class, tenor and denomination. In connection with the issuance of any new Trust Securities Certificate under this Section, the Administrative Trustees or the Transfer Agent and Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Trust Securities Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Trust Securities Certificate shall be found at any time.

SECTION 5.06. PERSONS DEEMED SECURITYHOLDERS. Prior to due presentation of a Trust Securities Certificate for registration of transfer, the Trustees and the Transfer Agent and Registrar, and any agent of the Trustee and the Transfer Agent and Registrar, shall be entitled to treat the Person in whose name any Trust Securities Certificate shall be registered in the Securities Register as the owner of such Trust Securities Certificate for the purpose of receiving Distributions and for all other purposes whatsoever, and neither the Trustees nor the Transfer Agent and Registrar shall be bound by any notice to the contrary.

SECTION 5.07. ACCESS TO LIST OF SECURITYHOLDERS' NAMES AND ADDRESSES. The Administrative Trustees shall furnish or cause to be furnished (x) to the Depositor, within 15 days after receipt by any Administrative Trustee of a request therefor from the Depositor in writing and (y) to the Property Trustee, promptly after receipt by any Administrative Trustee of a request therefor from the Property Trustee in writing in order to enable the Property Trustee to discharge its obligations under this Trust Agreement, a list, in such form as the Depositor or the Property Trustee may reasonably require, of the names and addresses of the Securityholders as of a recent date. If Holders of Trust Securities Certificates evidencing ownership at such time and for the previous six months not less than 25% of the Outstanding aggregate Liquidation Amount apply in writing to any Administrative Trustee, and such application states that the applicants desire to communicate with other Securityholders with respect to their rights under this Trust Agreement or under the Trust Securities Certificates and such application is accompanied by a copy of the communication that such applicants propose to transmit, then the Administrative Trustees

shall, within five Business Days after the receipt of such application, afford such applicants access during normal business hours to the current list of Securityholders. Each Holder, by receiving and holding a Trust Securities Certificate, shall be deemed to have agreed not to hold either the Depositor or any Trustees accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

SECTION 5.08. MAINTENANCE OF OFFICE OR AGENCY. The Depositor shall or shall cause the Transfer Agent and Registrar to maintain in the Borough of Manhattan, The City of New York, an office or offices or agency or agencies where Preferred Trust Securities Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Depositor, the Trust or the Transfer Agent and Registrar in respect of the Trust Securities and the Trust Agreement may be served. The Depositor initially designates The Bank of New York, 101 Barclay Street, New York, New York 10286 as its principal office for such purposes. The Depositor shall or shall cause the Transfer Agent and Registrar to give prompt written notice to the Depositor, the Property Trustee and to the Securityholders of any change in the location of the Securities Register or any such office or agency. If at any time the Depositor shall fail to maintain such office or agency or shall fail to furnish the Property Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Property Trustee, and the Depositor hereby appoints the Property Trustee its agent and the agent of the Trust to receive all such presentations, surrenders, notices and demands.

SECTION 5.09. APPOINTMENT OF PAYING AGENT. The Paying Agent shall make distributions to Securityholders from the Payment Account and shall report the amounts of such distributions to the Administrative Trustees and the Property Trustee. Any Paying Agent shall have the revocable power to withdraw funds from the Payment Account for the purpose of making the Distributions referred to above. The Property Trustee shall be entitled to rely upon a certificate of the Paying Agent stating in effect the amount of such funds so to be withdrawn and that same are to be applied by the Paying Agent in accordance with this Section 5.09. The Administrative Trustees or any one of them may revoke such power and remove the Paying Agent if the Administrative Trustee or any one of them determines in its sole discretion that the Paying Agent shall have failed to perform its obligations under this Trust Agreement in any material respect. The Bank of New York is hereby appointed as the initial Paying Agent, and it may choose any co-paying agent that is acceptable to the Administrative Trustees and the Depositor. The Paying Agent shall be permitted to resign upon 30 days' written notice to the Administrative Trustees and the Depositor. In the event of the removal or resignation of The Bank of New York as Paying Agent, the Administrative Trustees shall appoint a successor that is reasonably acceptable to the Property Trustee and the Depositor to act as Paying Agent (which shall be a bank, trust company or an Affiliate of the Depositor). The Administrative Trustees shall cause such successor Paying Agent or any additional Paying Agent appointed by the Administrative Trustees to execute and deliver to the Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent will hold all sums, if any, held by it for payment to the Securityholders in trust for the benefit of the Securityholders entitled thereto until such sums shall be paid to such Securityholders. The Paying Agent shall return all unclaimed funds to the Property Trustee and upon resignation or

removal of a Paying Agent such Paying Agent shall also return all funds in its possession to the Property Trustee. The provisions of Sections 8.01, 8.03 and 8.06 shall apply to the Paying Agent appointed hereunder, and the Paying Agent shall be bound by the requirements with respect to paying agents of securities issued pursuant to the Trust Indenture Act. Any reference in this Trust Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

SECTION 5.10. OWNERSHIP OF COMMON TRUST SECURITIES BY DEPOSITOR. On the Closing Date, the Depositor shall acquire, and thereafter retain, beneficial and record ownership of the Common Trust Securities. Except in connection with a transaction involving the Depositor that would be permitted under Article Eleven of the Subordinated Indenture, any attempted transfer of the Common Trust Securities shall be void. The Administrative Trustees shall cause each Common Trust Securities Certificate issued to the Depositor to contain a legend stating "THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT AS PROVIDED IN THE TRUST AGREEMENT". Common Trust Securities Certificates representing the Common Trust Securities shall be issued to the Depositor in the form of a typewritten or definitive Common Trust Securities Certificate.

SECTION 5.11. DEFINITIVE PREFERRED TRUST SECURITIES CERTIFICATES. Upon initial issuance of the Preferred Trust Securities, the Definitive Preferred Trust Securities Certificates shall be typewritten, printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrative Trustees, as evidenced by the execution thereof by the Administrative Trustees, or any one of them. The Administrative Trustees, or any one of them, shall execute on behalf of the Trust by manual or facsimile signature, and, if executed by facsimile on behalf of the Trust, countersigned by the Transfer Agent and Registrar or its agent, the Definitive Preferred Trust Securities Certificates initially in accordance with the instructions of the Depositor. Neither the Transfer Agent and Registrar nor any of the Administrative Trustees shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions.

SECTION 5.12. BOOK-ENTRY SYSTEM. Some or all of the Preferred Trust Securities may be registered in the name of a securities depository ("Securities Depository") or a nominee therefor, and held in the custody of the Securities Depository or a custodian thereof. In such event, a single certificate will be issued and delivered to the Securities Depository for such Preferred Trust Securities, in which case the Owners of such Preferred Trust Securities will not receive physical delivery of certificates for Preferred Trust Securities. Except as provided herein, all transfers of beneficial ownership interests in such Preferred Trust Securities will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Preferred Trust Securities will receive, hold or deliver any certificate for Preferred Trust Securities. The Depositor, the Trustees and the Paying Agent will recognize the Securities Depository or its nominee as the Holder of Preferred Trust Securities for all purposes, including notices and voting.

The Administrative Trustees, at the direction and expense of the Depositor, may from time to time appoint a Securities Depository or a successor thereto and enter into a letter of representations or other agreement with such Securities Depository to establish procedures with respect to the Preferred Trust Securities. Any Securities Depository shall be a Clearing Agency.

The Depositor and the Trustees covenant and agree to meet the requirements of a Securities Depository for the Preferred Trust Securities with respect to required notices and other provisions of the letter of representations or agreement executed with respect to such Preferred Trust Securities.

Whenever the beneficial ownership of any Preferred Trust Securities is determined through the books of a Securities Depository, the requirements in this Trust Agreement of holding, delivering or transferring such Preferred Trust Securities shall be deemed modified with respect to such Preferred Trust Securities to meet the requirements of the Securities Depository with respect to actions of the Trustees, the Depositor and the Paying Agent. Any provisions hereof permitting or requiring delivery of such Preferred Trust Securities shall, while such Preferred Trust Securities are in a book-entry system, be satisfied by the notation on the books of the Securities Depository in accordance with applicable state law.

SECTION 5.13. RIGHTS OF SECURITYHOLDERS. The legal title to the Trust Property is vested exclusively in the Property Trustee (in its capacity as such) in accordance with Section 2.09, and the Securityholders shall not have any right or title therein other than an undivided beneficial interest in the assets of the Trust conferred by their Trust Securities and they shall have no right to call for any partition or division of property, profits or rights of the Trust except as described below. The Trust Securities shall be personal property giving only the rights specifically set forth therein and in this Trust Agreement. The Preferred Trust Securities shall have no preemptive or similar rights and when issued and delivered to Securityholders against payment of the purchase price therefor will be fully paid and nonassessable undivided beneficial interests in the assets of the Trust.

SECTION 5.14. CANCELLATION BY TRANSFER AGENT AND REGISTRAR. All Trust Securities Certificates surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Transfer Agent and Registrar, be delivered to the Transfer Agent and Registrar and, if not theretofore cancelled, shall be promptly cancelled by the Transfer Agent and Registrar. No Trust Securities Certificates shall be issued in lieu of or in exchange for any Trust Securities Certificates cancelled as provided in this Section, except as expressly permitted by this Trust Agreement. All cancelled Trust Securities Certificates held by the Transfer Agent and Registrar shall be disposed of in accordance with customary practices.

ARTICLE VI.

ACTS OF SECURITYHOLDERS; MEETINGS; VOTING

SECTION 6.01. LIMITATIONS ON VOTING RIGHTS. (a) Except as provided in this Section 6.01, in Section 10.03 and as otherwise required by law, no Holder of Preferred Trust Securities shall have any right to vote or in any manner otherwise control the administration, operation and management of the Trust or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Trust Securities Certificates, be construed so as to constitute the Securityholders from time to time as partners or members of an association. If the Property Trustee fails to enforce its rights under the Debentures or this Trust Agreement, a Holder of Preferred Trust Securities may

institute a legal proceeding directly against the Depositor to enforce the Property Trustee's rights under the Debentures or this Trust Agreement, to the fullest extent permitted by law, without first instituting any legal proceeding against the Property Trustee or any other Person. Notwithstanding the foregoing, a Holder of Preferred Trust Securities may directly institute a proceeding for enforcement of payment to such Holder of principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation preference amount of the Preferred Trust Securities of such Holder on or after the due dates specified in the Debentures.

(b) So long as any Debentures are held by the Property Trustee, the Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or executing any trust or power conferred on the Debenture Trustee with respect to such Debentures, (ii) waive any past default which is waivable under Section 813 of the Subordinated Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Subordinated Indenture or the Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the Holders of at least 66-2/3% of the aggregate Liquidation Amount of the Outstanding Preferred Trust Securities; provided, however, that where a consent under the Subordinated Indenture would require the consent of each Holder of Debentures affected thereby, no such consent shall be given by any Trustee without the prior written consent of each Holder of Preferred Trust Securities. The Trustees shall not revoke any action previously authorized or approved by a vote of the Preferred Trust Securities, except pursuant to a subsequent vote of the Preferred Trust Securities. The Property Trustee shall notify all Holders of the Preferred Trust Securities of any notice of default received from the Debenture Trustee with respect to the Debentures. In addition to obtaining the foregoing approvals of the Holders of the Preferred Trust Securities, prior to taking any of the foregoing actions, the Property Trustee shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that the Trust will be classified as a "grantor trust" and not as an association taxable as a corporation for United States federal income tax purposes on account of such action.

(c) If any proposed amendment to the Trust Agreement provides for, or the Trustees otherwise propose to effect, (i) any action that would materially adversely affect the powers, preferences or special rights of the Preferred Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than pursuant to the terms of this Trust Agreement, then the Holders of Outstanding Preferred Trust Securities as a class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of at least 66-2/3% in aggregate Liquidation Amount of the Outstanding Preferred Trust Securities.

SECTION 6.02. NOTICE OF MEETINGS. Notice of all meetings of the Holders of Preferred Trust Securities, stating the time, place and purpose of the meeting, shall be given by the Administrative Trustees pursuant to Section 10.08 to each Holder of a Preferred Trust Security, at his registered address, at least 15 days and not more than 90 days before the meeting. At any such meeting, any business properly before the meeting may be so considered whether

or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

SECTION 6.03. MEETINGS OF HOLDERS OF PREFERRED TRUST SECURITIES. No annual meeting of Securityholders is required to be held. The Administrative Trustees, however, shall call a meeting of Securityholders to vote on any matter upon the written request of the Holders of 25% of the then Outstanding Preferred Trust Securities (based upon their aggregate Liquidation Amount) and may, at any time in their discretion, call a meeting of Holders of Preferred Trust Securities to vote on any matters as to which the Holders of Preferred Trust Securities are entitled to vote.

Holders of 50% of the then Outstanding Preferred Trust Securities (based upon their aggregate Liquidation Amount), present in person or by proxy, shall constitute a quorum at any meeting of Securityholders.

If a quorum is present at a meeting, an affirmative vote by the Holders of Preferred Trust Securities present, in person or by proxy, holding more than the lesser of (x) 66-2/3% of the then Outstanding Preferred Trust Securities (based upon their aggregate Liquidation Amount) held by the Holders of then Outstanding Preferred Trust Securities present, either in person or by proxy, at such meeting and (y) 50% of the Outstanding Preferred Trust Securities (based upon their aggregate Liquidation Amount) shall constitute the action of the Securityholders, unless this Trust Agreement requires a greater number of affirmative votes.

SECTION 6.04. VOTING RIGHTS. Securityholders shall be entitled to one vote for each \$ of Liquidation Amount represented by their Trust Securities in respect of any matter as to which such Securityholders are entitled to vote.

SECTION 6.05. PROXIES, ETC. At any meeting of Securityholders, any Securityholder entitled to vote thereat may vote by proxy, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the Administrative Trustees, or with such other officer or agent of the Trust as the Administrative Trustees may direct, for verification prior to the time at which such vote shall be taken. Only Securityholders of record shall be entitled to vote. When Trust Securities are held jointly by several Persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Securities, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Trust Securities. A proxy purporting to be executed by or on behalf of a Securityholder shall be deemed valid unless challenged at or prior to its exercise, or, if earlier, until eleven months after it is sent and the burden of proving invalidity shall rest on the challenger.

SECTION 6.06. SECURITYHOLDER ACTION BY WRITTEN CONSENT. Any action which may be taken by Securityholders at a meeting may be taken without a meeting and without notice if Securityholders holding a majority of all Outstanding Trust Securities entitled to vote in respect of such action (or such larger proportion thereof as shall be required by any express provision of this Trust Agreement) shall consent to the action in writing (based upon their aggregate Liquidation Amount).

SECTION 6.07. RECORD DATE FOR VOTING AND OTHER PURPOSES. For the purposes of determining the Securityholders who are entitled to notice of and to vote at any meeting or to vote by written consent, or to participate in any Distribution on the Trust Securities in respect of which a record date is not otherwise provided for in this Trust Agreement, or for the purpose of any other action, the Administrative Trustees may from time to time fix a date, not more than 90 days prior to the date of any meeting of Securityholders or the payment of Distribution or other action including action to be taken by written consent, as the case may be, as a record date for the determination of the identity of the Securityholders of record for such purposes.

SECTION 6.08. ACTS OF SECURITYHOLDERS. Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Trust Agreement to be given, made or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and, except as otherwise expressly provided herein, such action shall become effective when such instrument or instruments are delivered to the Administrative Trustees. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Trust Agreement and (subject to Section 8.01) conclusive in favor of the Trustees, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgements of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which any Trustee deems sufficient.

The ownership of Preferred Trust Securities shall be proved by the Securities Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Securityholder of any Trust Security shall bind every future Securityholder of the same Trust Security and the Securityholder of every Trust Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustees or the Trust in reliance thereon, whether or not notation of such action is made upon such Trust Security.

Without limiting the foregoing, a Securityholder entitled hereunder to take any action hereunder with regard to any particular Trust Security may do so with regard to all or any part of the Liquidation Amount of such Trust Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such Liquidation Amount.

If any dispute shall arise between or among the Securityholders and the Administrative Trustees with respect to the authenticity, validity or binding nature of any request, demand, authorization, direction, consent, waiver or other Act of such Securityholder or Trustee under this Article VI, then the determination of such matter by the Property Trustee shall be conclusive with respect to such matter.

SECTION 6.09. INSPECTION OF RECORDS. Subject to Section 5.07 concerning access to the list of Securityholders, upon reasonable notice to the Administrative Trustees and the Property Trustee, the other records of the Trust shall be open to inspection by Securityholders during normal business hours for any purpose reasonably related to such Securityholder's interest as a Securityholder.

ARTICLE VII.

REPRESENTATIONS AND WARRANTIES OF THE PROPERTY TRUSTEE AND THE DELAWARE TRUSTEE

SECTION 7.01. PROPERTY TRUSTEE. The Property Trustee hereby represents and warrants for the benefit of the Depositor and the Securityholders that:

(a) the Property Trustee is a banking corporation or trust company duly organized, validly existing and in good standing under the laws of the State of New York;

(b) the Property Trustee has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(c) this Trust Agreement has been duly authorized, executed and delivered by the Property Trustee and constitutes the valid and legally binding agreement of the Property Trustee enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(d) the execution, delivery and performance by the Property Trustee of this Trust Agreement will not violate, conflict with or constitute a breach of the Property Trustee's charter or by-laws; and

(e) the execution, delivery and performance by the Property Trustee of this Trust Agreement does not require the consent or approval of, the giving of notice to, or the registration with any Federal or New York banking authority.

SECTION 7.02. DELAWARE TRUSTEE. The Delaware Trustee represents and warrants for the benefit of the Depositor and the Securityholders that:

(a) the Delaware Trustee is a banking corporation or trust company duly organized, validly existing and in good standing under the laws of the State of Delaware;

(b) the Delaware Trustee has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(c) this Trust Agreement has been duly authorized, executed and delivered by the Delaware Trustee and constitutes the valid and legally binding agreement of the Delaware Trustee enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(d) the execution, delivery and performance by the Delaware Trustee of this Trust Agreement will not violate the Delaware Trustee's charter or by-laws; and

(e) the execution, delivery and performance by the Delaware Trustee of this Trust Agreement does not require the consent or approval of, the giving of notice to, or the registration with any Federal or Delaware banking authority.

ARTICLE VIII.

THE TRUSTEES

SECTION 8.01. CERTAIN DUTIES AND RESPONSIBILITIES. (a) (a) The duties and responsibilities of the Trustees shall be restricted to those set forth in the express provisions of this Trust Agreement and, in the case of the Property Trustee, as provided in the Trust Indenture Act in respect of an indenture trustee under that Act, and no implied covenants or obligations shall be read into this Trust Agreement against any of the Trustees. For purposes of Sections 315(a) and 315(c) of the Trust Indenture act, the term "default" is hereby defined as an Event of Default which has occurred and is continuing. Notwithstanding the foregoing, no provision of this Trust Agreement shall require any of the Trustees to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Notwithstanding anything contained in this Trust Agreement to the contrary, the duties and responsibilities of the Property Trustee under this Trust Agreement shall be subject to the protections, exculpations and limitations on liability afforded to the Property Trustee under this Trust Agreement, the Delaware Business Trust Act, to the extent applicable, Rule 3a-7 under the Investment Company Act or any successor rule thereunder, and to an indenture trustee under the Trust Indenture Act. For the purposes of Section 315(d)(2) of the Trust Indenture Act, the term "responsible officer" is hereby defined as a Responsible Officer and the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller of the Property Trustee, or any other officer of the Property Trustee customarily performing functions similar to those performed by a Responsible Officer or any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom

such matter is referred because of his or her knowledge of and familiarity with the particular subject. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustees shall be subject to the provisions of this Section 8.01.

(b) All payments made by the Property Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the income and proceeds from the Trust Property and only to the extent that there shall be sufficient income or proceeds from the Trust Property to enable the Property Trustee or Paying Agent to make payments in accordance with the terms hereof. Each Securityholder, by its acceptance of a Trust Security, agrees that it will look solely to the income and proceeds from the Trust Property to the extent available for distribution to it as herein provided and that the Trustees are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 8.01(b) does not limit the liability of the Trustees expressly set forth elsewhere in this Trust Agreement or, in the case of the Property Trustee, in the Trust Indenture Act.

(c) All duties and responsibilities of the Property Trustee contained in this Trust Agreement are subject to the following:

(i) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Trust Property shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections, exculpations and limitations on liability afforded to the Property Trustee under this Trust Agreement, the Trust Indenture Act, the Delaware Business Trust Act and, to the extent applicable, Rule 3a-7 under the Investment Company Act or any successor rule thereunder;

(ii) the Property Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Trust Property or the payment of any taxes or assessments levied thereon or in connection therewith;

(iii) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Depositor. Money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Payment Account established by the Property Trustee pursuant to this Trust Agreement and except to the extent otherwise required by law; and

(iv) the Property Trustee shall not be responsible for monitoring the compliance by the Administrative Trustees or the Depositor with their respective duties under this Trust Agreement, nor shall the Property Trustee be liable for the default or misconduct of the Administrative Trustees or the Depositor.

SECTION 8.02. NOTICE OF DEFAULTS. (a) Within ninety (90) days after the occurrence of any default known to the Property Trustee, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.08, notice of such default to the Securityholders and the Depositor, unless

such default shall have been cured or waived. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

(b) Within five Business Days after receipt of notice of the Debenture Issuer's exercise of its right to defer the payment of interest on the Debentures pursuant to the Subordinated Indenture, an Administrative Trustee shall transmit, in the manner and to the extent provided in Section 10.08, notice of such exercise to the Securityholders and the Property Trustee.

SECTION 8.03. CERTAIN RIGHTS OF PROPERTY TRUSTEE. Subject to the provisions of Section 8.01 and except as provided by law:

(a) the Property Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, Opinion of Counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) if (i) in performing its duties under this Trust Agreement the Property Trustee is required to decide between alternative courses of action or (ii) in construing any of the provisions in this Trust Agreement the Property Trustee finds the same ambiguous or inconsistent with any other provisions contained herein or (iii) the Property Trustee is unsure of the application of any provision of this Trust Agreement, then, except as to any matter as to which the Preferred Trust Securityholders are entitled to vote under the terms of this Trust Agreement, the Property Trustee shall deliver a notice to the Depositor requesting written instructions of the Depositor as to the course of action to be taken. The Property Trustee shall take such action, or refrain from taking such action, as the Property Trustee shall be instructed in writing to take, or to refrain from taking, by the Depositor; provided, however, that if the Property Trustee does not receive such instructions of the Depositor within ten Business Days after it has delivered such notice, or such reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than two Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Trust Agreement as it shall deem advisable and in the best interests of the Securityholders, in which event the Property Trustee shall have no liability except for its own bad faith, negligence or willful misconduct;

(c) whenever in the administration of this Trust Agreement the Property Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Depositor or the Administrative Trustees;

(d) the Property Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and

complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any Securityholder pursuant to this Trust Agreement, unless such Securityholder shall have offered to the Property Trustee reasonable security or indemnity against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities which might be incurred by it in complying with such request or direction;

(f) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, note or other evidence of indebtedness or other paper or document, but the Property Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Property Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Depositor personally or by agent or attorney;

(g) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys, and the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Property Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Agreement;

(i) the Property Trustee shall not be charged with knowledge of any default or Event of Default with respect to the Trust Securities unless either (A) a Responsible Officer of the Property Trustee shall have actual knowledge of the default or Event of Default or (B) written notice of such default or Event of Default shall have been given to the Property Trustee at the Corporate Trust Office of the Property Trustee by the Depositor, the Administrative Trustees or by any Holder of the Trust Securities;

(j) no provision of this Trust Agreement shall be deemed to impose any duty or obligation on the Property Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation; and no permissive or discretionary power or authority available to the Property Trustee shall be construed to be a duty;

(k) no provision of this Trust Agreement shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Property Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably

assured to it under the terms of this Trust Agreement or adequate indemnity against such risk or liability is not reasonably assured to it;

(l) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any tax or securities form) (or any rerecording, refiling or registration thereof);

(m) the Property Trustee shall have the right at any time to seek instructions concerning the administration of this Trust Agreement from any court of competent jurisdiction; and

(n) whenever in the administration of this Trust Agreement the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (i) may request instructions from the Holders of the Trust Securities, which instructions may only be given by the Holders of the same Liquidation Amount of the Trust Securities as would be entitled to direct the Property Trustee under the terms of this Trust Agreement in respect of such remedies, rights or actions, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in acting in accordance with such instructions.

SECTION 8.04. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES. The recitals contained herein and in the Trust Securities Certificates shall be taken as the statements of the Trust, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the title to, or value or condition of, the property of the Trust or any part thereof, nor as to the validity or sufficiency of this Trust Agreement, the Debentures or the Trust Securities. The Trustees shall not be accountable for the use or application by the Trust of the proceeds of the Trust Securities.

SECTION 8.05. MAY HOLD SECURITIES. Any Trustee or any agent of any Trustee or the Trust, in its individual or any other capacity, may become the owner or pledgee of Trust Securities and, except as provided in the definition of the term "Outstanding" in Article I, may otherwise deal with the Trust with the same rights it would have if it were not a Trustee or such agent.

SECTION 8.06. COMPENSATION; FEES; INDEMNITY. The Depositor agrees:

(a) to pay to the Trustees from time to time reasonable compensation for all services rendered by the Trustees hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustees upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustees in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence (gross negligence, in the case of any Administrative Trustee), bad faith or willful misconduct; and

(c) to indemnify each Trustee for, and to hold each Trustee harmless against, any and all loss, damage, claims, liability or expense incurred without negligence (gross negligence, in the case of any Administrative Trustee), bad faith or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust or trusts under this Trust Agreement, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Depositor under this Section, each of the Trustees shall have a lien prior to the Trust Securities upon all property and funds held or collected by such Trustee as such, except funds held in trust for the payment of Distributions on the Trust Securities. "Trustee" for purposes of this Section shall include any predecessor Trustee; provided, however, that the negligence, willful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

In addition to the rights provided to each Trustee pursuant to the provisions of the immediately preceding paragraph of this Section 8.06, when a Trustee incurs expenses or renders services in connection with an Event of Default resulting from a Bankruptcy Event with respect to the Trust, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

The provisions of this Section 8.06 shall survive the termination of this Trust Agreement.

SECTION 8.07. CERTAIN TRUSTEES REQUIRED; ELIGIBILITY. (a) There shall at all times be a Property Trustee hereunder with respect to the Trust Securities. The Property Trustee shall be a Person that has a combined capital and surplus of at least \$50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Property Trustee with respect to the Trust Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VIII.

(b) There shall at all times be one or more Administrative Trustees hereunder with respect to the Trust Securities. Each Administrative Trustee shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more persons authorized to bind such entity.

(c) There shall at all times be a Delaware Trustee with respect to the Trust Securities. The Delaware Trustee shall either be (i) a natural person who is at least 21 years of age and a resident of the State of Delaware or (ii) a legal entity with its principal place of business in the State of Delaware that otherwise meets the requirements of applicable Delaware law and that shall act through one or more persons authorized to bind such entity.

SECTION 8.08. CONFLICTING INTERESTS. If the Property Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Property Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Trust Agreement. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Property Trustee shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of (i) the Subordinated Indenture, (ii) the Guarantee, (iii) the Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities), dated as of March 1, 1996 of the Depositor to The Bank of New York, as trustee, (iv) the Guarantee Agreement, dated as of March 1, 1996 between the Depositor, and The Bank of New York, as trustee, or (v) the Amended and Restated Trust Agreement, dated as of March 1, 1996 between the Depositor, as depositor, The Bank of New York and several administrative trustees, as trustees and the several Holders defined therein.

SECTION 8.09. CO-TRUSTEES AND SEPARATE TRUSTEE.

Unless an Event of Default shall have occurred and be continuing, at any time or times, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust Property may at the time be located, the Depositor and the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Depositor shall for such purpose join with the Property Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to 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 such Trust Property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Depositor does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case a Debenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment.

Should any written instrument from the Depositor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged, and delivered by the Depositor.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(1) The Trust Securities shall be executed and delivered and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustees designated for such purpose hereunder, shall be exercised, solely by such Trustees.

(2) The rights, powers, duties, and obligations hereby conferred or imposed upon the Property Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Property Trustee or by the Property Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Property Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties, and obligations shall be exercised and performed by such co-trustee or separate trustee.

(3) The Property Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Depositor, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section 8.09, and, in case a Debenture Event of Default has occurred and is continuing, the Property Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Depositor. Upon the written request of the Property Trustee, the Depositor shall join with the Property Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section.

(4) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of any Trustee, or any other such trustee hereunder.

(5) The Property Trustee shall not be liable by reason of any act of a co-trustee or separate trustee hereunder.

(6) Any Act of Holders delivered to the Property Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 8.10. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR. No resignation or removal of any Trustee (as the case may be, the "Relevant Trustee") and no appointment of a successor Relevant Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Relevant Trustee in accordance with the applicable requirements of Section 8.11.

The Relevant Trustee may resign at any time by giving written notice thereof to the Securityholders. If the instrument of acceptance by a successor Relevant Trustee required by Section 8.11 shall not have been delivered to the resigning Relevant Trustee within 30 days after the giving of such notice of

resignation, the resigning Relevant Trustee may petition any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

Unless a Debenture Event of Default shall have occurred and be continuing, the Relevant Trustee may be removed at any time by Act of the Common Trust Securityholder. If a Debenture Event of Default shall have occurred and be continuing, the Property Trustee and the Delaware Trustee may be removed at such time by Act of the Securityholders of a majority of the aggregate Liquidation Amount of the Outstanding Preferred Trust Securities, delivered to the Property Trustee and the Delaware Trustee (in their individual capacity and on behalf of the Trust); provided, however, that any Administrative Trustee may be removed solely by the Act of the Common Trust Securityholder.

If the Relevant Trustee shall resign, be removed or become incapable of continuing to act as Relevant Trustee at a time when no Debenture Event of Default shall have occurred and be continuing, the Common Trust Securityholder, by Act of the Common Trust Securityholder delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and the retiring Relevant Trustee shall comply with the applicable requirements of Section 8.11. If the Relevant Trustee shall resign, be removed or become incapable of continuing to act as the Relevant Trustee at a time when a Debenture Event of Default shall have occurred and be continuing, the Preferred Trust Securityholders, by Act of the Preferred Trust Securityholders of a majority in aggregate Liquidation Amount of the Outstanding Preferred Trust Securities delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and the Relevant Trustee shall comply with the applicable requirements of Section 8.11; provided, however, that any Administrative Trustee may be appointed solely by the Act of the Common Trust Securityholder. If no successor Relevant Trustee shall have been so appointed by the Common Trust Securityholders or the Preferred Trust Securityholders and accepted appointment in the manner required by Section 8.11, any Securityholder who has been a Securityholder of Trust Securities for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

The Depositor shall give notice of each resignation and each removal of the Relevant Trustee and each appointment of a successor Trustee to all Securityholders in the manner provided in Section 10.08 and shall give notice to the Depositor. Each notice shall include the name and address of the successor Relevant Trustee and, in the case of the Property Trustee, the address of its Corporate Trust Office.

Notwithstanding the foregoing or any other provision of this Trust Agreement, in the event any Administrative Trustee or a Delaware Trustee who is a natural person dies or becomes incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by (i) the unanimous act of remaining Administrative Trustees if there are at least two of them or (ii) otherwise by the Depositor (with the successor in each case being an individual who satisfies the eligibility requirements for Administrative Trustees or Delaware Trustee, as the case may be, set forth in Section 8.07). Additionally, notwithstanding the foregoing or any other provision of this Trust Agreement, in the event the Depositor reasonably believes that any Administrative Trustee who is a natural person has become incompetent or incapacitated, the Depositor, by notice to the remaining Trustees, may terminate

the status of such Person as an Administrative Trustee (in which case the vacancy so created will be filled in accordance with the preceding sentence).

No Property Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any successor Property Trustee or Delaware Trustee.

SECTION 8.11. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR. In case of the appointment hereunder of a successor Relevant Trustee, the retiring Relevant Trustee (if requested by the Depositor) and each successor Trustee shall execute and deliver an amendment hereto wherein each successor Relevant Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Relevant Trustee all the rights, powers, trusts and duties of the retiring Relevant Trustee and (2) shall add to or change any of the provisions of this Trust Agreement as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Relevant Trustee, it being understood that nothing herein or in such amendment shall constitute such Relevant Trustees co-trustees of the same trust and that each such Relevant Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Relevant Trustee and upon the execution and delivery of such amendment the resignation or removal of the retiring Relevant Trustee shall become effective to the extent provided therein and each such successor Relevant Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Relevant Trustee; but, on request of the Trust or any successor Relevant Trustee such retiring Relevant Trustee shall duly assign, transfer and deliver to such successor Trustee all Trust Property, all proceeds thereof and money held by such retiring Relevant Trustee hereunder with respect to the Trust Securities and the Trust.

Upon request of any such successor Relevant Trustee, the retiring Relevant Trustee shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Relevant Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Relevant Trustee shall accept its appointment unless at the time of such acceptance such successor Relevant Trustee shall be qualified and eligible under this Article VIII.

SECTION 8.12. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS. Any Person into which the Property Trustee or the Delaware Trustee or any Administrative Trustee or any Trustee that is not a natural person may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Relevant Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of such Relevant Trustee, shall be the successor of such Relevant Trustee hereunder, provided such Person shall be otherwise qualified and eligible under this Article VIII, without the execution or filing of any paper, the giving of any notice or any further act on the part of any of the parties hereto.

SECTION 8.13. PREFERENTIAL COLLECTION OF CLAIMS AGAINST DEPOSITOR OR TRUST. If and when the Property Trustee shall be or become a creditor of the

Depositor or the Trust (or any other obligor upon the Debentures or the Trust Securities), the Property Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Depositor or Trust (or any such other obligor).

SECTION 8.14. REPORTS BY PROPERTY TRUSTEE. (a) The Property Trustee shall transmit to Securityholders such reports concerning the Property Trustee and its actions under this Trust Agreement as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. Such of those reports as are required to be transmitted by the Property Trustee pursuant to Section 313(a) of the Trust Indenture Act shall be dated as of the next preceding _____, and shall be transmitted no later than _____ of each year, commencing _____.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Property Trustee with each stock exchange upon which the Trust Securities are listed, with the Commission and with the Depositor. The Depositor will notify the Property Trustee when any Trust Securities are listed on any stock exchange or of any delisting thereof.

SECTION 8.15. REPORTS TO THE PROPERTY TRUSTEE. The Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information, if any, and the compliance certificate required by Section 314 of the Trust Indenture Act, in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act. Delivery of such reports, information and documents by the Depositor to the Property Trustee is for informational purposes only and the Property Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Depositor's compliance with any of its covenants hereunder (as to which the Property Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 8.16. EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT. Each of the Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Agreement (including any covenants compliance with which constitutes a condition precedent) that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) of the Trust Indenture Act may be given in the form of an Officers' Certificate.

SECTION 8.17. NUMBER OF TRUSTEES.

(a) The number of Trustees shall be six, provided that Depositor, by written instrument, may increase or decrease the number of Administrative Trustees.

(b) If a Trustee ceases to hold office for any reason and the number of Administrative Trustees is not reduced pursuant to Section 8.17(a), or if the number of Trustees is increased pursuant to Section 8.17(a), a vacancy shall occur. The vacancy shall be filled with a Trustee appointed in accordance with Section 8.10.

(c) The death, resignation, retirement, removal, bankruptcy, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul, dissolve or terminate the Trust. Whenever a vacancy in the number of Administrative Trustees shall occur, until such vacancy is filled by the appointment of an Administrative Trustee in accordance with Section 8.10, the Administrative Trustees in office, regardless of their number (and notwithstanding any other provision of this Agreement), shall have all the powers granted to the Administrative Trustees and shall discharge all the duties imposed upon the Administrative Trustees by this Trust Agreement.

SECTION 8.18. DELEGATION OF POWER.

(a) Any Administrative Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Sections 2.07(a) and 2.07(c), including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) the Administrative Trustees shall have power to delegate from time to time to such of their number the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrative Trustees or otherwise as the Administrative Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

SECTION 8.19. FIDUCIARY DUTY.

(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Trust Agreement shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Trust Agreement. The provisions of this Trust Agreement, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Property Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person;

(b) Unless otherwise expressly provided herein and subject to the provisions of the Trust Indenture Act:

(i) whenever a conflict of interest exists or arises between an Indemnified Person and any Covered Person; or

(ii) whenever this Trust Agreement or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Trust Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each

party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Trust Agreement or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise; and

(c) Unless otherwise expressly provided herein and subject to the provisions of the Trust Indenture Act, whenever in this Trust Agreement an Indemnified Person is permitted or required to make a decision

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it reasonably desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Trust Agreement or by applicable law.

ARTICLE IX.

TERMINATION AND LIQUIDATION

SECTION 9.01. DISSOLUTION UPON EXPIRATION DATE. The Trust shall automatically dissolve on _____ (the "Expiration Date") and the Trustees shall take such action as is required by Section 9.04.

SECTION 9.02. EARLY TERMINATION. Upon the first to occur of any of the following events (such first occurrence, an "Early Termination Event"):

(i) the occurrence of a Bankruptcy Event in respect of, or the dissolution or liquidation of, the Depositor/Debenture Issuer;

(ii) the redemption of all of the Preferred Trust Securities;

(iii) an order for judicial dissolution of the Trust having been entered by a court of competent jurisdiction;

(iv) the election by the Depositor to dissolve the Trust and, after satisfaction of liabilities to creditors of the Trust, distribute the Debentures to the Holders of Preferred Trust Securities in liquidation of the Trust;

the Trust shall dissolve and the Trustees shall take such action as is required by Section 9.04.

SECTION 9.03. TERMINATION. The respective obligations and responsibilities of the Trust and the Trustees created hereby shall terminate upon the latest to occur of the following: (i) the distribution by the Property Trustee to Securityholders upon the liquidation of the Trust pursuant to Section 9.04, or upon the redemption of all of the Trust Securities pursuant to Section 4.02 or 9.04(d), of all amounts required to be distributed hereunder upon the final payment of the Trust Securities; (ii) the payment of any expenses owed by the Trust; and (iii) the discharge of all administrative duties of the Administrative Trustees, including the performance of any tax reporting obligations with respect to the Trust or the Securityholders.

SECTION 9.04. Liquidation. (a) Upon the Expiration Date or if an Early Termination Event specified in clause (i), (iii) or (iv) of Section 9.02 occurs, after satisfaction of creditors of the Trust, if any, as provided by applicable law, the Trust shall be liquidated by the Property Trustee as expeditiously as the Property Trustee determines to be appropriate by distributing to each Securityholder a Like Amount of Debentures, subject to Section 9.04(e). Notice of liquidation shall be given by the Administrative Trustees by first-class mail, postage prepaid, mailed not later than 30 nor more than 60 days prior to the Liquidation Date to each Holder of Trust Securities at such Holder's address appearing in the Securities Register. All notices of liquidation shall:

(i) state the Liquidation Date;

(ii) state that from and after the Liquidation Date, the Trust Securities will no longer be deemed to be outstanding and any Trust Securities Certificates not surrendered for exchange will be deemed to represent a Like Amount of Debentures; and

(iii) provide such information with respect to the mechanics by which Holders may exchange Trust Securities Certificates for Debentures, or, if Section 9.04(e) applies, receive a Liquidation Distribution, as the Administrative Trustees or the Property Trustee shall deem appropriate.

(b) Except where Sections 9.02(ii), 9.04(d) or 9.04(e) apply, in order to effect the liquidation of the Trust hereunder, and any resulting distribution of the Debentures to Securityholders, the Property Trustee shall establish a record date for such distribution (which shall be not more than 45 days prior to the Liquidation Date) and, either itself acting as exchange agent or through the appointment of a separate exchange agent, shall establish such procedures as it shall deem appropriate to effect the distribution of Debentures in exchange for the Outstanding Trust Securities Certificates.

(c) Except where Sections 9.02(ii), 9.04(d) or 9.04(e) apply, after any Liquidation Date, (i) the Trust Securities will no longer be deemed to be Outstanding, (ii) certificates representing a Like Amount of Debentures will, after satisfaction of liabilities to creditors of the Trust, if any, as provided by applicable law, be issued to Holders of Trust Securities Certificates, upon surrender of such Trust Securities Certificates to the Administrative Trustees or their agent for exchange, (iii) any Trust Securities Certificates not so surrendered for exchange will be deemed to represent a Like Amount of Debentures, accruing interest at the rate provided for in the Debentures from the last Distribution Date on which a Distribution was made on such Trust

Securities Certificates until such Trust Securities Certificates are so surrendered (and until such Trust Securities Certificates are so surrendered, no payments or interest or principal will be made to Holders of Trust Securities Certificates with respect to such Debentures) and (iv) all rights of Securityholders holding Trust Securities will cease, except the right of such Securityholders to receive, after satisfaction of liabilities to creditors of the Trust, if any, as provided by applicable law, Debentures upon surrender of Trust Securities Certificates.

(d) If at any time, a Tax Event shall occur and be continuing, and either (i) in the opinion of counsel to the Depositor experienced in such matters, there would in all cases, after effecting the dissolution of the Trust, after satisfaction of liabilities to creditors of the Trust, if any, as provided by applicable law, and the distribution of the Debentures to the Holders of the Preferred Trust Securities in exchange therefor, be more than an insubstantial risk that an Adverse Tax Consequence would continue to exist or (ii) the Debentures are not held by the Trust, then the Depositor shall have the right to redeem the Debentures, in whole but not in part, at any time within 90 days following the occurrence of the Tax Event. Whether or not a Tax Event has occurred, the Depositor has the right, at any time, to dissolve the Trust and, after satisfaction of liabilities to creditors of the Trust, if any, as provided by applicable law, cause the Debentures to be distributed to the Holders of the Preferred Trust Securities and Common Trust Securities in liquidation of the Trust on a pro rata basis.

(e) In the event that, notwithstanding the other provisions of this Section 9.04, whether because of an order for dissolution entered by a court of competent jurisdiction or otherwise, distribution of the Debentures in the manner provided herein is determined by the Property Trustee not to be practical, the Trust Property shall be liquidated, and the Trust shall be wound-up, by the Property Trustee in such manner as the Property Trustee determines. In such event, Securityholders will be entitled to receive out of the assets of the Trust available for distribution to Securityholders, after satisfaction of liabilities to creditors of the Trust, if any, as provided by applicable law, an amount equal to the Liquidation Amount per Trust Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If, upon any such winding up, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then, subject to the next succeeding sentence, the amounts payable by the Trust on the Trust Securities shall be paid on a pro rata basis (based upon Liquidation Amounts). The Holder of Common Trust Securities will be entitled to receive Liquidation Distributions upon any such winding-up or termination pro rata (determined as aforesaid) with Holders of Preferred Trust Securities, except that, if a Debenture Event of Default has occurred and is continuing or if a Debenture Event of Default has not occurred solely by reason of a requirement that time lapse or notice be given, the Preferred Trust Securities shall have a priority over the Common Trust Securities.

ARTICLE X.

MISCELLANEOUS PROVISIONS

SECTION 10.01. GUARANTEE BY THE DEPOSITOR AND ASSUMPTION OF OBLIGATIONS. Subject to the terms and conditions hereof, the Depositor irrevocably and unconditionally guarantees to each Person to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries"), and agrees to

assume liability for, the full payment, when and as due, of any and all Obligations (as hereinafter defined) to such Beneficiaries. As used herein, "Obligations" means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to Holders the amounts due such Holders pursuant to the terms of the Preferred Trust Securities. This guarantee and assumption is intended to be for the benefit, of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

SECTION 10.02. LIMITATION OF RIGHTS OF SECURITYHOLDERS. The death, incapacity, bankruptcy, dissolution or termination of any Person having an interest, beneficial or otherwise, in a Trust Security shall not operate to terminate this Trust Agreement, nor dissolve, terminate or annul the Trust, nor entitle the legal representatives or heirs of such Person or any Securityholder for such Person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of the arrangements contemplated hereby, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

SECTION 10.03. AMENDMENT.

(a) This Trust Agreement may be amended from time to time by the Trust (on approval of a majority of the Administrative Trustees and the Depositor, without the consent of any Securityholders or the other Trustees), (i) to cure any ambiguity, correct or supplement any provision herein or therein which may be inconsistent with any other provision herein or therein, or to make any other provisions with respect to matters or questions arising under this Trust Agreement, (ii) to change the name of the Trust or (iii) to modify, eliminate or add to any provisions of this Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified for United States federal income tax purposes other than as a "grantor trust" and not as an association taxable as a corporation at any time that any Trust Securities are outstanding or to ensure the Trust's exemption from the status of an "investment company" under the Investment Company Act; provided, however, that such action shall not adversely affect in any material respect the interests of any Securityholder and, in the case of clause (i), any such amendments of this Trust Agreement shall become effective when notice thereof is given to the Securityholders.

(b) Except as provided in Sections 6.01(c) and 10.03(c), any provision of this Trust Agreement may be amended by the Administrative Trustees and the Depositor with (i) the consent of Holders of Trust Securities representing not less than a majority (based upon Liquidation Amounts) of the outstanding Trust Securities and (ii) 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 such amendment will not affect the Trust's status as a grantor trust for federal income tax purposes or the Trust's exemption from status as an "investment company" under the Investment Company Act.

(c) In addition to and notwithstanding any other provision in this Trust Agreement, without the consent of each affected Securityholder, this Trust Agreement may not be amended to (i) adversely change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a

specified date or (ii) restrict the right of a Securityholder to institute suit for the enforcement of any such payment on or after such date.

(d) Notwithstanding any other provisions of this Trust Agreement, no amendment to this Trust Agreement may be made if, as a result of such amendment, the Trust would not be classified as a "grantor trust" but an association taxable as a corporation for United States federal income tax purposes or would fail or cease to qualify for the exemption from status of an "investment company" under the Investment Company Act afforded by Rule 3a-5 thereunder.

(e) Notwithstanding anything in this Trust Agreement to the contrary, without the consent of the Depositor and the Trustees, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor or any Trustee or, in the case of the Trustees, which affects any of their respective rights, duties or immunities hereunder.

(f) In the event that any amendment to this Trust Agreement is made, the Administrative Trustees shall promptly provide to the Depositor a copy of such amendment.

(g) The Property Trustee and the Delaware Trustee may join in the execution of any amendment to the Trust Agreement and are entitled to rely upon an Opinion of Counsel as conclusive evidence that any amendment to this Trust Agreement entered into pursuant to this Section 10.03 is authorized or permitted by, and conforms to, the terms of this Section 10.03, has been duly authorized by and lawfully executed and delivered on behalf of the other requisite parties, and that it is proper for the Property Trustee under the provisions of this Section 10.03 to accept the additional trusts created thereby and, if so requested, for the Property Trustee or the Delaware Trustee to join in the execution thereof.

SECTION 10.04. SEPARABILITY. In case any provision in this Trust Agreement or in the Trust Securities Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.05. GOVERNING LAW. THIS TRUST AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE SECURITYHOLDERS, THE TRUST AND THE TRUSTEES WITH RESPECT TO THIS TRUST AGREEMENT AND THE TRUST SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES).

SECTION 10.06. SUCCESSORS. This Trust Agreement shall be binding upon and shall inure to the benefit of any successor to the Trust or the Relevant Trustees or any of them, including any successor by operation of law.

SECTION 10.07. HEADINGS. The Article and Section headings are for convenience only and shall not affect the construction of this Trust Agreement.

SECTION 10.08. NOTICE AND DEMAND. Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon any Securityholder or the Depositor may be given or served in writing by deposit thereof, postage prepaid, in the United States mail, hand delivery or facsimile transmission, in each case, addressed, (i) in the case of a Preferred Trust Securityholder, to such Preferred Trust Securityholder as such Securityholder's name and address may appear on the Securities Register and (ii) in the case of the Depositor, to ALLETE, 30 West Superior Street, Duluth, Minnesota 55802-2093, Attention: Treasurer, facsimile no. _____, with a copy to the Secretary, facsimile

no. _____. Such notice, demand or other communication to or upon a

Securityholder shall be deemed to have been sufficiently given or made, for all purposes, upon hand delivery, mailing or transmission.

Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon the Trust, the Property Trustee, the Delaware Trustee or the Administrative Trustees shall be given in writing addressed (until another address is published by the Trust) as follows: (i) with respect to the Property Trustee or the Delaware Trustee, The Bank of New York, 101 Barclay Street, Floor 21 West, New York, New York 10286, Attention: Corporate Trust Department, with a copy to: The Bank of New York (Delaware), White Clay Center, Route 273, Newark, Delaware 19711, Attention: Corporate Trust Department, and (ii) with respect to the Trust or the Administrative Trustees, at the address above for notice to the Depositor, marked "Attention: Administrative Trustees for "[Name of Trust]". Such notice, demand or other communication to or upon the Trust or the Property Trustee shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Trust or the Property Trustee.

SECTION 10.09. AGREEMENT NOT TO PETITION. Each of the Trustees and the Depositor agrees for the benefit of the Securityholders that, until at least one year and one day after the Trust has been terminated in accordance with Article IX, it shall not file, or join in the filing of, a petition against the Trust under any bankruptcy, reorganization, arrangement, insolvency, liquidation or other similar law (including, without limitation, the United States Bankruptcy Code) (collectively, "Bankruptcy Laws") or otherwise join in the commencement of any proceeding against the Trust under any Bankruptcy Law. In the event the Depositor takes action in violation of this Section 10.09, the Property Trustee agrees, for the benefit of Securityholders, that it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by the Depositor against the Trust or the commencement of such action and raise the defense that the Depositor has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as counsel for the Property Trustee or the Trust may assert. The provisions of this Section 10.09 shall survive the termination of this Trust Agreement.

SECTION 10.10. CONFLICT WITH TRUST INDENTURE ACT. (a) This Trust Agreement is subject to the provisions of the Trust Indenture Act that are required or deemed to be part of this Trust Agreement and shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a trustee for the purposes of the Trust Indenture Act.

(c) If any provision hereof limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Trust Agreement by any of the provisions of the Trust Indenture Act, such required or deemed provision shall control.

(d) The application of the Trust Indenture Act to this Trust Agreement shall not affect the nature of the Trust Securities as equity securities representing interests in the Trust.

THE RECEIPT AND ACCEPTANCE OF A TRUST SECURITY OR ANY INTEREST THEREIN BY OR ON BEHALF OF A SECURITYHOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE SECURITYHOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH TRUST SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT AND THE AGREEMENT OF THE TRUST, SUCH SECURITYHOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN THE TRUST AND SUCH SECURITYHOLDER AND SUCH OTHERS.

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Trust Agreement to be duly executed, all as of the day and year first above written.

ALLETE
(legally incorporated as Minnesota Power, Inc.)

By: _____
Title:

THE BANK OF NEW YORK
as Property Trustee

By: _____
Title:

THE BANK OF NEW YORK (DELAWARE),
as Delaware Trustee

By: _____
Title:

solely in capacity as
--
Administrative Trustee

solely in capacity as
--
Administrative Trustee

solely in capacity as
--
Administrative Trustee

solely in capacity as
--
Administrative Trustee

CERTIFICATE OF TRUST

OF

ALLETE CAPITAL

--

THIS CERTIFICATE OF TRUST of ALLETE Capital (the "Trust"), dated as of March 13, 2001, is being duly executed and filed by the undersigned, as trustees, to form a business trust under the Delaware Business Trust Act (12 Del. C. ss. 3801, et seq.).

1. Name. The name of the business trust being created hereby is ALLETE Capital.

2. Delaware Trustee. The name and business address of the trustee of the Trust with a principal place of business in the State of Delaware are The Bank of New York (Delaware), White Clay Center, Route 273, Newark, New Castle County, Delaware 19711.

3. Effective Date. This Certificate of Trust shall be effective as of its filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the undersigned, being the only trustees of the Trust, have executed this Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK
not in its individual capacity
but solely as Trustee

PHILIP R. HALVERSON
Not in his individual capacity
but solely as Trustee

By: _____
Name:
Title:

By: _____

THE BANK OF NEW YORK (DELAWARE),
not in its individual capacity
but solely as Trustee

By: _____
Name:
Title:

IN WITNESS WHEREOF, an Administrative Trustee of the Trust has
executed this certificate for and on behalf of the Trust this ___ day of

-----,-----

ALLETE CAPITAL

--

By:

not in _____ individual capacity,
but solely as Administrative Trustee

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AGREEMENT AS TO EXPENSES AND LIABILITIES

AGREEMENT dated as of _____ between ALLETE (legally incorporated as Minnesota Power, Inc.), a Minnesota corporation ("ALLETE"), and ALLETE Capital _____, a Delaware business trust (the "Trust").

WHEREAS, the Trust intends to issue its Common Trust Securities (the "Common Trust Securities") to and receive Debentures from ALLETE and to issue its _____ % Trust Originated Preferred Securities (the "Preferred Trust Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Trust Agreement of the Trust dated as of _____ as the same may be amended from time to time (the "Trust Agreement");

WHEREAS, ALLETE is the issuer of the Debentures;

NOW, THEREFORE, in consideration of the acceptance of the Preferred Trust Securities by each holder thereof, which acceptance ALLETE hereby agrees shall benefit ALLETE and which acceptance ALLETE acknowledges will be made in reliance upon the execution and delivery of this Agreement, ALLETE, including in its capacity as holder of the Common Trust Securities, and the Trust hereby agree as follows:

ARTICLE I

Section 1.01. Assumption by ALLETE. Subject to the terms and _____

conditions hereof, ALLETE hereby irrevocably and unconditionally assumes the full payment, when and as due, of any and all Obligations (as hereinafter defined) to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries"). As used herein, "Obligations" means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to holders of any Preferred Trust Securities the amounts due such holders pursuant to the terms of the Preferred Trust Securities. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

Section 1.02. Term of Agreement. This Agreement shall terminate and be _____

of no further force and effect upon the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any holder of Preferred Trust Securities or any Beneficiary must restore payment of any sums paid under the Preferred Trust Securities, under any Obligation, under the Guarantee Agreement dated the date hereof by and between ALLETE and The Bank of New York, as guarantee trustee, or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

Section 1.03. Waiver of Notice. ALLETE hereby waives notice of _____

acceptance of this Agreement and of any Obligation to which it applies or may apply, and ALLETE hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 1.04. No Impairment. The obligations, covenants, agreements

and duties of ALLETE under this Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the extension of time for the payment by the Trust of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the Obligations;

(b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of the Trust granting indulgence or extension of any kind; or

(c) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust.

Neither the Trust nor any Beneficiary shall have any obligation to give notice to, or obtain the consent of, ALLETE with respect to the happening of any of the foregoing.

Section 1.05. Enforcement. A Beneficiary may enforce this Agreement

directly against ALLETE and ALLETE waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against ALLETE.

ARTICLE II

Section 2.01. Binding Effect. All of the obligations, covenants and

agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of ALLETE and shall inure to the benefit of the Beneficiaries and their successors and assigns.

Section 2.02. Amendment. So long as there remains any Beneficiary or

any Preferred Trust Securities of any series shall be outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to the holders of the Preferred Trust Securities.

Section 2.03. Notices. Any notice, request or other communication

required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), telex or by registered or certified mail, addressed as follows (and if so given, shall be deemed given when mailed or upon receipt of an answer-back, if sent by telex), to wit:

ALLETE Capital

--

c/o _____, Administrative Trustee

30 West Superior Street
Duluth, Minnesota 55802-2093
Facsimile No.:

ALLETE
30 West Superior Street
Duluth, Minnesota 55802-2093
Facsimile No.:
Attention: Treasurer

Section 2.04. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES).

THIS AGREEMENT is executed as of the day and year first above written.

ALLETE
(legally incorporated as Minnesota Power, Inc.)

By: -----
Name:
Title:

ALLETE CAPITAL --

By: -----
not in his (her) individual capacity, but
solely as Administrative Trustee

IN WITNESS WHEREOF, one of the Administrative Trustees of the Trust
has executed this certificate for and on behalf of the Trust.

Dated:

ALLETE Capital --

not in individual capacity, but solely

as Administrative Trustee

Countersigned and Registered:

ALLETE
(legally incorporated as Minnesota Power, Inc.)

Transfer Agent and Registrar

By: -----
(Authorized Signature)

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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers
this Preferred Trust Security to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

of the Preferred Trust Securities represented by this Certificate and
irrevocably appoints attorney to transfer such Preferred Trust Securities
Certificate on the books of the
Trust. The attorney may substitute another to act for him or her.

Date: _____

Signature: _____

(Sign exactly as your name appears on the other side of this Preferred Trust
Securities Certificate)

Signature: _____

(Sign exactly as your name appears on the other side of this Preferred Trust
Securities Certificate)

 ALLETE
 (LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

TO

THE BANK OF NEW YORK, TRUSTEE

INDENTURE

(FOR UNSECURED SUBORDINATED DEBT SECURITIES
 RELATING TO TRUST SECURITIES)

DATED AS OF -----

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ALLETE

RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939
AND INDENTURE, DATED AS OF -----

TRUST INDENTURE ACT SECTION	INDENTURE SECTION
ss.310 (a)(1)	909
(a)(2)	909
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(a)(4)	Not Applicable
(b)	908
	910
ss.311 (a)	913
(b)	913
(c)	913
ss.312 (a)	1001
(b)	1001
(c)	1001
ss.313 (a)	1002
(b)	1002
(c)	1002
ss.314 (a)	1002
(a)(4)	606
(b)	Not Applicable
(c)(1)	102
(c)(2)	102
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	102
ss.315 (a)	901
	903
(b)	902
(c)	901
(d)	901
(e)	814
ss.316 (a)	812
	813
(a)(1)(A)	802
	812
(a)(1)(B)	813
(a)(2)	Not Applicable
(b)	808

ss. 317	(a)(1)	803
	(a)(2)	804
	(b)	603
ss. 318	(a)	107

INDENTURE, dated as of _____, between ALLETE (legally

incorporated as MINNESOTA POWER, INC.), a corporation duly organized and existing under the laws of the State of Minnesota (herein called the "Company"), having its principal office at 30 West Superior Street, Duluth, Minnesota 55802-2093, and THE BANK OF NEW YORK, a New York banking corporation, having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, as Trustee (herein called the "Trustee").

RECITAL OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured subordinated debentures, notes or other evidences of indebtedness (herein called the "Securities"), in an unlimited aggregate principal amount to be issued from time to time in one or more series as contemplated herein; and all acts necessary to make this Indenture a valid agreement of the Company have been performed.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned to them in Article One of this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. DEFINITIONS.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) all terms used herein without definition which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States at the date of such computation or, at the election of the Company from time to

time, at the date of the execution and delivery of this Indenture; provided, however, that in determining generally accepted accounting principles applicable to the Company, the Company shall, to the extent required, conform to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company; and

(d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Nine, are defined in that Article.

"ACT", when used with respect to any Holder of a Security, has the meaning specified in Section 104.

"ADDITIONAL INTEREST" has the meaning specified in Section 312.

"AFFILIATE" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "CONTROL" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or through one or more intermediaries, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

"AUTHENTICATING AGENT" means any Person (other than the Company or an Affiliate of the Company) authorized by the Trustee pursuant to Section 915 to act on behalf of the Trustee to authenticate one or more series of Securities.

"AUTHORIZED OFFICER" means the Chairman of the Board, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary or any other officer or agent of the Company duly authorized by the Board of Directors to act in respect of matters relating to this Indenture.

"BOARD OF DIRECTORS" means either the board of directors of the Company or any committee thereof duly authorized to act in respect of matters relating to this Indenture.

"BOARD RESOLUTION" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BUSINESS DAY", when used with respect to a Place of Payment or any other particular location specified in the Securities or this Indenture, means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in such Place of Payment or other location are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified as contemplated by Section 301.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the date of execution and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body, if any, performing such duties at such time.

"COMPANY" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"COMPANY REQUEST" or "COMPANY ORDER" means a written request or order signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

"CORPORATE TRUST OFFICE" means the principal office of the Trustee in New York, New York at which at any particular time its corporate trust business is administered, which at the date of execution and delivery of this Indenture is located at 101 Barclay Street, New York, New York 10286, Attention: Corporate Trust Administration.

"CORPORATION" means a corporation, association, company, limited liability company, joint stock company or business trust.

"DEFAULTED INTEREST" has the meaning specified in Section 307.

"DOLLAR" or "\$" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"ELIGIBLE OBLIGATIONS" means:

(a) with respect to Securities denominated in Dollars, Government Obligations; or

(b) with respect to Securities denominated in a currency other than Dollars or in a composite currency, such other obligations or instruments as shall be specified with respect to such Securities, as contemplated by Section 301.

"EVENT OF DEFAULT" has the meaning specified in Section 801.

"GOVERNMENTAL AUTHORITY" means the government of the United States or of any State or Territory thereof or of the District of Columbia or of any county, municipality or other political subdivision of any of the foregoing, or any department, agency, authority or other instrumentality of any of the foregoing.

"GOVERNMENT OBLIGATIONS" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States and entitled to the benefit of the full faith and credit thereof; and

(b) certificates, depository receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company (which may include the Trustee or any Paying Agent) subject to Federal or state supervision or examination with a combined capital and surplus of at least \$50,000,000; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depository receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom.

"GUARANTEE" means the guarantee agreement delivered from the Company to a Trust, for the benefit of the holders of Preferred Securities issued by such Trust.

"HOLDER" means a Person in whose name a Security is registered in the Security Register.

"INDENTURE" means this instrument as originally executed and delivered and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of a particular series of Securities established as contemplated by Section 301.

"INTEREST PAYMENT DATE" when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"MATURITY" when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as provided in such Security or in this Indenture, whether at the Stated Maturity, by declaration of acceleration, upon call for redemption or otherwise.

"OFFICER'S CERTIFICATE" means a certificate signed by an Authorized Officer and delivered to the Trustee.

"OPINION OF COUNSEL" means a written opinion of counsel, who may be counsel for the Company, or other counsel acceptable to the Trustee.

"OUTSTANDING", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(a) Securities theretofore canceled or delivered to the Security Registrar for cancellation;

(b) Securities deemed to have been paid in accordance with Section 701; and

(c) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof

satisfactory to it and the Company that such Securities are held by a bona fide purchaser or purchasers in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether or not the Holders of the requisite principal amount of the Securities Outstanding under this Indenture, or the Outstanding Securities of any series, have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether or not a quorum is present at a meeting of Holders of Securities, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor (unless the Company, such Affiliate or such obligor owns all Securities Outstanding under this Indenture, or all Outstanding Securities of each such series, as the case may be, determined without regard to this provision) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Trustee knows to be so owned shall be so disregarded; provided, however, that Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor; and provided, further, that, in the case of any Security the principal of which is payable from time to time without presentment or surrender, the principal amount of such Security that shall be deemed to be Outstanding at any time for all purposes of this Indenture shall be the original principal amount thereof less the aggregate amount of principal thereof theretofore paid.

"PAYING AGENT" means any Person, including the Company, authorized by the Company to pay the principal of, and premium, if any, or interest, if any, on any Securities on behalf of the Company.

"PERSON" means any individual, corporation, partnership, joint venture, trust or unincorporated organization or any Governmental Authority.

"PLACE OF PAYMENT" when used with respect to the Securities of any series, means the place or places, specified as contemplated by Section 301, at which, subject to Section 602, principal of and premium, if any, and interest, if any, on the Securities of such series are payable.

"PREDECESSOR SECURITY" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed (to the extent lawful) to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"PREFERRED SECURITIES" means any preferred trust interests issued by a Trust or similar securities issued by permitted successors to such Trust in accordance with the Trust Agreement pertaining to such Trust.

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"REDEMPTION PRICE", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

"REQUIRED CURRENCY" has the meaning specified in Section 313.

"RESPONSIBLE OFFICER", when used with respect to the Trustee, means any Vice President, Assistant Vice President, Trust Officer or other officer of the Trustee assigned by the Trustee to the Corporate Trust Administration Division of the Trustee (or any successor division or department of the Trustee).

"SECURITIES" has the meaning stated in the first recital of this Indenture and more particularly means any securities authenticated and delivered under this Indenture.

"SECURITY REGISTER" and "SECURITY REGISTRAR" have the respective meanings specified in Section 305.

"SENIOR INDEBTEDNESS" means all obligations (other than non-recourse obligations and the indebtedness issued under this Indenture) of, or guaranteed or assumed by, the Company for borrowed money, including both senior and subordinated indebtedness for borrowed money (other than the Securities), or for the payment of money relating to any lease which is capitalized on the consolidated balance sheet of the Company and its subsidiaries in accordance with generally accepted accounting principles as in effect from time to time, or evidenced by bonds, debentures, notes or other similar instruments, and in each case, amendments, renewals, extensions, modifications and refundings of any such indebtedness or obligations, whether existing as of the date of this Indenture or subsequently incurred by the Company unless, in the case of any particular indebtedness, renewal, extension or refunding, the instrument creating or evidencing the same or the assumption or guarantee of the same expressly provides that such indebtedness, renewal, extension or refunding is not superior in right of payment to or is pari passu with the Securities; provided that the Company's obligations under the Guaranty shall not be deemed to be Senior Indebtedness.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

"STATED MATURITY", when used with respect to any obligation or any installment of principal thereof or interest thereon, means the date on which the principal of such obligation or such installment of principal or interest is stated to be due and payable (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

"TRUST" means ALLETE Capital II, a statutory business trust formed under the laws of the State of Delaware, or any other Trust designated pursuant to Section 301 hereof or any permitted successor under the Trust Agreement pertaining to such Trust.

"TRUST AGREEMENT" means the Amended and Restated Trust Agreement, dated as of _____, relating to ALLETE Capital II, or an Amended and

Restated Trust Agreement relating to a Trust designated pursuant to Section 301 hereof, in each case, among the Company, as Depositor, the trustees named therein and several holders referred to therein, as such agreement or agreements, as the case may be, may be amended from time to time.

"TRUST INDENTURE ACT" means, as of any time, the Trust Indenture Act of 1939, or any successor statute, as in effect at such time.

"TRUSTEE" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"UNITED STATES" means the United States of America, its Territories, its possessions and other areas subject to its political jurisdiction.

SECTION 102. COMPLIANCE CERTIFICATES AND OPINIONS.

Except as otherwise expressly provided in this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that in the opinion of the Authorized Officer executing such Officer's Certificate all conditions precedent, if any, provided for in this Indenture relating to the proposed action (including any covenants compliance with which constitutes a condition precedent) have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each Person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable such

Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such Person, such condition or covenant has been complied with.

SECTION 103. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion are based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever, subsequent to the receipt by the Trustee of any Board Resolution, Officer's Certificate, Opinion of Counsel or other document or instrument, a clerical, typographical or other inadvertent or unintentional error or omission shall be discovered therein, a new document or instrument may be substituted therefor in corrected form with the same force and effect as if originally filed in the corrected form and, irrespective of the date or dates of the actual execution and/or delivery thereof, such substitute document or instrument shall be deemed to have been executed and/or delivered as of the date or dates required with respect to the document or instrument for which it is substituted. Anything in this Indenture to the contrary notwithstanding, if any such corrective document or instrument indicates that action has been taken by or at the request of the Company which could not have been taken had the original document or instrument not contained such error or omission, the action so taken shall not be invalidated or otherwise rendered ineffective but shall be and remain in full force and effect, except to the extent that such action was a result of willful misconduct or bad faith. Without limiting the generality of the foregoing, any Securities issued under the authority of such defective document or instrument shall nevertheless be the valid obligations of the Company entitled to the benefits of this Indenture equally and ratably with all other Outstanding Securities, except as aforesaid.

SECTION 104. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, election, waiver or other action provided by this Indenture to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing or, alternatively, may be embodied in and evidenced by the record of Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders duly called and held in accordance with the provisions of Article Thirteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 901) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders shall be proved in the manner provided in Section 1306.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof or may be proved in any other manner which the Trustee and the Company deem sufficient. Where such execution is by a signer acting in a capacity other than his or her individual capacity, such certificate or affidavit shall also constitute sufficient proof of his or her authority.

(c) The principal amount and serial numbers of Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of a Holder shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Securities for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Securities by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proven.

(f) Securities of any series authenticated and delivered after any Act of Holders may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any action taken by such Act of Holders. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to such action may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

(g) If the Company shall solicit from Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of the Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of the record date.

SECTION 105. NOTICES, ETC. TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with, the Trustee by any Holder or by the Company, or the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and delivered personally to an officer or other responsible employee of the addressee at the applicable location set forth below or at such other location as such party may from time to time designate, or transmitted by facsimile transmission or other direct written electronic means to such telephone number or other electronic communications address as the parties hereto shall from time to time designate, or transmitted by certified or registered mail, charges prepaid, to the applicable address set opposite such party's name below or to such other address as either party hereto may from time to time designate:

If to the Trustee, to:

The Bank of New York
Corporate Trust Administration
101 Barclay Street - Floor 21 West
New York, New York 10286

Attention: Corporate Trust Administration
Telephone: 212-815-5758
Telecopy: 212-815-5915

If to the Company, to:

ALLETE
30 West Superior Street
Duluth, Minnesota 55802-2093
Attention: Treasurer

Telephone: 218-723-3992
Telecopy: 218-723-3912

Any communication contemplated herein shall be deemed to have been made, given, furnished and filed if personally delivered, on the date of delivery, if transmitted by facsimile transmission or other direct written electronic means, on the date of transmission thereof, and if transmitted by certified or registered mail, on the date of receipt.

SECTION 106. NOTICE TO HOLDERS OF SECURITIES; WAIVER.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given, and shall be deemed given, to Holders if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, if any, and not earlier than the earliest date, if any, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Any notice required by this Indenture may be waived in writing by the Person entitled to receive such notice, either before or after the event otherwise to be specified therein, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 107. CONFLICT WITH TRUST INDENTURE ACT.

If any provision of this Indenture limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Indenture by, or is otherwise governed by, any of the provisions of the Trust Indenture Act, such other provision shall control; and if any provision hereof otherwise conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 108. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings in this Indenture and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company and Trustee shall bind their respective successors and assigns, whether so expressed or not.

SECTION 110. SEPARABILITY CLAUSE.

In case any provision in this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. BENEFITS OF INDENTURE.

Nothing in this Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder, the Holders and, so long as the notice described in Section 1513 hereof has not been given, the holders of Senior Indebtedness, any benefit or any legal or equitable right, remedy or claim under this Indenture; provided, however, that for so long as any Preferred Securities remain outstanding, the holders of such Preferred Securities, subject to certain limitations set forth in this Indenture, may enforce the Company's obligations hereunder directly against the Company as third party beneficiaries of this Indenture without first proceeding against the Trust issuing such Preferred Securities.

SECTION 112. GOVERNING LAW.

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the law of any other jurisdiction shall be mandatorily applicable.

SECTION 113. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities other than a provision in Securities of any series, or in the Board Resolution or Officer's Certificate which establishes the terms of the Securities of such series, which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment, except that if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect, and in the same amount, as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, as the case may be, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the

amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

ARTICLE TWO

SECURITY FORMS

SECTION 201. FORMS GENERALLY.

The definitive Securities of each series shall be in substantially the form or forms thereof established in the indenture supplemental hereto establishing such series or in a Board Resolution establishing such series, or in an Officer's Certificate pursuant to such supplemental indenture or Board Resolution, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. If the form or forms of Securities of any series are established in a Board Resolution or in an Officer's Certificate pursuant to a Board Resolution, such Board Resolution and Officer's Certificate, if any, shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities.

Unless otherwise specified as contemplated by Sections 301 or 1201(g), the Securities of each series shall be issuable in registered form without coupons. The definitive Securities shall be produced in such manner as shall be determined by the officers executing such Securities, as evidenced by their execution thereof.

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's certificate of authentication shall be in substantially the form set forth below:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

THE BANK OF NEW YORK,
as Trustee

By: -----
Authorized Signatory

ARTICLE THREE

THE SECURITIES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited; provided, however, that all Securities shall be issued to a Trust in exchange for securities of the Company or to evidence loans by a Trust of the proceeds of the issuance of Preferred Securities of such Trust plus the amount deposited by the Company with such Trust from time to time.

The Securities may be issued in one or more series. Prior to the authentication and delivery of Securities of any series there shall be established by specification in a supplemental indenture or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution:

(a) the title of the Securities of such series (which shall distinguish the Securities of such series from Securities of all other series);

(b) any limit upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 406 or 1206 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);

(c) the Person or Persons (without specific identification) to whom interest on Securities of such series shall be payable on any Interest Payment Date, if other than the Persons in whose names such Securities (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such interest;

(d) the date or dates on which the principal of the Securities of such series is payable or any formulary or other method or other means by which such date or dates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension);

(e) the rate or rates at which the Securities of such series shall bear interest, if any (including the rate or rates at which overdue principal shall bear interest, if different from the rate or rates at which such Securities shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any), or any formulary or other method or other means by which such rate or rates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise; the date or dates from which such interest shall accrue; the Interest Payment Dates on which such interest shall be payable and the Regular Record Date, if any, for the interest payable on such Securities on any Interest Payment Date; the right of the Company, if any, to extend the interest payment periods

and the duration of any such extension as contemplated by Section 311; and the basis of computation of interest, if other than as provided in Section 310;

(f) the place or places at which or methods by which (1) the principal of and premium, if any, and interest, if any, on Securities of such series shall be payable, (2) registration of transfer of Securities of such series may be effected, (3) exchanges of Securities of such series may be effected and (4) notices and demands to or upon the Company in respect of the Securities of such series and this Indenture may be served; the Security Registrar and any Paying Agent or Agents for such series; and if such is the case, that the principal of such Securities shall be payable without presentment or surrender thereof;

(g) the period or periods within which, or the date or dates on which, the price or prices at which and the terms and conditions upon which the Securities of such series may be redeemed, in whole or in part, at the option of the Company and any restrictions on such redemptions, including but not limited to a restriction on a partial redemption by the Company of the Securities of any series, resulting in delisting of such Securities from any national exchange;

(h) the obligation or obligations, if any, of the Company to redeem or purchase the Securities of such series pursuant to any sinking fund or other mandatory redemption provisions or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which such Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and applicable exceptions to the requirements of Section 404 in the case of mandatory redemption or redemption at the option of the Holder;

(i) the denominations in which Securities of such series shall be issuable if other than denominations of \$25 and any integral multiple thereof;

(j) the currency or currencies, including composite currencies, in which payment of the principal of and premium, if any, and interest, if any, on the Securities of such series shall be payable (if other than in Dollars) and the formulary or other method or other means by which the equivalent of any such amount in Dollars is to be determined for any purpose, including for the purpose of determining the principal amount of such Securities deemed to be Outstanding at any time;

(k) if the principal of or premium, if any, or interest, if any, on the Securities of such series are to be payable, at the election of the Company or a Holder thereof, in a coin or currency other than that in which the Securities are stated to be payable, the period or periods within which and the terms and conditions upon which, such election may be made;

(l) if the principal of or premium, if any, or interest, if any, on the Securities of such series are to be payable, or are to be payable at the election of the Company or a Holder thereof, in securities or other property, the type and amount of such securities or other property, or the

formulary or other method or other means by which such amount shall be determined, and the period or periods within which, and the terms and conditions upon which, any such election may be made;

(m) if the amount payable in respect of principal of or premium, if any, or interest, if any, on the Securities of such series may be determined with reference to an index or other fact or event ascertainable outside this Indenture, the manner in which such amounts shall be determined to the extent not established pursuant to clause (e) of this paragraph;

(n) if other than the principal amount thereof, the portion of the principal amount of Securities of such series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 802;

(o) any Events of Default, in addition to those specified in Section 801, with respect to the Securities of such series, and any covenants of the Company for the benefit of the Holders of the Securities of such series, in addition to those set forth in Article Six;

(p) the terms, if any, pursuant to which the Securities of such series may be converted into or exchanged for shares of capital stock or other securities of the Company or any other Person;

(q) the obligations or instruments, if any, which shall be considered to be Eligible Obligations in respect of the Securities of such series denominated in a currency other than Dollars or in a composite currency, and any additional or alternative provisions for the reinstatement of the Company's indebtedness in respect of such Securities after the satisfaction and discharge thereof as provided in Section 701;

(r) if the Securities of such series are to be issued in global form, (i) any limitations on the rights of the Holder or Holders of such Securities to transfer or exchange the same or to obtain the registration of transfer thereof, (ii) any limitations on the rights of the Holder or Holders thereof to obtain certificates therefor in definitive form in lieu of temporary form and (iii) any and all other matters incidental to such Securities;

(s) if the Securities of such series are to be issuable as bearer securities, any and all matters incidental thereto which are not specifically addressed in a supplemental indenture as contemplated by clause (g) of Section 1201;

(t) to the extent not established pursuant to clause (r) of this paragraph, any limitations on the rights of the Holders of the Securities of such Series to transfer or exchange such Securities or to obtain the registration of transfer thereof; and if a service charge will be made for the registration of transfer or exchange of Securities of such series the amount or terms thereof;

(u) any exceptions to Section 113, or variation in the definition of Business Day, with respect to the Securities of such series;

(v) the designation of the Trust to which Securities of such series are to be issued;

(w) any collateral security, assurance or guarantee for the Securities of such series;

(x) any rights or duties of another Person to assume the obligations of the Company with respect to the Securities of such series (whether as joint obligor, primary obligor, secondary obligor or substitute obligor) and any rights or duties to discharge and release any obligor with respect to the Securities of such series or the Indenture to the extent related to such series; and

(y) any rights to change or eliminate any provision of this Indenture or to add any new provision to this Indenture (by supplemental indenture or otherwise) without the consent of the Holders of the Securities of such series; and

(z) any other terms of the Securities of such series not inconsistent with the provisions of this Indenture.

Unless otherwise specified with respect to a series of Securities pursuant to Section 301(b), any limit upon the aggregate principal amount of a series of Securities may be increased without the consent of any Holders and additional Securities of such series may be authenticated and delivered up to the limit upon the aggregate principal amount authorized with respect to such series as so increased.

All Securities of any one series shall be substantially identical, except as to principal amount and date of issue and except as may be set forth in the terms of such series as contemplated above. The Securities of each series shall be subordinated in right of payment to Senior Indebtedness as provided in Article Fifteen.

SECTION 302. DENOMINATIONS.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, the Securities of each series shall be issuable in denominations of \$25 and any integral multiple thereof.

SECTION 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, the Securities shall be executed on behalf of the Company by an Authorized Officer and may have the corporate seal of the Company affixed thereto or reproduced thereon attested by any other Authorized Officer. The signature of any or all of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of execution Authorized Officers shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

The Trustee shall authenticate and deliver Securities of a series, for original issue, at one time or from time to time in accordance with the Company Order referred to below, upon receipt by the Trustee of:

- (a) the instrument or instruments establishing the form or forms and terms of such series, as provided in Sections 201 and 301;
- (b) a Company Order requesting the authentication and delivery of such Securities and, to the extent that the terms of such Securities shall not have been established in an indenture supplemental hereto or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or Board Resolution, all as contemplated by Sections 201 and 301, establishing such terms;
- (c) the Securities of such series, executed on behalf of the Company by an Authorized Officer;
- (d) an Opinion of Counsel to the effect that:
 - (i) the form or forms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture;
 - (ii) the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture; and
 - (iii) such Securities, when authenticated and delivered by the Trustee and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will have been duly issued under this Indenture and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by this Indenture, and enforceable in accordance with their terms, subject, as to enforcement, to laws relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency laws and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

If the form or terms of the Securities of any series have been established by or pursuant to a Board Resolution or an Officer's Certificate as permitted by Sections 201 or 301, the Trustee shall not be required to authenticate such Securities if the issuance of such Securities pursuant to this Indenture will materially or adversely affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, each Security shall be dated the date of its authentication.

Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, no Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee or an Authenticating Agent by manual signature of an authorized signatory thereof, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold by the Company, and the Company shall deliver such Security to the Security Registrar for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Officer's Certificate or an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

SECTION 304. TEMPORARY SECURITIES.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities; provided, however, that temporary Securities need not recite specific redemption, sinking fund, conversion or exchange provisions.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, after the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable, without charge to the Holder thereof, for definitive Securities of such series upon surrender of such temporary Securities at the office or agency of the Company maintained pursuant to Section 602 in a Place of Payment for such Securities. Upon such surrender of temporary Securities for such exchange, the Company shall, except as aforesaid, execute and the Trustee shall authenticate and deliver in exchange therefor definitive Securities of the same series, of authorized denominations and of like tenor and aggregate principal amount.

Until exchanged in full as hereinabove provided, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and of like tenor authenticated and delivered hereunder.

SECTION 305. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.

The Company shall cause to be kept in each office designated pursuant to Section 602, with respect to the Securities of each series, a register (all registers kept in accordance with this Section being collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities of

such series and the registration of transfer thereof. The Company shall designate one Person to maintain the Security Register for the Securities of each series on a consolidated basis, and such Person is referred to herein, with respect to such series, as the "Security Registrar." Anything herein to the contrary notwithstanding, the Company may designate one or more of its offices as an office in which a register with respect to the Securities of one or more series shall be maintained, and the Company may designate itself the Security Registrar with respect to one or more of such series. The Security Register shall be open for inspection by the Trustee and the Company at all reasonable times.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, upon surrender for registration of transfer of any Security of such series at the office or agency of the Company maintained pursuant to Section 602 in a Place of Payment for such series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, of authorized denominations and of like tenor and aggregate principal amount.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, any Security of such series may be exchanged at the option of the Holder, for one or more new Securities of the same series, of authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities delivered upon any registration of transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Trustee or the Security Registrar) be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Security Registrar, as the case may be, duly executed by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise specified as contemplated by Section 301 with respect to Securities of any series, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 406 or 1206 not involving any transfer.

The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Securities of any series during a period of 15 days immediately preceding the date of the mailing of any notice of redemption of the Securities of such series (or stating that all Outstanding Securities of such series are called for redemption) or (b) any

Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 306. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the ownership of and the destruction, loss or theft of any Security and (b) such security or indemnity as may be reasonably required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security is held by a Person purporting to be the owner of such Security, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

Notwithstanding the foregoing, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone other than the Holder of such new Security, and any such new Security shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Subject to Section 311, any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the related Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall promptly cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at the address of such Holder as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date.

(b) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. PERSONS DEEMED OWNERS.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the absolute owner of

such Security for the purpose of receiving payment of principal of and premium, if any, and (subject to Sections 305 and 307) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. CANCELLATION BY SECURITY REGISTRAR.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Security Registrar, be delivered to the Security Registrar and, if not theretofore canceled, shall be promptly canceled by the Security Registrar. The Company may at any time deliver to the Security Registrar for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever or which the Company shall not have issued and sold, and all Securities so delivered shall be promptly canceled by the Security Registrar. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities held by the Security Registrar shall be disposed of in accordance with the customary practices of the Security Registrar at the time in effect, and the Security Registrar shall not be required to destroy any such certificates. The Security Registrar shall promptly deliver a certificate of disposition to the Trustee and the Company unless, by a Company Order, similarly delivered, the Company shall direct that canceled Securities be returned to it. The Security Registrar shall promptly deliver evidence of any cancellation of a Security in accordance with this Section 309 to the Trustee and the Company.

SECTION 310. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year consisting 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 such period.

SECTION 311. EXTENSION OF INTEREST PAYMENT.

The Company shall have the right at any time, so long as the Company is not in default in the payment of interest on the Securities of any series hereunder, to extend interest payment periods on all Securities of one or more series, if so specified as contemplated by Section 301 with respect to such Securities and upon such terms as may be specified as contemplated by Section 301 with respect to such Securities.

SECTION 312. ADDITIONAL INTEREST.

So long as any Preferred Securities remain outstanding, if the Trust which issued such Preferred Securities shall be required to pay, with respect to its income derived from the interest payments on the Securities of any series, any amounts for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed by the United States, or any other taxing authority, then, in any such case, the Company will pay as interest on such series such additional interest ("Additional Interest") as may be necessary in

order that the net amounts received and retained by such Trust after the payment of such taxes, duties, assessments or governmental charges shall result in such Trust's having such funds as it would have had in the absence of the payment of such taxes, duties, assessments or governmental charges.

SECTION 313. PAYMENT TO BE IN PROPER CURRENCY.

In the case of the Securities of any series denominated in any currency other than Dollars or in a composite currency (the "Required Currency"), except as otherwise specified with respect to such Securities as contemplated by Section 301, the obligation of the Company to make any payment of the principal thereof, or the premium or interest thereon, shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is in a currency other than the Required Currency, the Trustee may take such actions as it considers appropriate to exchange such currency for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any shortfall or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor except in the case of its negligence or willful misconduct.

ARTICLE FOUR

REDEMPTION OF SECURITIES

SECTION 401. APPLICABILITY OF ARTICLE.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of such series) in accordance with this Article.

SECTION 402. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution or an Officer's Certificate. The Company shall, at least 45 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of such Securities to be redeemed. In the case of any redemption of Securities (a) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with such restriction or condition.

SECTION 403. SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected by the Trustee from the Outstanding Securities of such series not previously called for redemption, by such method as shall be provided for any particular series, or, in the absence

of any such provision, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of such series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of such series; provided, however, that if, as indicated in an Officer's Certificate, the Company shall have offered to purchase all or any principal amount of the Securities then Outstanding of any series, and less than all of such Securities as to which such offer was made shall have been tendered to the Company for such purchase, the Trustee, if so directed by Company Order, shall select for redemption all or any principal amount of such Securities which have not been so tendered.

The Trustee shall promptly notify the Company and the Security Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected to be redeemed in part, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 404. NOTICE OF REDEMPTION.

Notice of redemption shall be given in the manner provided in Section 106 to the Holders of the Securities to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, all notices of redemption shall state:

(a) the Redemption Date,

(b) the Redemption Price or the formula pursuant to which the Redemption Price is to be determined if the Redemption Price cannot be determined at the time the notice is given,

(c) if less than all the Securities of any series are to be redeemed, the identification of the particular Securities to be redeemed and the portion of the principal amount of any Security to be redeemed in part, and in the case of any such Security of such series to be redeemed in part, that, on and after the Redemption Date, upon surrender of such Security, a new Security or Securities of such series in principal amount equal to the remaining unpaid principal amount thereof will be issued as provided in Section 406,

(d) that on the Redemption Date the Redemption Price, together with accrued interest, if any, to the Redemption Date, will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(e) the place or places where such Securities are to be surrendered for payment of the Redemption Price and accrued interest, if any, unless it shall have been specified as contemplated by Section 301 with respect to such Securities that such surrender shall not be required,

(f) that the redemption is for a sinking or other fund, if such is the case, and

(g) the CUSIP or ISIN numbers, if any, assigned to such Securities (if then generally in use); provided, however, that such notice may state that no representation is made as to the correctness of the CUSIP or ISIN numbers, in which case none of the Company, the Trustee or any agent of the Company or the Trustee shall have any liability in respect of the use of any CUSIP or ISIN number or numbers on such notices, and the redemption or such Securities shall not be affected by any defect in or omission of such numbers and

(h) such other matters as the Company shall deem desirable or appropriate.

Unless otherwise specified with respect to any Securities in accordance with Section 301, with respect to any notice of redemption of Securities at the election of the Company, unless, upon the giving of such notice, such Securities shall be deemed to have been paid in accordance with Section 701, such notice may state that such redemption shall be conditional upon the receipt by the Paying Agent or Agents for such Securities, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Securities and that if such money shall not have been so received such notice shall be of no force or effect and the Company shall not be required to redeem such Securities. In the event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received and such redemption was not required to be made, and the Paying Agent or Agents for the Securities otherwise to have been redeemed shall promptly return to the Holders thereof any of such Securities which had been surrendered for payment upon such redemption.

Notice of redemption of Securities to be redeemed at the election of the Company, and any notice of non-satisfaction of a condition for redemption as aforesaid, shall be given by the Company or, at the Company's request, by the Security Registrar in the name and at the expense of the Company. Notice of mandatory redemption of Securities shall be given by the Security Registrar in the name and at the expense of the Company.

SECTION 405. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Securities or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Securities or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Security for redemption

in accordance with such notice, such Security or portion thereof shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that no such surrender shall be a condition to such payment if so specified as contemplated by Section 301 with respect to such Security; and provided, further, that except as otherwise specified as contemplated by Section 301 with respect to such Security, any installment of interest on any Security the Stated Maturity of which installment is on or prior to the Redemption Date shall be payable to the Holder of such Security, or one or more Predecessor Securities, registered as such at the close of business on the related Regular Record Date according to the terms of such Security and subject to the provisions of Section 307.

SECTION 406. SECURITIES REDEEMED IN PART.

Upon the surrender of any Security which is to be redeemed only in part at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities of the same series, of any authorized denomination requested by such Holder and of like tenor and in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE FIVE

SINKING FUNDS

SECTION 501. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of the Securities of any series, except as otherwise specified as contemplated by Section 301 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 502. Each sinking fund payment shall be applied to the redemption of Securities of the series in respect of which it was made as provided for by the terms of such Securities.

SECTION 502. SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES.

The Company (a) may deliver to the Trustee Outstanding Securities (other than any previously called for redemption) of a series in respect of which a mandatory sinking fund payment is to be made and (b) may apply as a credit Securities of such series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of

such Securities, in each case in satisfaction of all or any part of such mandatory sinking fund payment with respect to the Securities of such series; provided, however, that no Securities shall be applied in satisfaction of a mandatory sinking fund payment if such Securities shall have been previously so applied. Securities so applied shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 503. REDEMPTION OF SECURITIES FOR SINKING FUND.

Not less than 45 days prior to each sinking fund payment date for the Securities of any series, the Company shall deliver to the Trustee an Officer's Certificate specifying:

- (a) the amount of the next succeeding mandatory sinking fund payment for such series;
- (b) the amount, if any, of the optional sinking fund payment to be made together with such mandatory sinking fund payment;
- (c) the aggregate sinking fund payment;
- (d) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by the payment of cash; and
- (e) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by delivering and crediting Securities of such series pursuant to Section 502 and stating the basis for such credit and that such Securities have not previously been so credited, and the Company shall also deliver to the Trustee any Securities to be so delivered.

If the Company shall not have delivered such Officer's Certificate and, to the extent applicable, all such Securities, the next succeeding sinking fund payment for such series shall be made entirely in cash in the amount of the mandatory sinking fund payment. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 403 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 404. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 405 and 406.

ARTICLE SIX

COVENANTS

SECTION 601. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.

The Company shall pay the principal of and premium, if any, and interest, if any (including Additional Interest), on the Securities of each series in accordance with the terms of such Securities and this Indenture.

SECTION 602. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in each Place of Payment for the Securities of each series an office or agency where payment of such Securities shall be made, where the registration of transfer or exchange of such Securities may be effected and where notices and demands to or upon the Company in respect of such Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of each such office or agency and prompt notice to the Holders of any such change in the manner specified in Section 106. If at any time the Company shall fail to maintain any such required office or agency in respect of Securities of any series, or shall fail to furnish the Trustee with the address thereof, payment of such Securities shall be made, registration of transfer or exchange thereof may be effected and notices and demands in respect thereof may be served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent for all such purposes in any such event.

The Company may also from time to time designate one or more other offices or agencies with respect to the Securities of one or more series, for any or all of the foregoing purposes and may from time to time rescind such designations; provided, however, that, unless otherwise specified as contemplated by Section 301 with respect to the Securities of such series, no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes in each Place of Payment for such Securities in accordance with the requirements set forth above. The Company shall give prompt written notice to the Trustee, and prompt notice to the Holders in the manner specified in Section 106, of any such designation or rescission and of any change in the location of any such other office or agency.

Anything herein to the contrary notwithstanding, any office or agency required by this Section may be maintained at an office of the Company, in which event the Company shall perform all functions to be performed at such office or agency.

SECTION 603. MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to the Securities of any series, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on any of such Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided. The Company shall promptly notify the Trustee of any failure by the Company (or any other obligor on such Securities) to make any

payment of principal of or premium, if any, or interest, if any, on such Securities.

Whenever the Company shall have one or more Paying Agents for the Securities of any series, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on such Securities, deposit with such Paying Agents sums sufficient (without duplication) to pay the principal and premium or interest so becoming due, such sums to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of any failure by it so to act.

The Company shall cause each Paying Agent for the Securities of any series, other than the Company or the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(a) hold all sums held by it for the payment of the principal of and premium, if any, or interest, if any, on such Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any failure by the Company (or any other obligor upon such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities; and

(c) at any time during the continuance of any such failure, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent and furnish to the Trustee such information as it possesses regarding the names and addresses of the Persons entitled to such sums.

The Company may at any time pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent and, if so stated in a Company Order delivered to the Trustee, in accordance with the provisions of Article Seven; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and premium, if any, or interest, if any, on any Security and remaining unclaimed for two years after such principal and premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or, if then held by the Company, shall be discharged from such trust; and, upon such payment or discharge, the Holder of such Security shall, as an unsecured general creditor and not as a Holder of an Outstanding Security, look only to the Company for payment of the amount so due and payable and remaining unpaid, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided,

however, that the Trustee or such Paying Agent, before being required to make any such payment to the Company, may at the expense of the Company cause to be mailed, on one occasion only, notice to such Holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company.

SECTION 604. CORPORATE EXISTENCE.

Subject to the rights of the Company under Article Eleven, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 605. MAINTENANCE OF PROPERTIES.

The Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) all its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the judgment of the Company, may be necessary so that the business carried on in connection therewith may be properly conducted; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any of its properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business.

SECTION 606. ANNUAL OFFICER'S CERTIFICATE AS TO COMPLIANCE.

Not later than _____ in each year, commencing _____, _____, the Company shall deliver to the Trustee an Officer's Certificate which _____ need not comply with Section 102, executed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture, such compliance to be determined without regard to any period of grace or requirement of notice under this Indenture, and making any other statements as may be required by the provisions of Section 314(a)(4) of the Trust Indenture Act.

SECTION 607. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in (a) Section 602 or any additional covenant or restriction specified with respect to the Securities of any series, as contemplated by Section 301, if before the time for such compliance the Holders of at least a majority in aggregate principal amount of the Outstanding Securities of all series with respect to which compliance with Section 602 or such additional covenant or restriction is to be omitted, considered as one class, shall, by Act of such Holders, either waive such compliance in such

instance or generally waive compliance with such term, provision or condition and (b) Section 604, 605 or Article Eleven if before the time for such compliance the Holders of at least a majority in principal amount of Securities Outstanding under this Indenture shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition; but, in the case of (a) or (b), no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect; provided, however, so long as a Trust holds Securities of any series, such Trust may not waive compliance or waive any default in compliance by the Company with any covenant or other term contained in this Indenture or the Securities of such series without the approval of the holders of at least a majority in aggregate liquidation preference of the outstanding Preferred Securities issued by such Trust affected, obtained as provided in the Trust Agreement pertaining to such Trust.

SECTION 608. RESTRICTION ON PAYMENT OF DIVIDENDS.

So long as any Preferred Securities of any series remain outstanding, the Company shall not declare or pay any dividend or distribution (other than dividends or distributions paid in shares of common stock of the Company) on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock, repurchase or redeem any indebtedness that is pari passu with or subordinated to the Securities, or make any guarantee payments with respect to the foregoing (other than payments under the Guarantee relating to such Preferred Securities) if at such time (a) the Company shall be in default with respect to its payment or other obligations under the Guarantee relating to such Preferred Securities, (b) there shall have occurred and be continuing a payment default (whether before or after expiration of any period of grace) or an Event of Default hereunder or (c) the Company shall have elected to extend any interest payment period as provided in Section 311, and any such period, or any extension thereof, shall be continuing.

SECTION 609. MAINTENANCE OF TRUST EXISTENCE.

So long as Preferred Securities of any series remain outstanding, the Company shall (i) maintain direct or indirect ownership of all interests in the Trust which issued such Preferred Securities, other than such Preferred Securities, (ii) not voluntarily (to the extent permitted by law) dissolve, liquidate or wind up such Trust, except in connection with a distribution of the Securities to the holders of the Preferred Securities in liquidation of such Trust, (iii) remain the sole Depositor under the Trust Agreement (the "Depositor") of such Trust and timely perform in all material respects all of its duties as Depositor of such Trust, and (iv) use reasonable efforts to cause such Trust to remain a business trust and otherwise continue to be treated as a grantor trust for Federal income tax purposes provided that any permitted successor to the Company under this Indenture may succeed to the Company's duties as Depositor of such Trust; and provided further that the Company may permit such Trust to consolidate or merge with or into another business trust or other permitted successor under the Trust Agreement pertaining to such Trust so long as the Company agrees to comply with this Section 609 with respect to such successor business trust or other permitted successor.

SECTION 610. RIGHTS OF HOLDERS OF PREFERRED SECURITIES.

The Company agrees that, for so long as any Preferred Securities remain outstanding, its obligations under this Indenture will also be for the benefit of the holders from time to time of Preferred Securities, and the

Company acknowledges and agrees that such holders will be entitled to enforce this Indenture, as third party beneficiaries, directly against the Company to the same extent as if such holders of Preferred Securities held a principal amount of Securities equal to the stated liquidation amount of the Preferred Securities held by such holders.

ARTICLE SEVEN

SATISFACTION AND DISCHARGE

SECTION 701. SATISFACTION AND DISCHARGE OF SECURITIES.

Any Security or Securities, or any portion of the principal amount thereof, shall be deemed to have been paid for all purposes of this Indenture, and the entire indebtedness of the Company in respect thereof shall be deemed to have been satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

(a) money in an amount which shall be sufficient, or

(b) in the case of a deposit made prior to the Maturity of such Securities or portions thereof, Eligible Obligations, which shall not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Trustee or such Paying Agent, shall be sufficient, or

(c) a combination of (a) or (b) which shall be sufficient,

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on or prior to Maturity; provided, however, that in the case of the provision for payment or redemption of less than all the Securities of any series, such Securities or portions thereof shall have been selected by the Trustee as provided herein and, in the case of a redemption, the notice requisite to the validity of such redemption shall have been given or irrevocable authority shall have been given by the Company to the Trustee to give such notice, under arrangements satisfactory to the Trustee; and provided, further, that the Company shall have delivered to the Trustee and such Paying Agent:

(x) if such deposit shall have been made prior to the Maturity of such Securities, a Company Order stating that the money and Eligible Obligations deposited in accordance with this Section shall be held in trust, as provided in Section 703; and

(y) if Eligible Obligations shall have been deposited, an Opinion of Counsel that the obligations so deposited constitute Eligible Obligations and do not contain provisions permitting the redemption or other prepayment at the option of the issuer thereof, and an opinion of an independent public accountant of nationally recognized standing, selected by the Company, to the effect that the requirements set forth in clause (b) above have been satisfied; and

(z) if such deposit shall have been made prior to the Maturity of such Securities, an Officer's Certificate stating the Company's intention that, upon delivery of such Officer's Certificate, its indebtedness in respect of such Securities or portions thereof will have been satisfied and discharged as contemplated in this Section.

Upon the deposit of money or Eligible Obligations, or both, in accordance with this Section, together with the documents required by clauses (x), (y) and (z) above, the Trustee shall, upon receipt of a Company Request, acknowledge in writing that the Security or Securities or portions thereof with respect to which such deposit was made are deemed to have been paid for all purposes of this Indenture and that the entire indebtedness of the Company in respect thereof has been satisfied and discharged as contemplated in this Section. In the event that all of the conditions set forth in the preceding paragraph shall have been satisfied in respect of any Securities or portions thereof except that, for any reason, the Officer's Certificate specified in clause (z) shall not have been delivered, such Securities or portions thereof shall nevertheless be deemed to have been paid for all purposes of this Indenture, and the Holders of such Securities or portions thereof shall nevertheless be no longer entitled to the benefits of this Indenture or of any of the covenants of the Company under Article Six (except the covenants contained in Sections 602 and 603) or any other covenants made in respect of such Securities or portions thereof as contemplated by Section 301, but the indebtedness of the Company in respect of such Securities or portions thereof shall not be deemed to have been satisfied and discharged prior to Maturity for any other purpose, and the Holders of such Securities or portions thereof shall continue to be entitled to look to the Company for payment of the indebtedness represented thereby; and, upon Company Request, the Trustee shall acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Indenture.

If payment at Stated Maturity of less than all of the Securities of any series is to be provided for in the manner and with the effect provided in this Section, the Security Registrar shall select such Securities, or portions of principal amount thereof, in the manner specified by Section 403 for selection for redemption of less than all the Securities of a series.

In the event that Securities which shall be deemed to have been paid for purposes of this Indenture, and, if such is the case, in respect of which the Company's indebtedness shall have been satisfied and discharged, all as provided in this Section do not mature and are not to be redeemed within the 60 day period commencing with the date of the deposit of moneys or Eligible Obligations, as aforesaid, the Company shall, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Securities, to the Holders of such Securities to the effect that such deposit has been made and the effect thereof.

Notwithstanding that any Securities shall be deemed to have been paid for purposes of this Indenture, as aforesaid, the obligations of the Company and the Trustee in respect of such Securities under Sections 304, 305, 306, 404, 503 (as to notice of redemption), 602, 603, 907 and 915 and this Article Seven shall survive.

The Company shall pay, and shall indemnify the Trustee or any Paying Agent with which Eligible Obligations shall have been deposited as provided in this Section against, any tax, fee or other charge imposed on or assessed against such Eligible Obligations or the principal or interest received in

respect of such Eligible Obligations, including, but not limited to, any such tax payable by any entity deemed, for tax purposes, to have been created as a result of such deposit.

Anything herein to the contrary notwithstanding, (a) if, at any time after a Security would be deemed to have been paid for purposes of this Indenture, and, if such is the case, the Company's indebtedness in respect thereof would be deemed to have been satisfied or discharged, pursuant to this Section (without regard to the provisions of this paragraph), the Trustee or any Paying Agent, as the case may be, shall be required to return the money or Eligible Obligations, or combination thereof, deposited with it as aforesaid to the Company or its representative under any applicable Federal or State bankruptcy, insolvency or other similar law, such Security shall thereupon be deemed retroactively not to have been paid and any satisfaction and discharge of the Company's indebtedness in respect thereof shall retroactively be deemed not to have been effected, and such Security shall be deemed to remain Outstanding and (b) any satisfaction and discharge of the Company's indebtedness in respect of any Security shall be subject to the provisions of the last paragraph of Section 603.

SECTION 702. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall upon Company Request cease to be of further effect (except as hereinafter expressly provided), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) no Securities remain Outstanding hereunder; and

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company;

provided, however, that if, in accordance with the last paragraph of Section 701, any Security, previously deemed to have been paid for purposes of this Indenture, shall be deemed retroactively not to have been so paid, this Indenture shall thereupon be deemed retroactively not to have been satisfied and discharged, as aforesaid, and to remain in full force and effect, and the Company shall execute and deliver such instruments as the Trustee shall reasonably request to evidence and acknowledge the same.

Notwithstanding the satisfaction and discharge of this Indenture as aforesaid, the obligations of the Company and the Trustee under Sections 304, 305, 306, 404, 503 (as to notice of redemption), 602, 603, 907 and 915 and this Article Seven shall survive.

Upon satisfaction and discharge of this Indenture as provided in this Section, the Trustee shall assign, transfer and turn over to the Company, subject to the lien provided by Section 907, any and all money, securities and other property then held by the Trustee for the benefit of the Holders of the Securities other than money and Eligible Obligations held by the Trustee pursuant to Section 703 and, upon request and at the expense of the Company, shall execute and deliver to the Company such instruments as, in the judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence the satisfaction and discharge of this Indenture.

SECTION 703. APPLICATION OF TRUST MONEY.

Neither the Eligible Obligations nor the money deposited pursuant to Section 701, nor the principal or interest payments on any such Eligible Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest, if any, on the Securities or portions of principal amount thereof in respect of which such deposit was made, all subject, however, to the provisions of Section 603; provided, however, that, so long as there shall not have occurred and be continuing an Event of Default, any cash received from such principal or interest payments on such Eligible Obligations, if not then needed for such purpose, shall, to the extent practicable and upon Company Request, be invested in Eligible Obligations of the type described in clause (b) in the first paragraph of Section 701 maturing at such times and in such amounts as shall be sufficient, together with any other moneys and the principal of and interest on any other Eligible Obligations then held by the Trustee, to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on and prior to the Maturity thereof, and interest earned from such reinvestment shall be paid over to the Company as received, free and clear of any trust, lien or pledge under this Indenture except the lien provided by Section 907; and provided, further, that, so long as there shall not have occurred and be continuing an Event of Default, any moneys held in accordance with this Section on the Maturity of all such Securities in excess of the amount required to pay the principal of and premium, if any, and interest, if any, then due on such Securities shall be paid over to the Company free and clear of any trust, lien or pledge under this Indenture except the lien provided by Section 907; and provided, further, that if an Event of Default shall have occurred and be continuing, moneys to be paid over to the Company pursuant to this Section shall be held until such Event of Default shall have been waived or cured.

ARTICLE EIGHT

EVENTS OF DEFAULT; REMEDIES

SECTION 801. EVENTS OF DEFAULT.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events:

(a) failure to pay interest, if any, including any Additional Interest, on any Security of such series within 30 days after the same becomes due and payable (whether or not payment is prohibited by the provisions of Article Fifteen hereof); provided, however, that a valid extension of the interest payment period by the Company as contemplated in Section 311 of this Indenture shall not constitute a failure to pay interest for this purpose; or

(b) failure to pay the principal of or premium, if any, on any Security of such series at its Maturity (whether or not payment is prohibited by the provisions of Article Fifteen hereof); or

(c) failure to perform or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more series of Securities other than such series) for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 33% in principal amount of the Outstanding Securities of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, unless the Trustee, or the Trustee and the Holders of a principal amount of Securities of such series not less than the principal amount of Securities the Holders of which gave such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Holders of such principal amount of Securities of such series, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

(d) the entry by a court having jurisdiction in the premises of (1) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (2) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief or any such other decree or order shall have remained unstayed and in effect for a period of 90 consecutive days; or

(e) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors; or

(f) any other Event of Default specified with respect to Securities of such series.

SECTION 802. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default due to the default in payment of principal of, or interest on, any series of Securities or due to the default in the performance or breach of any other covenant or warranty of the Company applicable to the Securities of such series but not applicable to all Outstanding Securities shall have occurred and be continuing, either the Trustee or the Holders of not less than 33% in principal amount of the Securities of such series may then declare the principal of all Securities of such series and interest accrued thereon to be due and payable immediately (provided that the payment of principal and interest on such Securities shall remain subordinated to the extent provided in Article Fifteen hereof), by a notice in writing to the Company (and to the Trustee if given by the Holders). If an Event of Default due to default in the performance of any other of the covenants or agreements herein applicable to all Outstanding Securities or an Event of Default specified in Section 801(d) or (e) shall have occurred and be continuing, either the Trustee or the Holders of not less than 33% in principal amount of all Securities then Outstanding (considered as one class), and not the Holders of the Securities of any one of such series, may declare the principal of all Securities and interest accrued thereon to be due and payable immediately (provided that the payment of principal and interest on such Securities shall remain subordinated to the extent provided in the Indenture), by a notice in writing to the Company (and to the Trustee if given by the Holders). As a consequence of each such declaration (herein referred to as a declaration of acceleration) with respect to Securities of any series, the principal amount of such Securities and interest accrued thereon shall become due and payable immediately.

At any time after such a declaration of acceleration with respect to Securities of any series shall have been made and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as hereinafter in this Article provided, the Event or Events of Default giving rise to such declaration of acceleration shall, without further act, be deemed to have been waived, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled, if

(a) the Company shall have paid or deposited with the Trustee a sum sufficient to pay

- (1) all overdue interest, if any, on all Securities of such series;
- (2) the principal of and premium, if any, on any Securities of such series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities; and
- (3) to the extent that payment of such interest is lawful, interest upon overdue interest, if any, at the rate or rates prescribed therefor in such Securities; and
- (4) all amounts due to the Trustee under Section 907;

and

(b) any other Event or Events of Default with respect to Securities of such series, other than the nonpayment of the principal of Securities of such series which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 813.

No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 803. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

If an Event of Default described in clause (a) or (b) of Section 801 shall have occurred and be continuing, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Securities of the series with respect to which such Event of Default shall have occurred, the whole amount then due and payable on such Securities for principal and premium, if any, and interest, if any, and, to the extent permitted by law, interest on premium, if any, and on any overdue principal and interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 907. Unless otherwise specified pursuant to Section 301 with respect to any series of Securities, the rate or rates at which Securities shall bear interest on overdue principal, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any, shall be, to the extent permitted by law, the same rate or rates at which such Securities shall bear interest prior to Maturity.

If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series shall have occurred and be continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 804. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due to the Trustee under Section 907) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amounts due it under Section 907.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 805. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

SECTION 806. APPLICATION OF MONEY COLLECTED.

Subject to the provisions of Article Fifteen, any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, if any, upon presentation of the Securities in respect of which or for the benefit of which such money shall have been collected and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 907;

SECOND: To the payment of the amounts then due and unpaid upon the Securities for principal of and premium, if any, and interest, if any, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, if any, respectively; and

THIRD: To the payment of the remainder, if any, to the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 807. LIMITATION ON SUITS.

No Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder shall have previously given written notice to a Responsible Officer of the Trustee of a continuing Event of Default with respect to the Securities of such series;

(b) the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series in respect of which an Event of Default shall have occurred and be continuing, considered as one class, shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and

(e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series in respect of which an Event of Default shall have occurred and be continuing, considered as one class;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 808. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Sections 307 and 311) interest, if any, on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 809. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, and Trustee and such Holder shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and such Holder shall continue as though no such proceeding had been instituted.

SECTION 810. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 811. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 812. CONTROL BY HOLDERS OF SECURITIES.

If an Event of Default shall have occurred and be continuing in respect of a series of Securities, the Holders of a majority in principal amount of the Outstanding Securities of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series; provided, however, that if an Event of Default shall have occurred and be continuing with respect to more than one series of Securities, the Holders of a majority in aggregate principal amount of the Outstanding Securities of all such series, considered as one class, shall have the right to make such direction, and not the Holders of the Securities of any one of such series; and provided, further, that such direction shall not be in conflict with any rule of law or with this Indenture. The Trustee shall have the right to decline to follow any such direction which would subject the Trustee to personal liability or expense. The Trustee may take any other action, deemed proper by the Trustee, which is not inconsistent with any such direction. Before proceeding to exercise any right or power hereunder at the direction of such Holders, the Trustee shall be entitled to receive from such Holders reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with any such direction.

SECTION 813. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

(a) in the payment of the principal of or premium, if any, or interest, if any, on any Security of such series, or

(b) in respect of a covenant or provision hereof which under Section 1202 cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected;

provided, however, that so long as a Trust holds the Securities of any series, such Trust may not waive any past default without the consent of at least a majority in aggregate liquidation preference of the outstanding Preferred Securities issued by such Trust affected, obtained as provided in the Trust Agreement pertaining to such Trust.

Upon any such waiver, such default shall cease to exist, and any and all Events of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 814. UNDERTAKING FOR COSTS.

The Company and the Trustee agree, and each Holder by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; all in the manner to the extent and except as otherwise provided in the Trust Indenture Act; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Outstanding Securities of all series in respect of which such suit may be brought, considered as one class, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or premium, if any, or interest, if any, on any Security on or after the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

SECTION 815. WAIVER OF STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law

and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE NINE

THE TRUSTEE

SECTION 901. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) The Trustee shall have and be subject to all the duties and responsibilities specified with respect to an indenture trustee in the Trust Indenture Act and no implied covenants or obligations shall be read into this Indenture against the Trustee. For purposes of Sections 315(a) and 315(c) of the Trust Indenture Act, the term "default" is hereby defined as an Event of Default which has occurred and is continuing.

(b) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Notwithstanding anything contained in this Indenture to the contrary, the duties and responsibilities of the Trustee under this Indenture shall be subject to the protections, exculpations and limitations on liability afforded to the Trustee under the provisions of the Trust Indenture Act. For the purpose of Section 315(d)(2) of the Trust Indenture Act, the term "responsible officer" is hereby defined as a Responsible Officer and the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller of the Trustee, or any other officer of the Trustee customarily performing functions similar to those performed by a Responsible Officer or any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 902. NOTICE OF DEFAULTS.

The Trustee shall give notice of any default hereunder with respect to the Securities of any series to the Holders of Securities of such series of which it has knowledge (within the meaning of Section 903(h) hereof) in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default of the character specified in Section 801(c), no such notice

to Holders shall be given until at least 45 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

SECTION 903. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 901 and to the applicable provisions of the Trust Indenture Act:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting in good faith upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, or as otherwise expressly provided herein, and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any Holder pursuant to this Indenture, unless such Holder shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall (subject to applicable legal requirements) be entitled to examine, during normal business hours, the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or

negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder; and

(i) the Trustee shall not be charged with knowledge of any default or Event of Default, as the case may be, with respect to the Securities of any series for which it is acting as Trustee unless either (1) a Responsible Officer of the Trustee shall have actual knowledge of the default or Event of Default, as the case may be, or (2) written notice of such default or Event of Default, as the case may be, shall have been given to the Trustee at the Corporate Trust Office of the Trustee by the Company, any other obligor on such Securities or by any Holder of such Securities.

SECTION 904. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 905. MAY HOLD SECURITIES.

Each of the Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 908 and 913, may otherwise deal with the Company with the same rights it would have if it were not the Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 906. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as expressly provided herein or otherwise agreed with, and for the sole benefit of, the Company.

SECTION 907. COMPENSATION AND REIMBURSEMENT.

The Company shall

(a) pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except to the extent that any such expense, disbursement or advance may be attributable to the Trustee's negligence, willful misconduct or bad faith; and

(c) indemnify the Trustee for, and hold it harmless from and against, any loss, liability or expense reasonably incurred by it arising out of or in connection with the acceptance or administration of the trust or trusts hereunder or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, willful misconduct or bad faith.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such other than property and funds held in trust under Section 703 (except as otherwise provided in Section 703). "Trustee" for purposes of this Section shall include any predecessor Trustee; provided, however, that the negligence, willful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

In addition to the rights provided to the Trustee pursuant to the provisions of the immediately preceding paragraph of this Section 907, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 801(d) or Section 801(e), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

The provisions of this Section 907 shall survive the termination of this Indenture.

SECTION 908. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Securities of any series, shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of (i) the Securities of any other series, (ii) the Trust Agreement and the Guarantee Agreement pertaining to each Trust; (iii) any securities of any series issued under the Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities), dated as of March 1, 1996, of the Company to The Bank of New York, as trustee, (iv) the Amended and Restated Trust Agreement, dated as of March 1, 1996 among the Company, as depositor The Bank of New York, as property trustee, The Bank of New York (Delaware), as Delaware trustee, the several administrative trustees named therein and the several holders, or (v) the Guarantee Agreement,

dated as of March 1, 1996 between the Company and The Bank of New York, as guarantee trustee.

SECTION 909. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States, any State or Territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal or State authority, or

(b) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 910. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 911.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 911 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Trustee and to the Company; provided that so long as any Preferred Securities remain outstanding, the Trust which issued such Preferred Securities shall not execute any Act to remove the Trustee without the consent of the holders of a majority in aggregate liquidation preference of

Preferred Securities issued by such Trust outstanding, obtained as provided in the Trust Agreement pertaining to such Trust.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 908 after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, or

(2) the Trustee shall cease to be eligible under Section 909 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by a Board Resolution may remove the Trustee with respect to all Securities or (y) subject to Section 814, any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause (other than as contemplated in clause (y) in Subsection (d) of this Section), with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 911. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 911, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 911, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, an Event of Default shall have occurred and be continuing, and except with respect to a Trustee appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities pursuant to Subsection (e) of this Section, if the Company shall have delivered to the Trustee (i) a Board Resolution appointing a successor Trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor Trustee in accordance with Section 911, the Trustee shall be deemed to have resigned as contemplated in Subsection (b) of this Section, the successor Trustee shall be deemed to have been appointed by the Company pursuant to Subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 911, all as of such date, and all other provisions of this Section and Section 911 shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this Subsection (f).

(g) The Company (or, should the Company fail so to act promptly, the successor trustee at the expense of the Company) shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of Securities of such series as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its corporate trust office.

SECTION 911. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee with respect to the Securities of all series, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums owed to it, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such

provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee, upon payment of all sums owed to it, shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any instruments which fully vest in and confirm to such successor Trustee all such rights, powers and trusts referred to in Subsection (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 912. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such Person shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 913. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

If the Trustee shall be or become a creditor of the Company or any other obligor upon the Securities (other than by reason of a relationship described in Section 311(b) of the Trust Indenture Act), the Trustee shall be subject to any and all applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company or such other obligor. For purposes of Section 311(b) of the Trust Indenture Act:

(a) the term "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(b) the term "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 914. CO-TRUSTEES AND SEPARATE TRUSTEES.

At any time or times, for the purpose of meeting the legal requirements of any applicable jurisdiction, the Company and the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the Holders of at least 33% in principal amount of the Securities then Outstanding, the Company shall for such purpose join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, or to act as separate trustee, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument or instruments from the Company be required by any co-trustee or separate trustee so appointed to more fully confirm to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following conditions:

(a) the Securities shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed either by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such

co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee;

(c) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Company, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, if an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(d) no co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder; and

(e) any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 915. APPOINTMENT OF AUTHENTICATING AGENT.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Securities of one or more series, which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issuance and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States, any State or territory thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

The provisions of Sections 308, 904 and 905 shall be applicable to each Authenticating Agent.

If an appointment with respect to the Securities of one or more series shall be made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

As Trustee

By _____
As Authenticating
Agent

By _____
Authorized Signatory

ARTICLE ELEVEN

CONSOLIDATION, MERGER, CONVEYANCE OR OTHER TRANSFER

SECTION 1101. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other Person, or convey or otherwise transfer or lease its properties and assets substantially as an entirety to any Person, unless

(a) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a Person organized and validly existing under the laws of the United States, any State thereof or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and premium, if any, and interest, if any, on all Outstanding Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(c) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, or other transfer or lease and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transactions have been complied with.

SECTION 1102. SUCCESSOR PERSON SUBSTITUTED.

Upon any consolidation by the Company with or merger by the Company into any other Person or any conveyance, or other transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 1101, the successor Person formed by such consolidation or into which the Company is merged or the Person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities Outstanding hereunder.

ARTICLE TWELVE

SUPPLEMENTAL INDENTURES

SECTION 1201. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities, all as provided in Article Eleven; or

(b) to add one or more covenants of the Company or other provisions for the benefit of all Holders or for the benefit of the Holders of, or to remain in effect only so long as there shall be Outstanding, Securities of one or more specified series, or to surrender any right or power herein conferred upon the Company; or

(c) to add any additional Events of Default with respect to all or any series of Securities Outstanding hereunder; or

(d) to change or eliminate any provision of this Indenture or to add any new provision to this Indenture; provided, however, that if such change, elimination or addition shall adversely affect the interests of the Holders of Securities of any series (other than any series the terms of which permit such change, elimination or addition) Outstanding on the date of such indenture supplemental hereto in any material respect, such change, elimination or addition shall become effective with respect to such series only pursuant to the provisions of Section 1202 hereof or when no Security of such series remains Outstanding; or

(e) to provide collateral security for all but not part of the Securities; or

(f) to establish the form or terms of Securities of any series as contemplated by Sections 201 and 301; or

(g) to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the holders thereof, and for any and all other matters incidental thereto; or

(h) to evidence and provide for the acceptance of appointment hereunder by a separate or successor Trustee or co-trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 911(b); or

(i) to provide for the procedures required to permit the Company to utilize, at its option, a noncertificated system of registration for all, or any series of, the Securities; or

(j) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Securities shall be payable, (2) all or any series of Securities may be surrendered for registration of transfer, (3) all or any series of Securities may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Securities and this Indenture may be served; or

(k) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, to make any other changes to the provisions hereof or to add other provisions with respect to matters or questions arising under this Indenture, provided that such other changes or additions shall not adversely affect the interests of the Holders of Securities of any series in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act as in effect at the date of the execution and delivery of this Indenture or at any time thereafter shall be amended and

(x) if any such amendment shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such changes or incorporate such provisions by reference or otherwise, this Indenture shall be deemed to have been amended so as to conform to such amendment to the Trust Indenture Act, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to effect or evidence such changes or additional provisions; or

(y) if any such amendment shall permit one or more changes to, or the elimination of, any provisions hereof which, at the date of the execution and delivery hereof or at any time thereafter, are required by the Trust Indenture Act to be contained herein, this Indenture shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to evidence such amendment hereof.

SECTION 1202. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of a majority in aggregate principal amount of the Securities of all series then Outstanding under this Indenture, considered as one class, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or modifying in any manner the rights of the Holders of Securities of such series under the Indenture; provided, however, that if there shall be Securities of more than one series Outstanding hereunder

and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that no such supplemental indenture shall:

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on (except as provided in Section 311 hereof), any Security, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or change the coin or currency (or other property), in which any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of any Security (or, in the case of redemption, on or after the Redemption Date), without, in any such case, the consent of the Holder of such Security, or

(b) reduce the percentage in principal amount of the Outstanding Securities of any series (or, if applicable, in liquidation preference of any series of Preferred Securities), the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Indenture or of any default hereunder and its consequences, or reduce the requirements of Section 1304 for quorum or voting, without, in any such case, the consent of the Holders of each Outstanding Security of such series, or

(c) modify any of the provisions of this Section, Section 607 or Section 813 with respect to the Securities of any series, except to increase the percentages in principal amount referred to in this Section or such other Sections or to provide that other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 911(b), 914 and 1201(h).

Notwithstanding the foregoing, so long as any of the Preferred Securities remain outstanding, the Trustee may not consent to a supplemental indenture under this Section 1202 without the prior consent, obtained as provided in a Trust Agreement pertaining to a Trust which issued such Preferred Securities, of the holders of not less than a majority in aggregate liquidation preference of all Preferred Securities issued by such Trust affected, considered as one class, or, in the case of changes described in clauses (a), (b) and (c) above, 100% in aggregate liquidation preference of all such Preferred Securities then outstanding which would be affected thereby, considered as one class. A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof. A waiver by a Holder of such Holder's right to consent under this Section shall be deemed to be a consent of such Holder.

SECTION 1203. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 901) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 1204. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Any supplemental indenture permitted by this Article may restate this Indenture in its entirety, and, upon the execution and delivery thereof, any such restatement shall supersede this Indenture as theretofore in effect for all purposes.

SECTION 1205. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 1206. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

SECTION 1207. MODIFICATION WITHOUT SUPPLEMENTAL INDENTURE.

If the terms of any particular series of Securities shall have been established in a Board Resolution or an Officer's Certificate as contemplated by Section 301, and not in an indenture supplemental hereto, additions to, changes in or the elimination of any of such terms may be effected by means of a supplemental Board Resolution or Officer's Certificate, as the case may be, delivered to, and accepted by, the Trustee; provided, however, that such supplemental Board Resolution or Officer's Certificate shall not be accepted by

the Trustee or otherwise be effective unless all conditions set forth in this Indenture which would be required to be satisfied if such additions, changes or elimination were contained in a supplemental indenture shall have been appropriately satisfied. Upon the acceptance thereof by the Trustee, any such supplemental Board Resolution or Officer's Certificate shall be deemed to be a "supplemental indenture" for purposes of Section 1204 and 1206.

ARTICLE THIRTEEN

MEETINGS OF HOLDERS; ACTION WITHOUT MEETING

SECTION 1301. PURPOSES FOR WHICH MEETINGS MAY BE CALLED.

A meeting of Holders of Securities of one or more, or all, series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

SECTION 1302. CALL, NOTICE AND PLACE OF MEETINGS.

(a) The Trustee may at any time call a meeting of Holders of Securities of one or more, or all, series for any purpose specified in Section 1301, to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine, or, with the approval of the Company, at any other place. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) If the Trustee shall have been requested to call a meeting of the Holders of Securities of one or more, or all, series by the Company or by the Holders of 33% in aggregate principal amount of all of such series, considered as one class, for any purpose specified in Section 1301, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or in such other place as shall be determined or approved by the Company, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in Subsection (a) of this Section.

(c) Any meeting of Holders of Securities of one or more, or all, series shall be valid without notice if the Holders of all Outstanding Securities of such series are present in person or by proxy and if representatives of the Company and the Trustee are present, or if notice is waived in writing before or after the meeting by the Holders of all Outstanding Securities of such series, or by such of them as are not present at the meeting in person or by proxy, and by the Company and the Trustee.

SECTION 1303. PERSONS ENTITLED TO VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders of Securities of one or more, or all, series a Person shall be (a) a Holder of one or more Outstanding Securities of such series, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to attend any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1304. QUORUM; ACTION.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of the series with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of Holders of Securities of such series; provided, however, that if any action is to be taken at such meeting which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series, considered as one class, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Except as provided by Section 1305(e), notice of the reconvening of any meeting adjourned for more than 30 days shall be given as provided in Section 1302(a) not less than 10 days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Except as limited by Section 1202, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of the series with respect to which such meeting shall have been called, considered as one class; provided, however, that, except as so limited, any resolution with respect to any action which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series, considered as one class, may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series, considered as one class.

Any resolution passed or decision taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the

Holders of Securities of the series with respect to which such meeting shall have been held, whether or not present or represented at the meeting.

SECTION 1305. ATTENDANCE AT MEETINGS; DETERMINATION OF VOTING RIGHTS; CONDUCT AND ADJOURNMENT OF MEETINGS.

(a) Attendance at meetings of Holders of Securities may be in person or by proxy; and, to the extent permitted by law, any such proxy shall remain in effect and be binding upon any future Holder of the Securities with respect to which it was given unless and until specifically revoked by the Holder or future Holder of such Securities before being voted.

(b) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities in regard to proof of the holding of such Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(c) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 1302(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series represented at the meeting, considered as one class.

(d) At any meeting each Holder or proxy shall be entitled to one vote for each \$1 principal amount of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(e) Any meeting duly called pursuant to Section 1302 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series represented at the meeting, considered as one class; and the meeting may be held as so adjourned without further notice.

SECTION 1306. COUNTING VOTES AND RECORDING ACTION OF MEETINGS.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities, of the series with respect to which the meeting shall have been called, held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports of all votes cast at the meeting. A record of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1302 and, if applicable, Section 1304. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 1307. ACTION WITHOUT MEETING.

In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by written instruments as provided in Section 104.

ARTICLE FOURTEEN

IMMUNITY OF INCORPORATORS, SHAREHOLDERS OFFICERS AND DIRECTORS

SECTION 1401. LIABILITY SOLELY CORPORATE.

No recourse shall be had for the payment of the principal of or premium, if any, or interest, if any, on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under this Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Indenture and all the Securities are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, shareholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or indirectly through the Company or any predecessor or successor corporation, because of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or to be implied herefrom or therefrom, and that any such personal liability is hereby expressly waived and released as a condition of,

and as part of the consideration for, the execution of this Indenture and the issuance of the Securities.

ARTICLE FIFTEEN

SUBORDINATION OF SECURITIES

SECTION 1501. SECURITIES SUBORDINATE TO SENIOR INDEBTEDNESS.

The Company, for itself, its successors and assigns, covenants and agrees, and each Holder of the Securities of each series, by its acceptance thereof, likewise covenants and agrees, that the payment of the principal of and premium, if any, and interest, if any, on each and all of the Securities is hereby expressly subordinated and subject to the extent and in the manner set forth in this Article, in right of payment to the prior payment in full of all Senior Indebtedness.

Each Holder of the Securities of each series, by its acceptance thereof, authorizes and directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article, and appoints the Trustee its attorney-in-fact for any and all such purposes.

SECTION 1502. PAYMENT OVER OF PROCEEDS OF SECURITIES.

In the event (a) of any insolvency or bankruptcy proceedings or any receivership, liquidation, reorganization or other similar proceedings in respect of the Company or a substantial part of its property, or of any proceedings for liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy, or (b) subject to the provisions of Section 1503, that (i) a default shall have occurred with respect to the payment of principal of or interest on or other monetary amounts due and payable on any Senior Indebtedness, or (ii) there shall have occurred a default (other than a default in the payment of principal or interest or other monetary amounts due and payable) in respect of any Senior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holder or holders thereof to accelerate the maturity thereof (with notice or lapse of time, or both), and such default shall have continued beyond the period of grace, if any, in respect thereof, and, in the cases of subclauses (i) and (ii) of this clause (b), such default shall not have been cured or waived or shall not have ceased to exist, or (c) that the principal of and accrued interest on the Securities of any series shall have been declared due and payable pursuant to Section 801 and such declaration shall not have been rescinded and annulled as provided in Section 802, then:

(1) the holders of all Senior Indebtedness shall first be entitled to receive payment of the full amount due thereon, or provision shall be made for such payment in money or money's worth, before the Holders of any of the Securities are entitled to receive a payment on account of the principal of or interest on the indebtedness evidenced by the Securities, including, without limitation, any payments made pursuant to Articles Four and Five;

(2) any payment by, or distribution of assets of, the Company of any kind or character, whether in cash, property or securities, to which any Holder or the Trustee would be entitled except for the provisions of this Article, shall be paid or delivered by the person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of such Senior Indebtedness held or represented by each, to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid after giving effect to any concurrent payment or distribution (or provision therefor) to the holders of such Senior Indebtedness, before any payment or distribution is made to the Holders of the indebtedness evidenced by the Securities or to the Trustee under this Indenture; and

(3) in the event that, notwithstanding the foregoing, any payment by, or distribution of assets of, the Company of any kind or character, whether in cash, property or securities, in respect of principal of or interest on the Securities or in connection with any repurchase by the Company of the Securities, shall be received by the Trustee or any Holder before all Senior Indebtedness is paid in full, or provision is made for such payment in money or money's worth, such payment or distribution in respect of principal of or interest on the Securities or in connection with any repurchase by the Company of the Securities shall be paid over to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any such Senior Indebtedness may have been issued, ratably as aforesaid, for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution (or provision therefor) to the holders of such Senior Indebtedness.

Notwithstanding the foregoing, at any time after the 123rd day following the date of deposit of cash or Government Obligations pursuant to Section 701 (provided all conditions set out in such Section shall have been satisfied), the funds so deposited and any interest thereon will not be subject to any rights of holders of Senior Indebtedness including, without limitation, those arising under this Article Fifteen; provided that no event described in clauses (d) and (e) of Section 801 with respect to the Company has occurred during such 123-day period.

For purposes of this Article only, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan or reorganization or readjustment which are subordinate in right of payment to all Senior Indebtedness which may at the time be outstanding to the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another

corporation upon the terms and conditions provided for in Article Eleven hereof shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 1502 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Eleven hereof. Nothing in Section 1501 or in this Section 1502 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 907.

SECTION 1503. DISPUTES WITH HOLDERS OF CERTAIN SENIOR INDEBTEDNESS.

Any failure by the Company to make any payment on or perform any other obligation in respect of Senior Indebtedness, other than any indebtedness incurred by the Company or assumed or guaranteed, directly or indirectly, by the Company for money borrowed (or any deferral, renewal, extension or refunding thereof) or any other obligation as to which the provisions of this Section shall have been waived by the Company in the instrument or instruments by which the Company incurred, assumed, guaranteed or otherwise created such indebtedness or obligation, shall not be deemed a default under clause (b) of Section 1502 if (i) the Company shall be disputing its obligation to make such payment or perform such obligation and (ii) either (A) no final judgment relating to such dispute shall have been issued against the Company which is in full force and effect and is not subject to further review, including a judgment that has become final by reason of the expiration of the time within which a party may seek further appeal or review, or (B) in the event that a judgment that is subject to further review or appeal has been issued, the Company shall in good faith be prosecuting an appeal or other proceeding for review and a stay or execution shall have been obtained pending such appeal or review.

SECTION 1504. SUBROGATION.

Senior Indebtedness shall not be deemed to have been paid in full unless the holders thereof shall have received cash (or securities or other property satisfactory to such holders) in full payment of such Senior Indebtedness then outstanding. Subject to the prior payment in full of all Senior Indebtedness, the rights of the Holders of the Securities shall be subrogated to the rights of the holders of Senior Indebtedness to receive any further payments or distributions of cash, property or securities of the Company applicable to the holders of the Senior Indebtedness until all amounts owing on the Securities shall be paid in full; and such payments or distributions of cash, property or securities received by the Holders of the Securities, by reason of such subrogation, which otherwise would be paid or distributed to the holders of such Senior Indebtedness shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders, be deemed to be a payment by the Company to or on account of Senior Indebtedness, it being understood that the provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

SECTION 1505. OBLIGATION OF THE COMPANY UNCONDITIONAL.

Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than the holders of Senior Indebtedness and the Holders, the obligation of the Company, which is absolute and unconditional, to pay to the

Holders the principal of and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders and creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets or securities of the Company referred to in this Article, the Trustee and the Holders shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon, and all other facts pertinent thereto or to this Article.

SECTION 1506. PRIORITY OF SENIOR INDEBTEDNESS UPON MATURITY.

Upon the maturity of the principal of any Senior Indebtedness by lapse of time, acceleration or otherwise, all matured principal of Senior Indebtedness and interest and premium, if any, thereon shall first be paid in full before any payment of principal or premium, if any, or interest, if any, is made upon the Securities or before any Securities can be acquired by the Company or any sinking fund payment is made with respect to the Securities (except that required sinking fund payments may be reduced by Securities acquired before such maturity of such Senior Indebtedness).

SECTION 1507. TRUSTEE AS HOLDER OF SENIOR INDEBTEDNESS.

The Trustee shall be entitled to all rights set forth in this Article with respect to any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness. Nothing in this Article shall deprive the Trustee of any of its rights as such holder. Nothing in this Article Fifteen shall apply to the claims of, or payments to, the Trustee under and pursuant to Section 907.

SECTION 1508. NOTICE TO TRUSTEE TO EFFECTUATE SUBORDINATION.

Notwithstanding the provisions of this Article or any other provision of the Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by the Trustee unless and until the Trustee shall have received written notice thereof from the Company, from a Holder or from a holder of any Senior Indebtedness or from any representative or representatives of such holder and, prior to the receipt of any such written notice, the Trustee shall be entitled, subject to Section 901, in all respects to assume that no such facts exist; provided, however, that, if prior to the fifth Business Day preceding the date upon which by the terms hereof any such moneys may become payable for any purpose, or in the event of the execution of an instrument pursuant to Section 702 acknowledging satisfaction and discharge of this Indenture, then if prior to

the second Business Day preceding the date of such execution, the Trustee shall not have received with respect to such moneys the notice provided for in this Section, then, anything herein contained to the contrary notwithstanding, the Trustee may, in its discretion, receive such moneys and/or apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary, which may be received by it on or after such date; provided, however, that no such application shall affect the obligations under this Article of the persons receiving such moneys from the Trustee.

SECTION 1509. MODIFICATION, EXTENSION, ETC. OF SENIOR INDEBTEDNESS.

The holders of Senior Indebtedness may, without affecting in any manner the subordination of the payment of the principal of and premium, if any, and interest, if any, on the Securities, at any time or from time to time and in their absolute discretion, agree with the Company to change the manner, place or terms of payment, change or extend the time of payment of, or renew or alter, any Senior Indebtedness, or amend or supplement any instrument pursuant to which any Senior Indebtedness is issued, or exercise or refrain from exercising any other of their rights under the Senior Indebtedness including, without limitation, the waiver of default thereunder, all without notice to or assent from the Holders or the Trustee.

SECTION 1510. TRUSTEE HAS NO FIDUCIARY DUTY TO HOLDERS OF SENIOR INDEBTEDNESS.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and objectives as are specifically set forth in this Indenture, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness, and shall not be liable to any such holders if it shall mistakenly pay over or deliver to the Holders or the Company or any other Person, money or assets to which any holders of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

SECTION 1511. PAYING AGENTS OTHER THAN THE TRUSTEE.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; provided, however, that Sections 1507, 1508 and 1510 shall not apply to the Company if it acts as Paying Agent.

SECTION 1512. RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS NOT IMPAIRED.

No right of any present or future holder of Senior Indebtedness to enforce the subordination herein shall at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

SECTION 1513. EFFECT OF SUBORDINATION PROVISIONS; TERMINATION.

Notwithstanding anything contained herein to the contrary, other than as provided in the immediately succeeding sentence, all the provisions of this Indenture shall be subject to the provisions of this Article, so far as the same may be applicable thereto.

Notwithstanding anything contained herein to the contrary, the provisions of this Article Fifteen shall be of no further effect, and the Securities shall no longer be subordinated in right of payment to the prior payment of Senior Indebtedness, if the Company shall have delivered to the Trustee a notice to such effect. Any such notice delivered by the Company shall not be deemed to be a supplemental indenture for purposes of Article Twelve.

ARTICLE SIXTEEN

JUNIOR SUBORDINATED DEBENTURES

SECTION 1601. DESIGNATION OF JUNIOR SUBORDINATED DEBENTURES.

There is hereby created a series of Securities designated " _____ % Junior Subordinated Debentures, Series " (herein sometimes referred to as "Series Subordinated Debentures") and limited in aggregate principal amount (except as contemplated in Section 301(b) hereof) to \$ _____. The form and terms of the Series Subordinated Debentures shall be established in an Officer's Certificate pursuant to Sections 201 and 301.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

ALLETE
(legally incorporated as Minnesota Power, Inc.)

By: _____

THE BANK OF NEW YORK, Trustee

By: _____

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

OFFICER'S CERTIFICATE

-----, the ----- of ALLETE (legally incorporated as Minnesota Power, Inc.) (the "Company"), pursuant to the authority granted in the Board Resolutions of the Company dated -----, 200 , and Sections 201, 301 and 1601 of the Indenture defined herein, does hereby certify to The Bank of New York (the "Trustee"), as Trustee under the Indenture of the Company (For Unsecured Subordinated Debt Securities relating to Trust Securities) dated as of -----, 20 (the "Indenture") that:

1. The Securities of the ----- series to be issued under the Indenture shall be designated [" % Junior Subordinated Debentures, Series " (the "Debentures of the ----- Series"). The Debentures of the ----- Series are to be issued to The Bank of New York, as Property Trustee (the "Property Trustee") of [Name of Trust], a Delaware statutory business trust (the "Trust"). All capitalized terms used in this certificate which are not defined herein but are defined in the form of Debentures of the ----- Series attached hereto as Exhibit A shall have the meanings set forth in such Exhibit A; all other capitalized terms used in this certificate which are not defined herein or in Exhibit A hereto but are defined in the Indenture shall have the meanings set forth in the Indenture;
2. The Debentures of the ----- Series shall mature and the principal shall be due and payable together with all accrued and unpaid interest thereon on -----;
3. The Debentures of the ----- Series shall bear interest as provided in the form of the Debentures of the ----- Series thereof set forth in Exhibit A hereto;
4. The principal (and premium, if any) and each installment of interest on the Debentures of the ----- Series shall be payable at the ----- office or agency of the Company in The City of New York; provided that payment of interest may be made at the option of the Company by check mailed to the address of the persons entitled thereto or by wire transfer to an account designated by the person entitled thereto. Notices and demands to or upon the Company in respect of the Debentures of the ----- Series may be served at the office or ----- agency of the Company in The City of New York. The Corporate Trust Office of the Trustee will initially be the agency of the Company for such payment and service of notices and demands and the Company hereby appoints The Bank of New York as its agent for all such purposes; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates supplemental to this Officer's Certificate, any such place or the Security Registrar or the Paying Agent;
5. [The Debentures of the ----- Series will be redeemable at the option of the Company on or after -----, at any time in ----- whole and from time to time in part, upon not less than 30 nor more than 60 days' notice given as provided in the Indenture, at a Redemption Price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to the Redemption Date.]

[If at any time a Tax Event (as defined below) shall occur and be continuing and either (i) in the opinion of counsel to the Company experienced in such matters, there would in all cases, after effecting

the termination of the Trust, after satisfaction of liabilities to creditors of the Trust, if any, as provided by applicable law, and the distribution of the Debentures of the ----- Series to the holders

of the Preferred Trust Securities issued by the Trust (the "Preferred Trust Securities"), in exchange therefor, be more than an insubstantial risk that an Adverse Tax Consequence (as defined below)

would continue to exist or (ii) the Debentures of the _____ Series

are not held by the Trust, then the Company shall have the right to
redeem the Debentures of the _____ Series, in whole but not in

part, at any time within 90 days following the occurrence of the Tax
Event, at 100% of the principal amount thereof plus accrued and unpaid
interest thereon to the Redemption Date.

"Tax Event" means the receipt by the Trust or the Company of an
opinion of counsel experienced in such matters to the effect that, as
a result of (a) any amendment to, clarification of, or change
(including any announced prospective change) in, the laws or treaties
(or any regulations thereunder) of the United States or any political
subdivision or taxing authority thereof or therein affecting taxation,
(b) any judicial decision or any official administrative
pronouncement, ruling, regulatory procedure, notice or announcement
(including any notice or announcement of intent to issue or adopt any
such administrative pronouncement, ruling, regulatory procedure or
regulation) (each, an "Administrative Action"), or (c) any amendment
to, clarification of, or change in the official position or the
interpretation of any such Administrative Action or judicial decision
or any interpretation or pronouncement that provides for a position
with respect to such Administrative Action or judicial decision that
differs from the theretofore generally accepted position, in each case
by any legislative body, court, governmental authority or regulatory
body, irrespective of the time or manner in which such amendment,
clarification or change is introduced or made known, which amendment,
clarification, or change is effective, which Administrative Action is
taken or which judicial decision is issued, in each case on or after
the date of issuance of the Preferred Trust Securities, there is more
than an insubstantial risk that (i) the Trust is, or will be, subject
to United States federal income tax with respect to interest received
on the Debentures of the _____ Series, (ii) interest payable by the

Company on the Debentures of the _____ Series is not, or will not

be, fully deductible by the Company for United States federal income
tax purposes, or (iii) the Trust is, or will be, subject to more than
a de minimis amount of other taxes, duties or other governmental
charges (each of the circumstances described in clauses (i), (ii) or
(iii) being an "Adverse Tax Consequence");]

6. So long as any Debentures of the _____ Series are Outstanding, the
failure of the Company to pay interest on any Debentures of the
_____ Series within 30 days after the same becomes due and payable

(whether or not payment is prohibited by the provisions of Article
Fifteen of the Indenture) shall constitute an Event of Default;
provided, however, that a valid extension of the interest payment
period by the Company as contemplated in Section 311 of the Indenture
and paragraph (7) of this Certificate shall not constitute a failure
to pay interest for this purpose;

7. Pursuant to Section 311 of the Indenture the Company shall have the
right, at any time and from time to time during the term of the
Debentures of the _____ Series, so long as the Company is not in

default in the payment of interest on the Securities of any series
under the Indenture, to extend the interest payment period to a period
not exceeding 20 consecutive quarterly periods (an "Extension Period")
during which period interest (calculated for each Interest Period in
the manner provided for in Exhibit A hereto, as if the interest

payment period had not been so extended) will be compounded quarterly. At the end of the Extension Period, the Company shall pay all interest accrued and unpaid (together with interest thereon at the rate specified for the Debentures of the _____ Series, compounded

quarterly, to the extent permitted by applicable law). However, during any such Extension Period, the Company shall not declare or pay any dividend or distribution (other than dividends or distributions paid in common stock of the Company) on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, repurchase or redeem any indebtedness that is pari passu with or subordinated to the Debentures of the _____ Series, or make any

guarantee payments with respect to the foregoing ("Restricted Payments").

Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that such Extension Period together with all such previous and further extensions thereof shall not exceed 20 consecutive quarterly periods at any one time or extend beyond the Maturity of the Debentures of the _____ Series. Any Extension Period with respect to payment of

interest on the Debentures of the _____ Series, or any extended

interest payment period in respect of similar securities will apply to the Debentures of the _____ Series and all such securities and will

also apply to distributions with respect to the Preferred Trust Securities and all other securities with terms substantially the same as the Preferred Trust Securities. Upon the termination of any such Extension Period and the payment of all amounts then due, including interest on deferred interest payments, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company will give the Trust and the Trustee notice of its election of an Extension Period before the Business Day prior to the record date for the distribution which would occur but for such election and will cause the Trust to send notice of such election to the holders of Preferred Trust Securities;

8. At any time, the Company will have the right to dissolve the Trust and, after satisfaction of liabilities to creditors, if any, of the Trust as provided by applicable law, cause the Debentures of the _____ Series to be distributed to the holders of the Preferred Trust Securities;
9. So long as any Securities are outstanding under the Indenture, the Company shall not make any Restricted Payments at any time the Company is in default under the Guarantee with respect to the Trust or is in default with respect to payments due on any Outstanding Securities;
10. In the event that, at any time subsequent to the initial authentication and delivery of the Debentures of the _____ Series, the Debentures of the _____ Series are to be held in global form by a securities depository, the Company may at such time establish the matters contemplated in clause (r) in the second paragraph of Section 301 of the Indenture in an Officer's Certificate supplemental to this Certificate;
11. No service charge shall be made for the registration of transfer or exchange of the Debentures of the _____ Series; provided, however, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer;
12. If the Company shall make any deposit of money and/or Eligible Obligations with respect to any Debentures of the _____ Series, or

any portion of the principal amount thereof, as contemplated by Section 701 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 701 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(A) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of the Debentures of the _____ Series, shall assume the obligation (which

shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Eligible Obligations (meeting the requirements of Section 701), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Eligible Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Debentures of the _____ Series or portions thereof, all in

accordance with and subject to the provisions of said Section 701; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof; or

(B) an Opinion of Counsel, to the effect that, as a result of a change in law occurring after the date of this certificate, the Holders of such Debentures of the _____ Series, or portions of the

principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected;

13. The Trustee, the Security Registrar and the Company will have no responsibility under the Indenture for transfers of beneficial interests in the Debentures of the _____ Series and, if and to the extent that the Debentures of the _____ Series are held by a depository, _____ for any depository records of beneficial interests or for any transactions between the depository and beneficial owners;
14. The Debentures of the _____ Series shall have such other terms and provisions as are provided in the form thereof set forth in Exhibit A hereto, and shall be issued in substantially such form;
15. The undersigned has read all of the covenants and conditions contained in the Indenture and the definitions in the Indenture relating thereto, relating to the issuance of the Debentures of the _____ Series and in respect of compliance with which this certificate is made;
16. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon discussions by the undersigned with officers and employees of the Company familiar with the matters set forth herein;
17. In the opinion of the undersigned, he has made such examination or investigation as is necessary to enable the undersigned to express an informed opinion as to whether or not such covenants and conditions have been complied with; and

18. In the opinion of the undersigned, such conditions and covenants and conditions precedent, if any, provided for in the Indenture (including any covenants compliance with which constitutes a condition precedent) relating to the authentication and delivery of \$ _____ aggregate principal amount of the Debentures of the _____ Series requested in the accompanying Company Order _____, have been complied with.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this _____
day of _____, 200 .

NO. _____
CUSIP NO. _____

[FORM OF FACE OF JUNIOR SUBORDINATED DEBENTURE]

[(SEE LEGEND AT THE END OF THIS SECURITY FOR RESTRICTIONS ON TRANSFERABILITY AND CHANGE OF FORM)]

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)

[FORM OF FACE OF JUNIOR SUBORDINATED DEBENTURE]

ALLETE (legally incorporated as MINNESOTA POWER, INC.), a corporation duly organized and existing under the laws of the State of Minnesota (herein referred to as the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to The Bank of New York, as Property Trustee under [Name of Trust], a Delaware statutory business trust, or registered assigns, the principal sum of _____ Dollars (\$ _____) on _____,

(except as hereinafter provided) and, except as hereinafter provided, to pay interest on said principal sum, from and including the date of original issuance, but if interest has been paid on this Security, then from, and including, the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on _____, _____, _____ and _____

of each year (each an "Interest Payment Date"), commencing _____

_____ , at the rate of _____ % per annum, plus Additional Interest, if _____

any, until the principal hereof is paid or made available for payment. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any Interest Payment Date is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of such delay), in each case with the same force and effect as if made on such Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) preceding such Interest Payment Date; provided, however, that if the Securities of this series are held by a securities depository in a book-entry only form, the Regular Record Date will be one Business Day preceding the corresponding Interest Payment Date; and provided further that interest payable at Maturity will be paid to the Person to whom principal is paid. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture referred to on the reverse hereof.

Payment of the principal of (and premium, if any) and interest on this Security will be made upon presentation at the office or agency of the Company maintained for that purpose in The City of New York, the State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, provided, however, that, at the option of the Company, interest on this Security may be paid by check mailed to the address of the person entitled thereto, as such address

shall appear on the Security Register or by wire transfer to an account designated by the Person entitled thereto.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

ALLETE
(legally incorporated as MINNESOTA POWER, INC.)

By: _____

ATTEST:

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

Dated:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: _____

Authorized Signatory

[FORM OF REVERSE OF JUNIOR SUBORDINATED DEBENTURE]

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities), dated as of _____ (herein, together with any amendments

thereto, called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and The Bank of New York, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including the Board Resolutions and Officer's Certificate filed with the Trustee on _____, 2000 (the "Officer's Certificate"), creating the series designated _____

on the face hereof, for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered.

[This Security will be redeemable at the option of the Company on or after _____, _____, at any time in whole and from time to time in part,

upon not less than 30 nor more than 60 days' notice given as provided in the Indenture, at a Redemption Price equal to 100% of the principal amount thereof plus accrued and unpaid interest hereon, including Additional Interest, if any, to the Redemption Date.

If at any time a Tax Event (as defined below) shall occur and be continuing and either (i) in the opinion of counsel to the Company experienced in such matters, there would in all cases, after effecting the termination of the Trust, after satisfaction of liabilities to creditors of the Trust, if any, as provided by applicable law, and the distribution of this Security to the holders of the Preferred Trust Securities of the Trust (the "Preferred Trust Securities"), in exchange therefor, be more than an insubstantial risk that an Adverse Tax Consequence (as defined below) would continue to exist or (ii) this Security is not held by [Name of Trust], a Delaware statutory business trust (the "Trust"), then the Company shall have the right to redeem this Security, in whole but not in part, at any time within 90 days following the occurrence of the Tax Event, at 100% of the principal amount thereof plus accrued and unpaid interest hereon, including Additional Interest, if any, to the Redemption Date.

"Tax Event" means the receipt by the Trust or the Company of an opinion of counsel experienced in such matters to the effect that, as a result of (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to issue or adopt any such administrative pronouncement, ruling, regulatory procedure or regulation) (each, an "Administrative Action"), or (c) any amendment to, clarification of, or change in the official position or the interpretation of any such Administrative Action or judicial decision or any interpretation or pronouncement that provides for a position with respect to such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case by any legislative body, court, governmental authority or regulatory body, irrespective of the time or manner in which such amendment, clarification or change is introduced or made known, which amendment, clarification, or change is effective, which Administrative Action is taken or which judicial decision is issued, in each case on or after the date of issuance of the Preferred Trust Securities, there is more than an insubstantial risk that (i) the Trust is, or will be, subject to United States federal income tax with respect to interest received on this Security, (ii) interest payable by the Company on this Security is not, or will not be, fully deductible by the Company for United States federal income tax purposes, or (iii) the Trust is, or will be, subject to more than a de minimis amount of other taxes, duties or other

governmental charges (each of the circumstances described in clauses (i), (ii) or (iii) being an "Adverse Tax Consequence").

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holder of such Security, or one or more Predecessor Securities, of record at the close of business on the related Regular Record Date referred to on the face hereof, all as provided in the Indenture.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such Holder upon said provisions.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture including the Officer's Certificate described above.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture contains provisions permitting the Holders of a majority in aggregate principal amount of the Securities of all series then Outstanding to waive compliance by the Company with certain provisions of the Indenture. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than a majority in aggregate principal amount of the Securities of all series at the time Outstanding in

respect of which an Event of Default shall have occurred and be continuing shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of Securities of all series at the time Outstanding in respect of which an Event of Default shall have occurred and be continuing a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

Pursuant to Section 311 of the Indenture so long as the Company is not in default in the payment of interest on the Securities of any series under the Indenture, the Company shall have the right, at any time and from time to time during the term of the Securities of this series, to extend the interest payment period to a period not exceeding 20 consecutive quarterly periods (an "Extension Period") during which period interest (calculated for each Interest Period (as defined in the Officer's Certificate) in the manner provided for on the face hereof, as if the interest payment period had not been so extended) will be compounded quarterly. At the end of the Extension Period, the Company shall pay all interest accrued and unpaid hereon (together with interest thereon at the rate specified for the Securities of this series, compounded quarterly, to the extent permitted by applicable law) and Additional Interest, if any; provided, however, that during any such Extension Period, the Company shall not declare or pay any dividend or distribution (other than a dividend or distribution in common stock of the Company) on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any indebtedness that is pari passu with or subordinated to the Securities of this series, or make any guarantee payments with respect to the foregoing ("Restricted Payments"). Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that such Extension Period together with all such previous and further extensions thereof shall not exceed 20 consecutive quarterly periods at any one time or extend beyond the Maturity of the Securities of this series. Any Extension Period with respect to payment of interest on the Securities of this series, or any extended interest payment period in respect of similar securities (including all Securities issued under the Indenture) will apply to the Securities of this series and all such securities and will also apply to distributions with respect to the Preferred Trust Securities and all other securities with terms substantially the same as the Preferred Trust Securities. Upon the termination of any such Extension Period and the payment of all amounts then due, including interest on deferred interest payments, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Trustee notice of its election of an Extension Period before the Business Day prior to the record date for the distribution which would occur but for such election.

The Securities of this series are issuable only in registered form without coupons in denominations of \$ and any integral multiple thereof. As

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provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor and of authorized denominations, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture and in the Officer's Certificate establishing the terms of the Securities of this series.

GUARANTEE AGREEMENT

Between

ALLETE

(legally incorporated as MINNESOTA POWER, INC.)

(as Guarantor)

and

THE BANK OF NEW YORK

(as Trustee)

dated as of

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Section of Trust Indenture Act of 1939, as amended -----	Section of Guarantee Agreement -----
310(a).....	4.01(a)
310(b).....	4.01(c), 2.08
310(c).....	Inapplicable
311(a).....	2.02(b)
311(b).....	2.02(b)
311(c).....	Inapplicable
312(a).....	2.02(a)
312(b).....	2.02(b)
313.....	2.03
314(a).....	2.04
314(b).....	Inapplicable
314(c).....	2.05
314(d).....	Inapplicable
314(e).....	1.01, 2.05, 3.02
314(f).....	2.01, 3.02
315(a).....	3.01(d)
315(b).....	2.07
315(c).....	3.01
315(d).....	3.01(d)
316(a).....	5.04(a), 2.06
316(b).....	5.03
316(c).....	2.02
317(a).....	Inapplicable
317(b).....	Inapplicable
318(a).....	2.01(b)
318(b).....	2.01
318(c).....	2.01(a)

* This Cross-Reference Table does not constitute part of the Guarantee Agreement and shall not affect the interpretation of any of its terms or provisions.

GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT ("Guarantee Agreement"), dated as of
is executed and delivered by ALLETE (legally incorporated as

MINNESOTA POWER, INC.), a Minnesota corporation (the "Guarantor"), and THE BANK
OF NEW YORK, as trustee (the "Guarantee Trustee"), for the benefit of the
Holders (as defined herein) from time to time of the Preferred Trust Securities
(as defined herein) of ALLETE Capital , a Delaware statutory business trust
--

(the "Issuer").

WHEREAS, pursuant to an Amended and Restated Trust Agreement (the
"Trust Agreement"), dated as of _____ among the Trustees named
therein, ALLETE, as Depositor, and the several Holders (as defined therein), the
Issuer is issuing as of the date hereof \$ _____ aggregate Liquidation
Amount of its _____ % Trust Originated Preferred Securities (the "Initial

Preferred Trust Securities") representing undivided beneficial interests in the
assets of the Issuer and having the terms set forth in the Trust Agreement;

[WHEREAS, in the event and to the extent the over-allotment option
granted by the Issuer and Guarantor pursuant to the Underwriting Agreement dated
_____ is exercised by the underwriters referred to therein, the

Issuer will issue up to \$ _____ additional aggregate Liquidation Account of
its _____ % Trust Originated Preferred Securities (the "Option Preferred Trust

Securities", together with the Initial Preferred Trust Securities, the
"Preferred Trust Securities") representing undivided beneficial interests in the
assets of the Issuer and having the terms set forth in the Trust Agreement;]

WHEREAS, the Initial Preferred Trust Securities are to be issued for
sale by the Issuer and the proceeds are to be invested in \$ _____ principal

amount of Debentures (as defined in the Trust Agreement) and the Option
Preferred Trust Securities are to be issued for sale by the Issuer and the
proceeds are to be invested in up to \$ _____ in principal amount of

Debentures; and

WHEREAS, in order to enhance the value of the Preferred Trust
Securities, the Guarantor desires irrevocably and unconditionally to agree, to
the extent set forth herein, to pay to the Holders the Guarantee Payments (as
defined herein) and to make certain other payments on the terms and conditions
set forth herein;

NOW, THEREFORE, in consideration of the purchase of Debentures, which
purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor
executes and delivers this Guarantee Agreement for the benefit of the Holders
from time to time.

ARTICLE I

DEFINITIONS

SECTION 1.01 DEFINITIONS. As used in this Guarantee Agreement, the
terms set forth below shall, unless the context otherwise requires, have the
following meanings. Capitalized or otherwise defined terms used but not
otherwise defined herein shall have the meanings assigned to such terms in the
Trust Agreement as in effect on the date hereof.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Event of Default" means a default by the Guarantor on any of its payment obligations under this Guarantee Agreement.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Preferred Trust Securities, to the extent not paid or made by or on behalf of the Issuer: (i) any accrued and unpaid Distributions that are required to be paid on such Preferred Trust Securities but only if and to the extent that the Property Trustee has available in the Payment Account funds sufficient to make such payment, (ii) the redemption price (the "Redemption Price"), and all accrued and unpaid Distributions to the date of redemption, with respect to the Preferred Trust Securities called for redemption by the Issuer but only if and to the extent that the Property Trustee has available in the Payment Account funds sufficient to make such payment, (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of 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 Debentures as provided in the Trust Agreement), the lesser of (a) the aggregate of the Liquidation Amount of all Preferred Trust Securities and all accrued and unpaid Distributions on the Preferred Trust Securities to the date of payment but only if and to the extent that the Property Trustee has available in the Payment Account funds sufficient to make such payment, and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer (in either case, the "Liquidation Distribution").

"Guarantee Trustee" means The Bank of New York until a Successor Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Guarantee Agreement and thereafter means each such Successor Guarantee Trustee.

"Holder" means a Person in whose name a Preferred Trust Security or Preferred Trust Securities is registered in the Securities Register; provided, however, that in determining whether the holders of the requisite percentage of Preferred Trust Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Majority in Liquidation Amount of the Preferred Trust Securities" means a vote by Holders, voting separately as a class, of more than 50% of the aggregate Liquidation Amount of all Preferred Trust Securities.

"Officer's Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman of the Board, the President, any Vice President, the Treasurer, or any Assistant Treasurer of the Guarantor, and delivered to the Guarantee Trustee. Any Officer's Certificate or Opinion of Counsel delivered with respect to compliance with a condition or covenant provided for in this Guarantee Agreement shall include:

(a) a statement that the officer or counsel signing the Officer's Certificate or the Opinion of Counsel has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officer's Certificate or the Opinion of Counsel;

(c) a statement that each such officer or counsel has made such examination or investigation as, in such officer's or counsel's opinion, is necessary to enable such officer or counsel to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer or counsel, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Guarantee Trustee or the Guarantor or an Affiliate of the Guarantor, or an employee or any thereof, who shall be acceptable to the Guarantee Trustee.

"Person" means any individual, corporation, partnership, joint venture, trust, limited liability company, unincorporated organization or government, or any agency or political subdivision thereof, or any other entity of whatever nature.

"Responsible Officer" means, with respect to the Guarantee Trustee, any vice-president, any assistant vice-president, or any other officer of the Guarantee Trustee assigned by the Guarantee Trustee to the Corporate Trust Administration Division of the Guarantee Trustee (or any successor division or department of the Guarantee Trustee).

"Subordinated Indenture" means the Indenture (for Unsecured Subordinated Debt Securities relating to Trust Securities) dated as of _____, between the Guarantor (the "Debenture Issuer") and The Bank of _____ New York, as trustee, pursuant to which the Debentures are issued, together with any indenture supplemental thereto.

"Successor Guarantee Trustee" means a successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.01.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

ARTICLE II

TRUST INDENTURE ACT

SECTION 2.01 TRUST INDENTURE ACT; APPLICATION.

(a) This Guarantee Agreement is subject to the provisions of the Trust Indenture Act that are required or deemed to be part of this Guarantee Agreement and shall, to the extent applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this Guarantee Agreement limits, qualifies or conflicts with the duties imposed by Section 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

SECTION 2.02 LISTS OF HOLDERS OF PREFERRED TRUST SECURITIES.

(a) The Guarantor shall furnish or cause to be furnished to the Guarantee Trustee (a) semiannually, not later than _____ and _____ in each year commencing in the year _____, a list, in such form as the

Guarantee Trustee may reasonably require, of the names and addresses of the Holders ("List of Holders") as of a date not more than 15 days prior to the delivery thereof, and (b) at such other times as the Guarantee Trustee may request in writing, within 30 days after the receipt by the Guarantor of any such request, a List of Holders as of a date not more than 15 days prior to the time such list is furnished; provided that, the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Guarantee Trustee by the Guarantor. The Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Guarantee Trustee shall comply with its obligations under Section 311(a) of the Trust Indenture Act, subject to the provisions of Section 311(b) of the Trust Indenture Act, and Section 312(b) of the Trust Indenture Act.

SECTION 2.03 REPORTS BY THE GUARANTEE TRUSTEE. Not later than _____ in each year, commencing _____, _____, the Guarantee Trustee

shall provide to the Holders such reports, if any, as are required by Section 313(a) of the Trust Indenture Act in the form and in the manner provided by Section 313(a) of the Trust Indenture Act. Any such report shall be dated as of the next preceding September 15. The Guarantee Trustee shall also comply with the requirements of Sections 313(b), (c) and (d) of the Trust Indenture Act.

SECTION 2.04 PERIODIC REPORTS TO GUARANTEE TRUSTEE. The Guarantor shall provide to the Guarantee Trustee such documents, reports and information, if any, as required by Section 314 of the Trust Indenture Act and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Guarantee Trustee's receipt of such shall not constitute constructive notice of any information contained therein or

determinable from information contained therein, including the Guarantor's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

SECTION 2.05 EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT. The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with any conditions precedent provided for in this Guarantee Agreement as and to the extent required by Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer and any opinion of counsel required to be given by counsel, in each case pursuant to Section 314(c) of the Trust Indenture Act, shall be given in the form of an Officer's Certificate, and an Opinion of Counsel, respectively.

SECTION 2.06 EVENTS OF DEFAULT; WAIVER. The Holders of a Majority in Liquidation Amount of Preferred Trust Securities may, by vote, on behalf of all of the Holders, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Guarantee Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.07 EVENT OF DEFAULT; NOTICE.

(a) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, a notice of such Event of Default known to the Guarantee Trustee, unless such default shall have been cured or waived before the giving of such notice, provided that the Guarantee Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or Responsible Officers of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless a Responsible Officer of the Guarantee Trustee charged with the administration of the Trust Agreement shall have received written notice of such Event of Default at the Corporate Trust Office of the Guarantee Trustee.

SECTION 2.08 CONFLICTING INTERESTS. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Guarantee Trustee shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of (i) the Subordinated Indenture, (ii) the Trust Agreement, (iii) the Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities), dated as of March 1, 1996 of the Guarantor to The Bank of New York, as trustee, (iv) the Guarantee Agreement, dated as of March 1, 1996 between the Guarantor, and The Bank of New York, as trustee, or (v) the Amended and Restated Trust Agreement, dated as of March 1, 1996 between the Guarantor, as depositor, The Bank of New York, The Bank of New York (Delaware) and several administrative trustees, as trustees and the several Holders defined therein.

ARTICLE III

POWERS, DUTIES AND RIGHTS OF GUARANTEE TRUSTEE

SECTION 3.01 POWERS AND DUTIES OF THE GUARANTEE TRUSTEE.

(a) This Guarantee Agreement shall be held by the Guarantee Trustee for the benefit of the Holders, and the Guarantee Trustee shall not transfer this Guarantee Agreement or any rights hereunder to any Person except a Holder exercising his or her rights pursuant to Section 5.04 or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee. The right, title and interest of the Guarantee Trustee shall automatically vest in any Successor Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(b) The Guarantee Trustee, prior to the occurrence of any Event of Default and after the curing or waiving of all Events of Default that may have occurred, shall undertake to perform such duties and only such duties as are specifically set forth in this Guarantee Agreement, and no implied covenants or obligations shall be read into this Guarantee Agreement against the Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.06), and is actually known to a Responsible Officer of the Guarantee Trustee, the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Guarantee Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Guarantee Agreement shall be construed to relieve the Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Guarantee Trustee shall be determined solely by the express provisions of this Guarantee Agreement, and the Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Guarantee Agreement, and no implied covenants or obligations shall be read into this Guarantee Agreement against the Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Guarantee Trustee, the Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Guarantee Trustee and conforming to the requirements of this Guarantee Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required

to be furnished to the Guarantee Trustee, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Guarantee Agreement;

(ii) the Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Guarantee Trustee, unless it shall be proved that the Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a Majority in Liquidation Amount of the Preferred Trust Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee Agreement; and

(iv) no provision of this Guarantee Agreement shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if the Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Guarantee Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of Sections 3.01(b) and 3.01(c).

SECTION 3.02 CERTAIN RIGHTS OF GUARANTEE TRUSTEE.

(a) Subject to the provisions of Section 3.01:

(i) the Guarantee Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Guarantor contemplated by this Guarantee Agreement shall be sufficiently evidenced by an Officer's Certificate;

(iii) whenever, in the administration of this Guarantee Agreement, the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting to take any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officer's Certificate

which, upon receipt of such request from the Guarantee Trustee, shall be promptly delivered by the Guarantor;

(iv) the Guarantee Trustee may consult with counsel of its choice, and the written advice or Opinion of Counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion; such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees; the Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction;

(v) the Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee Agreement at the request or direction of any Holder, unless such Holder shall have provided to the Guarantee Trustee such adequate security and indemnity as would satisfy a reasonable person in the position of the Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Guarantee Trustee; provided that, nothing contained in this Section 3.02(a)(v) shall be taken to relieve the Guarantee Trustee, upon the occurrence and continuance of an Event of Default, of its obligation under the last sentence of Section 3.01(b) to exercise the rights and powers vested in it by this Guarantee Agreement;

(vi) the Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(vii) the Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder;

(viii) whenever in the administration of this Guarantee Agreement the Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Guarantee Trustee (1) may request instructions from the Holders of a Majority in Liquidation Amount of the Preferred Trust Securities, (2) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (3) shall be protected in relying on or acting in accordance with such instructions;

(ix) the Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any tax or securities form) (or any rerecording, refiling or re-registration thereof); and

(x) the Guarantee Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Guarantee Agreement.

(b) No provision of this Guarantee Agreement shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Guarantee Trustee shall be construed to be a duty to act in accordance with such power or authority.

SECTION 3.03 NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF GUARANTEE.

The recitals contained in this Guarantee Agreement shall be taken as the statements of the Guarantor, and the Guarantee Trustee does not assume any responsibility for their correctness. The Guarantee Trustee makes no representation as to the validity or sufficiency of this Guarantee Agreement.

ARTICLE IV

GUARANTEE TRUSTEE

SECTION 4.01 GUARANTEE TRUSTEE; ELIGIBILITY.

(a) There shall at all times be a Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.01(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 4.01(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.03(c).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act after giving effect to the provisions of Section 2.08 hereof, the Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 4.02 COMPENSATION AND REIMBURSEMENT.

The Guarantor agrees:

(a) to pay the Guarantee Trustee from time to time such reasonable compensation as the Guarantor and the Guarantee Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Guarantee Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Guarantee Trustee in accordance with the provisions of this Guarantee Agreement (including the reasonable compensation and expenses of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify each of the Guarantee Trustee and any predecessor Guarantee Trustee for, and to hold it harmless from and against, any and all loss, damage, claim, liability or expense, including taxes (other than taxes based upon the income of the Guarantee Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance of the trusts created by, or the administration of, this Guarantee Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Guarantor under this Section, the Guarantee Trustee shall have a lien prior to the Preferred Trust Securities upon all the property and funds held or collected by the Guarantee Trustee as such, except funds held in trust for the payment of principal of, and premium (if any) or interest on, particular obligations of the Guarantor under this Guarantee Agreement. In addition to the rights provided to the Guarantee Trustee pursuant to the provisions of the immediately preceding paragraph of this Section 4.02, when the Guarantee Trustee incurs expenses or renders services in connection with enforcement of this Guarantee, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Guarantee Agreement.

SECTION 4.03 APPOINTMENT, REMOVAL AND RESIGNATION OF GUARANTEE TRUSTEE.

(a) Subject to Section 4.03(b), unless an Event of Default shall have occurred and be continuing, the Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor.

(b) The Guarantee Trustee shall not be removed until a Successor Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor.

(c) The Guarantee Trustee appointed to office shall hold office until a Successor Guarantee Trustee shall have been appointed or until its removal or resignation. The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Guarantee Trustee and delivered to the Guarantor and the resigning Guarantee Trustee.

(d) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.03 within 60 days after delivery to the Guarantor of an instrument of resignation or removal, the Guarantee Trustee resigning or being removed may petition any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Guarantee Trustee.

(e) The Guarantor shall give notice of each resignation and each removal of the Guarantee Trustee and each appointment of a successor Guarantee Trustee to all Holders in the manner provided in Section 8.03 hereof. Each notice shall include the name of the successor Guarantee Trustee and the address of its Corporate Trust Office.

(f) No Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Guarantee Trustee.

ARTICLE V

GUARANTEE

SECTION 5.01 GUARANTEE. The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Issuer), as and when due, regardless of any defense, right of set-off or counterclaim which the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 5.02 WAIVER OF NOTICE AND DEMAND. The Guarantor hereby waives notice of acceptance of this Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Guarantee Trustee, Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.03 OBLIGATIONS NOT AFFECTED. The obligation of the Guarantor to make the Guarantee Payments under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Trust Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Preferred Trust Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Trust Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Debentures permitted by the Subordinated Indenture);

(c) any failure, omission, delay or lack of diligence on the part of the Property Trustee or the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Property Trustee or the Holders pursuant to the terms of the Preferred Trust Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Preferred Trust Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.03 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Guarantee Trustee, the Property Trustee or the Holders to give notice to, or obtain consent of, the Guarantor or any other Person with respect to the happening of any of the foregoing.

SECTION 5.04 RIGHTS OF HOLDERS. The Guarantor expressly acknowledges that: (i) this Guarantee Agreement will be deposited with the Guarantee Trustee to be held for the benefit of the Holders; (ii) if an Event of Default has occurred and is continuing, the Guarantee Trustee has the right to enforce this Guarantee Agreement on behalf of the Holders; (iii) the Holders of a Majority in Liquidation Amount 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 in respect of this Guarantee Agreement or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee Agreement; and (iv) if the Guarantee Trustee fails to enforce this Guarantee Agreement, any Holder may enforce this Guarantee Agreement, or institute a legal proceeding directly against the Guarantor to enforce the Guarantee Trustee's rights under this Guarantee Agreement without first instituting a legal proceeding against the Issuer, the Guarantee Trustee, or any other Person.

SECTION 5.05 GUARANTEE OF PAYMENT. This Guarantee Agreement creates a guarantee of payment and not of collection. This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full (without duplication).

SECTION 5.06 SUBROGATION. The Guarantor shall be subrogated to all, if any, rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee Agreement, if, at the time of any such payment, any amounts of Guarantee Payments are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.07 INDEPENDENT OBLIGATIONS. The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Preferred Trust Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.03.

ARTICLE VI

SUBORDINATION

SECTION 6.01 SUBORDINATION. This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, including the Debentures, except those made pari passu or subordinate by their terms, (ii) pari passu with the most senior preferred or preference stock now or hereafter

issued by the Guarantor and with any guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock of any Affiliate of the Guarantor, and (iii) senior to all common stock of the Guarantor. Nothing in this Section 6.01 shall apply to claims of, or payments to, the Guarantee Trustee under or pursuant to Section 4.02 hereof.

ARTICLE VII

TERMINATION

SECTION 7.01 TERMINATION. Subject to Section 4.02 hereof, this Guarantee Agreement shall terminate and be of no further force and effect upon: (i) full payment of the Redemption Price of all Preferred Trust Securities, and all accrued and unpaid Distributions to the date of redemption, (ii) the distribution of Debentures to Holders in exchange for all of the Preferred Trust Securities, or (iii) full payment of the amounts payable in accordance with the Trust Agreement upon liquidation of the Issuer. Notwithstanding the foregoing, this Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time any Holder must restore payment of any sums paid with respect to Preferred Trust Securities or under this Guarantee Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 SUCCESSORS AND ASSIGNS. All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Trust Securities then outstanding. Except in connection with a consolidation, merger or sale involving the Guarantor that is permitted under Article Eleven of the Subordinated Indenture, the Guarantor shall not assign its obligations hereunder.

SECTION 8.02 AMENDMENTS. This Guarantee Agreement may be amended only by an instrument in writing entered into by the Guarantor and the Guarantee Trustee. Except with respect to any changes which do not materially adversely affect the rights of Holders (in which case no consent of Holders will be required), this Guarantee Agreement may only be amended with the prior approval of the Holders of not less than 66 2/3% in aggregate Liquidation Amount of all the outstanding Preferred Trust Securities. The provisions of Article VI of the Trust Agreement concerning meetings of Holders shall apply to the giving of such approval. Nothing herein contained shall be deemed to require that the Guarantee Trustee enter into any amendment of this Guarantee Agreement.

SECTION 8.03 NOTICES. Any notice, request or other communication required or permitted to be given hereunder shall be in writing, duly signed by the party giving such notice, and delivered, telecopied or mailed by first class mail as follows:

(a) if given to the Guarantor, to the address set forth below or such other address as the Guarantor may give notice of to the Guarantee Trustee and the Holders of the Preferred Trust Securities:

ALLETE
30 West Superior Street
Duluth, Minnesota 55802-2093
Facsimile No:
Attention: Treasurer

(b) if given to the Issuer, in care of the Administrative Trustees, at the Issuer's (and the Administrative Trustees') address set forth below or such other address as the Administrative Trustees on behalf of the Issuer may give notice of to the Guarantee Trustee and the Holders:

ALLETE Capital ___
c/o ALLETE
30 West Superior Street
Duluth, Minnesota 55802-2093
Facsimile No:
Attention: Administrative Trustees

(c) if given to the Guarantee Trustee, to the address set forth below or such other address as the Guarantee Trustee may give notice of to the Guarantor and the Holders of the Preferred Trust Securities:

The Bank of New York
Corporate Trust Administration
101 Barclay Street
New York, New York 10286

Attention: Corporate Trust Administration
Telephone: 212-815-5758
Facsimile: 212-815-5915

(d) if given to any Holder, at the address set forth on the books and records of the Issuer.

All notices hereunder shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 8.04 BENEFIT. This Guarantee Agreement is solely for the benefit of the Holders and, subject to Section 3.01(a), is not separately transferable from the Preferred Trust Securities.

SECTION 8.05 INTERPRETATION. In this Guarantee Agreement, unless the context otherwise requires:

(a) a term defined anywhere in this Guarantee Agreement has the same meaning throughout;

(b) all references to "the Guarantee Agreement" or "this Guarantee Agreement" are to this Guarantee Agreement as modified, supplemented or amended from time to time;

(c) all references in this Guarantee Agreement to Articles and Sections are to Articles and Sections of this Guarantee Agreement unless otherwise specified;

(d) a term defined in the Trust Indenture Act has the same meaning when used in this Guarantee Agreement unless otherwise defined in this Guarantee Agreement or unless the context otherwise requires;

(e) a reference to the singular includes the plural and vice versa; and

(f) the masculine, feminine or neuter genders used herein shall include the masculine, feminine and neuter genders.

SECTION 8.06 GOVERNING LAW. THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

ALLETE
(legally incorporated as Minnesota Power, Inc.)

By: _____
Name:
Title:

THE BANK OF NEW YORK,
as Guarantee Trustee

By: _____
Name:
Title:

ALLETE

PHILIP R. HALVERSON
VICE PRESIDENT,
GENERAL COUNSEL AND SECRETARY

March 14, 2001

ALLETE
(legally incorporated as Minnesota Power, Inc.)
30 West Superior Street
Duluth, Minnesota 55802

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-3 to be filed by ALLETE (legally incorporated as Minnesota Power, Inc.) (the "Company"), ALLETE Capital II and ALLETE Capital III (the "Trusts") on or about the date hereof, with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Registration Statement"), for the registration of (i) securities (the "Securities") in an aggregate offering amount of \$500,000,000, including (a) shares of the Company's Common Stock, without par value ("Common Stock") and the Preferred Share Purchase Rights attached thereto ("Rights") (the Common Stock and the Rights being collectively referred to as the "Shares"); (b) one or more proposed new series of the Company's first mortgage bonds ("Bonds") to be issued under the Company's Mortgage and Deed of Trust, dated as of September 1, 1945, with Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas J. MacInnes, successor), as mortgage trustees (the "Mortgage"); (c) unsecured debt securities ("Debt Securities") of the Company to be issued pursuant to the terms of an Indenture, dated February 1, 2001, from the Company to LaSalle Bank National Association (the "Debt Security Indenture"); and (d) preferred trust securities ("Preferred Trust Securities") of one or more of the Trusts; (ii) the guarantee of the Company with respect to the Preferred Trust Securities (the "Guarantee"); and (iii) the Company's Junior Subordinated Debentures ("Subordinated Debentures") to be issued pursuant to the terms of an indenture ("Subordinated Indenture") and purchased by one or more of the Trusts with the sale of Preferred Trust Securities.

In connection therewith, I have reviewed such documents and records as I have deemed necessary to enable me to express an opinion on the matters covered hereby.

Based upon the foregoing, I am of the opinion that:

1. The Company is a corporation validly organized and existing under the laws of the State of Minnesota.

30 WEST SUPERIOR STREET | DULUTH, MINNESOTA 55802-2093

March 14, 2001
Page 2

2. All action necessary to make the Common Stock validly issued, fully paid and non-assessable and the Rights validly issued will have been taken when:

- (a) The Minnesota Public Utilities Commission ("MPUC") shall have issued an order or orders authorizing the issuance and sale of the Shares;
- (b) At a meeting or meetings of the Company's Board of Directors (or the Executive Committee of the Board of Directors) favorable action shall have been taken to approve and authorize the issuance and sale of the Shares and any other action necessary to the consummation of the proposed issuance and sale of the Shares;
- (c) The Common Stock shall have been issued and sold for the consideration contemplated in the Registration Statement and any prospectus supplement relating to the Common Stock; and
- (d) The Rights shall have been issued in accordance with the terms of the Rights Agreement dated as of July 24, 1996 between the Company and the Corporate Secretary of the Company, as Rights Agent.

3. With respect to those Bonds which are to be issued at any one time ("Offered Bonds"), all action necessary to make the Offered Bonds valid, legal and binding obligations of the Company will have been taken when:

- (a) The MPUC shall have issued an order or orders authorizing the

issuance and sale of the Offered Bonds;

- (b) At a meeting or meetings of the Company's Board of Directors (or Executive Committee of the Board of Directors) favorable action shall have been taken to approve and authorize the issuance and sale of the Offered Bonds, the execution and delivery of an appropriate supplemental indenture ("Supplemental Indenture") to the Company's Mortgage, and any other action necessary to the consummation of the proposed issuance and sale of the Offered Bonds;
- (c) The aforementioned Supplemental Indenture shall have been duly executed and delivered to the parties thereto; and
- (d) The Offered Bonds shall have been duly executed, authenticated, issued and delivered for the consideration contemplated in the Registration Statement and any prospectus supplement relating to the Offered Bonds and in accordance with the provisions of the

Company's Mortgage, as heretofore supplemented and to be further supplemented by the aforementioned Supplemental Indenture.

4. With respect to those Debt Securities which are to be issued at any one time ("Offered Debt Securities"), all requisite action necessary to make the Offered Debt Securities valid, legal and binding obligations of the Company shall have been taken when:

- (a) The MPUC shall have issued an order or orders authorizing the issuance and sale of the Offered Debt Securities;
- (b) At a meeting or meetings of the Company's Board of Directors (or the Executive Committee of the Board of Directors) favorable action shall have been taken to approve and authorize the issuance and sale of the Offered Debt Securities, the execution and delivery of an appropriate Officer's Certificate ("Certificate") under the Debt Security Indenture and any other action necessary to the consummation of the proposed issuance and sale of the Offered Debt Securities;
- (c) The Certificate shall have been duly executed and delivered by an appropriate officer of the Company; and
- (d) The Offered Debt Securities shall have been duly executed, authenticated, issued and delivered for the consideration contemplated in the Registration Statement and any prospectus supplement relating to the Offered Debt Securities and in accordance with the provisions of the Debt Security Indenture, as heretofore supplemented and to be further supplemented by the aforementioned Certificate.

5. All requisite action necessary to make the Guarantee a valid, legal and binding obligation of the Company will have been taken when the Board of Directors of the Company, or an officer duly authorized thereby, shall have taken such action as may be necessary to establish the terms of the Guarantee and the Guarantee shall have been duly executed and delivered by the parties thereto.

6. All requisite action necessary to make the Subordinated Debentures valid, legal and binding obligations of the Company will have been taken when:

- (a) The MPUC shall have issued an order or orders authorizing the issuance and sale of the Subordinated Debentures;
- (b) At a meeting or meetings of the Company's Board of Directors (or the Executive Committee of the Board of Directors) favorable action shall have been taken to approve and authorize the issuance and sale of the Subordinated Debentures, the execution

and delivery of a Subordinated Indenture and any other action necessary to the consummation of the proposed issuance and sale of the Subordinated Debentures;

- (c) The Subordinated Indenture shall have been duly executed and delivered by a duly authorized officer or representative of the Company and by the trustee under the Subordinated Indenture; and
- (d) The Board of Directors of the Company, or an officer duly authorized thereby, shall have taken such action, pursuant to the terms of the Subordinated Indenture, as may be necessary to establish the terms of the Subordinated Debentures, and the Subordinated Debentures shall have been duly executed, authenticated, issued and delivered for the consideration contemplated in the Registration Statement and any prospectus supplement relating to the Subordinated Debentures and in accordance with the terms and provisions of the Subordinated Indenture.

I am a member of the Minnesota Bar and do not hold myself out as an expert on the laws of any other jurisdiction. As to all matters of Minnesota law, Thelen Reid & Priest LLP is hereby authorized to rely upon this opinion to the same extent as if this opinion had been addressed to them.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement. I also consent to the reference to me in the Prospectus included in the Registration Statement under the caption "Legal Opinions."

Sincerely,

/s/ Philip R. Halverson

Philip R. Halverson

THELEN REID & PRIEST LLP
ATTORNEYS AT LAW
40 WEST 57TH STREET
NEW YORK, N.Y. 10019-4097
TEL (212) 603-2000 FAX (212) 603-2001
www. thelenreid.com

NEW YORK
SAN FRANCISCO
WASHINGTON, D.C.
LOS ANGELES
SILICON VALLEY
MORRISTOWN, N.J.

March 14, 2001

ALLETE
(legally incorporated as Minnesota Power, Inc.)
30 West Superior Street
Duluth, Minnesota 55802

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-3 to be filed by ALLETE (legally incorporated as Minnesota Power, Inc.) (the "Company"), ALLETE Capital II and ALLETE Capital III (the "Trusts") on or about the date hereof, with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Registration Statement"), for the registration of (i) securities (the "Securities") in an aggregate offering amount of \$500,000,000, including (a) shares of the Company's Common Stock, without par value ("Common Stock") and the Preferred Share Purchase Rights attached thereto ("Rights") (the Common Stock and the Rights being collectively referred to as the "Shares"); (b) one or more proposed new series of the Company's first mortgage bonds ("Bonds") to be issued under the Company's Mortgage and Deed of Trust, dated as of September 1, 1945, with Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas J. MacInnes, successor), as mortgage trustees (the "Mortgage"); (c) unsecured debt securities ("Debt Securities") of the Company to be issued pursuant to the terms of an Indenture, dated February 1, 2001, from the Company to LaSalle Bank National Association (the "Debt Security Indenture"); and (d) preferred trust securities ("Preferred Trust Securities") of one or more of the Trusts; (ii) the guarantee of the Company with respect to the Preferred Trust Securities (the "Guarantee"); and (iii) the Company's Junior Subordinated Debentures ("Subordinated Debentures") to be issued pursuant to the terms of an indenture ("Subordinated Indenture") and purchased by one or more of the Trusts with the sale of Preferred Trust Securities.

In connection therewith, we have reviewed such documents and records as we have deemed necessary to enable us to express an opinion on the matters covered hereby.

Based upon the foregoing, we are of the opinion that:

1. The Company is a corporation validly organized and existing under the laws of the State of Minnesota.
2. All action necessary to make the Common Stock validly issued, fully paid and non-assessable and the Rights validly issued will have been taken when:
 - (a) The Minnesota Public Utilities Commission ("MPUC") shall have issued an order or orders authorizing the issuance and sale of the Shares;

March 14, 2001
Page 2

- (b) At a meeting or meetings of the Company's Board of Directors (or the Executive Committee of the Board of Directors) favorable action shall have been taken to approve and authorize the issuance and sale of the Shares and any other action necessary to the consummation of the proposed issuance and sale of the Shares;
 - (c) The Common Stock shall have been issued and sold for the consideration contemplated in the Registration Statement and any prospectus supplement relating to the Common Stock; and
 - (d) The Rights shall have been issued in accordance with the terms of the Rights Agreement dated as of July 24, 1996 between the Company and the Corporate Secretary of the Company, as Rights Agent.
3. With respect to those Bonds which are to be issued at any one time ("Offered Bonds"), all action necessary to make the Offered Bonds valid, legal and binding obligations of the Company will have been taken when:
 - (a) The MPUC shall have issued an order or orders authorizing the issuance and sale of the Offered Bonds;
 - (b) At a meeting or meetings of the Company's Board of Directors (or Executive Committee of the Board of Directors) favorable action shall have been taken to approve and authorize the issuance and

sale of the Offered Bonds, the execution and delivery of an appropriate supplemental indenture ("Supplemental Indenture") to the Company's Mortgage, and any other action necessary to the consummation of the proposed issuance and sale of the Offered Bonds;

- (c) The aforementioned Supplemental Indenture shall have been duly executed and delivered to the parties thereto; and
- (d) The Offered Bonds shall have been duly executed, authenticated, issued and delivered for the consideration contemplated in the Registration Statement and any prospectus supplement relating to the Offered Bonds and in accordance with the provisions of the Company's Mortgage, as heretofore supplemented and to be further supplemented by the aforementioned Supplemental Indenture.

4. With respect to those Debt Securities which are to be issued at any one time ("Offered Debt Securities"), all requisite action necessary to make the Offered Debt Securities valid, legal and binding obligations of the Company shall have been taken when:

- (a) The MPUC shall have issued an order or orders authorizing the issuance and sale of the Offered Debt Securities;

- (b) At a meeting or meetings of the Company's Board of Directors (or the Executive Committee of the Board of Directors) favorable action shall have been taken to approve and authorize the issuance and sale of the Offered Debt Securities, the execution and delivery of an appropriate Officer's Certificate ("Certificate") under the Debt Security Indenture and any other action necessary to the consummation of the proposed issuance and sale of the Offered Debt Securities;
- (c) The Certificate shall have been duly executed and delivered by an appropriate officer of the Company; and
- (d) The Offered Debt Securities shall have been duly executed, authenticated, issued and delivered for the consideration contemplated in the Registration Statement and any prospectus supplement relating to the Offered Debt Securities and in accordance with the provisions of the Debt Security Indenture, as heretofore supplemented and to be further supplemented by the aforementioned Certificate.

5. All requisite action necessary to make the Guarantee a valid, legal and binding obligation of the Company will have been taken when the Board of Directors of the Company, or an officer duly authorized thereby, shall have taken such action as may be necessary to establish the terms of the Guarantee and the Guarantee shall have been duly executed and delivered by the parties thereto.

6. All requisite action necessary to make the Subordinated Debentures valid, legal and binding obligations of the Company will have been taken when:

- (a) The MPUC shall have issued an order or orders authorizing the issuance and sale of the Subordinated Debentures;
- (b) At a meeting or meetings of the Company's Board of Directors (or the Executive Committee of the Board of Directors) favorable action shall have been taken to approve and authorize the issuance and sale of the Subordinated Debentures, the execution and delivery of a Subordinated Indenture and any other action necessary to the consummation of the proposed issuance and sale of the Subordinated Debentures;
- (c) The Subordinated Indenture shall have been duly executed and delivered by a duly authorized officer or representative of the Company and by the trustee under the Subordinated Indenture; and
- (d) The Board of Directors of the Company, or an officer duly authorized thereby, shall have taken such action, pursuant to the terms of the Subordinated Indenture, as may be necessary to establish the terms of the Subordinated Debentures, and the Subordinated Debentures shall have been duly executed, authenticated, issued and delivered for the consideration

contemplated in the Registration Statement and any prospectus supplement relating to the Subordinated Debentures and in accordance with the terms and provisions of the Subordinated Indenture.

We are members of the New York Bar and do not hold ourselves out as experts on the laws of the State of Minnesota. As to all matters governed by the laws of the State of Minnesota, we have relied with your consent upon an opinion of even date herewith addressed to you by Philip R. Halverson, Esq., Vice President, General Counsel and Secretary of the Company.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. We also consent to the reference to us in the Prospectus included in the Registration Statement under the caption "Legal Opinions." In giving the foregoing consents, we do not hereby admit that we belong to the class of persons whose consent is required under Section 7 of the Securities Act, or the rules and regulations promulgated thereunder.

Very truly yours,

/s/ Thelen Reid & Priest LLP

THELEN REID & PRIEST LLP

[Letterhead of Richards, Layton & Finger, P.A.]

March 14, 2001

ALLETE Capital II
ALLETE
30 West Superior Street
Duluth, Minnesota 55802-2093

Re: ALLETE Capital II

Ladies and Gentlemen:

We have acted as special Delaware counsel for ALLETE, a Minnesota corporation (the "Company"), and ALLETE Capital II, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated as of March 13, 2001 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on March 13, 2001;

(b) The Trust Agreement of the Trust, dated as of March 13, 2001, among the Company and the trustees of the Trust named therein;

(c) The Registration Statement (the "Registration Statement") on Form S-3, including a preliminary prospectus (the "Prospectus"), relating to the preferred trust securities of the Trust, representing undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"), as proposed to be filed by the Company and the Trust with the Securities and Exchange Commission on or about March 14, 2001;

(d) A form of Amended and Restated Trust Agreement of the Trust (including Exhibits A, B and D thereto) (the "Trust Agreement"), to be entered

ALLETE Capital II
March 14, 2001
Page 2

into among the Company, the trustees of the Trust named therein, and the holders, from time to time, of undivided beneficial interests in the assets of the Trust, filed as an exhibit to the Registration Statement; and

(e) A Certificate of Good Standing for the Trust, dated March 13, 2001, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (e) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (e) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation or due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the

jurisdiction governing its creation, organization or formation, (iii) the legal capacity of natural persons who are signatories to the documents examined by us, (iv) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Preferred Security is to be issued by the Trust (collectively, the "Preferred Security Holders") of a Preferred Trust Securities Certificate evidencing ownership of such Preferred Security in the name of such Person and the payment for the Preferred Security acquired by it, in accordance with the Trust Agreement and the Registration Statement, and (vii) that the Preferred Securities are issued and sold to the Preferred Security Holders in accordance with the Trust Agreement and the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act.
2. The Preferred Securities will represent valid and, subject to the qualifications set forth in paragraph 3 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust.
3. The Preferred Security Holders, as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated to make payments as set forth in the Trust Agreement.

We consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. In addition, we hereby consent to the use of our name under the heading "Legal Opinions" in the Prospectus. In giving the foregoing consents, we do not thereby admit that we come within the category of Persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

/s/ Richards, Layton & Finger, P.A.

[Letterhead of Richards, Layton & Finger, P.A.]

March 14, 2001

ALLETE Capital III
ALLETE
30 West Superior Street
Duluth, Minnesota 55802-2093

Re: ALLETE Capital III

Ladies and Gentlemen:

We have acted as special Delaware counsel for ALLETE, a Minnesota corporation (the "Company"), and ALLETE Capital III, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated as of March 13, 2001 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on March 13, 2001;

(b) The Trust Agreement of the Trust, dated as of March 13, 2001, among the Company and the trustees of the Trust named therein;

(c) The Registration Statement (the "Registration Statement") on Form S-3, including a preliminary prospectus (the "Prospectus"), relating to the preferred trust securities of the Trust, representing undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"), as proposed to be filed by the Company and the Trust with the Securities and Exchange Commission on or about March 14, 2001;

(d) A form of Amended and Restated Trust Agreement of the Trust (including Exhibits A, B and D thereto) (the "Trust Agreement"), to be entered

ALLETE Capital III
March 14, 2001
Page 2

into among the Company, the trustees of the Trust named therein, and the holders, from time to time, of undivided beneficial interests in the assets of the Trust, filed as an exhibit to the Registration Statement; and

(e) A Certificate of Good Standing for the Trust, dated March 13, 2001, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (e) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (e) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation or due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the

jurisdiction governing its creation, organization or formation, (iii) the legal capacity of natural persons who are signatories to the documents examined by us, (iv) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Preferred Security is to be issued by the Trust (collectively, the "Preferred Security Holders") of a Preferred Trust Securities Certificate evidencing ownership of such Preferred Security in the name of such Person and the payment for the Preferred Security acquired by it, in accordance with the Trust Agreement and the Registration Statement, and (vii) that the Preferred Securities are issued and sold to the Preferred Security Holders in accordance with the Trust Agreement and the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act.
2. The Preferred Securities will represent valid and, subject to the qualifications set forth in paragraph 3 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust.
3. The Preferred Security Holders, as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated to make payments as set forth in the Trust Agreement.

We consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. In addition, we hereby consent to the use of our name under the heading "Legal Opinions" in the Prospectus. In giving the foregoing consents, we do not thereby admit that we come within the category of Persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

/s/ Richards, Layton & Finger, P.A.]

EXHIBIT 12(B)

ALLETE

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS AND
SUPPLEMENTAL RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

FOR THE YEAR ENDED DECEMBER 31	2000	1999	1998	1997	1996

Millions Except Ratios					
Income from Continuing Operations Per Consolidated Statement of Income	\$148.6	\$ 68.0	\$ 88.5	\$ 77.6	\$ 69.2
Add (Deduct)					
Current Income Tax Expense	91.1	70.5	52.9	44.7	31.4
Deferred Income Tax Expense (Benefit)	(4.8)	(11.3)	2.7	3.2	(9.8)
Deferred Investment Tax Credits	(1.8)	(1.5)	(1.6)	(1.3)	(2.0)
Undistributed Income From Less Than 50% Owned Equity Investments	-	(0.6)	(14.1)	(13.9)	(11.0)
Minority Interest	-	1.8	2.0	2.3	3.3
	233.1	126.9	130.4	112.6	81.1

Fixed Charges					
Interest on Long-Term Debt	54.5	48.4	48.5	50.4	52.4
Capitalized Interest	0.9	0.7	1.0	1.5	1.5
Other Interest Charges - Net	15.9	12.0	17.1	14.3	10.2
Interest Component of All Rentals	8.5	4.8	5.7	3.7	2.5
Distributions on Redeemable Preferred Securities of Subsidiary	6.0	6.0	6.0	6.0	4.7
Total Fixed Charges	85.8	71.9	78.3	75.9	71.3

Earnings Before Income Taxes and Fixed Charges (Excluding Capitalized Interest)	\$318.0	\$198.1	\$207.7	\$187.0	\$150.9

Preferred Dividend Requirements	\$ 0.9	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.4

Ratio of Income from Continuing Operations Before Income Taxes to Income from Continuing Operations	1.57	1.85	1.61	1.60	1.28

Preferred Dividend Factor	\$ 1.4	\$ 3.7	\$ 3.2	\$ 3.2	\$ 3.1

Total Fixed Charges	85.8	71.9	78.3	75.9	71.3

Total Fixed Charges and Preferred Dividends	\$ 87.2	\$ 75.6	\$ 81.5	\$ 79.1	\$ 74.4

Ratio of Earnings to Fixed Charges and Preferred Dividends	3.65	2.62	2.55	2.36	2.03

Earnings Before Income Taxes and Fixed Charges (Excluding Capitalized Interest)	\$318.0	\$198.1	\$207.7	\$187.0	\$150.9

Supplemental Charges	14.8	15.4	14.5	12.0	14.4

Earnings Before Income Taxes and Fixed and Supplemental Charges (Excluding Capitalized Interest)	\$332.8	\$213.5	\$222.2	\$199.0	\$165.3

Total Fixed Charges and Preferred Dividends	\$ 87.2	\$ 75.6	\$ 81.5	\$ 79.1	\$ 74.4

Supplemental Charges	14.8	15.4	14.5	12.0	14.4

Total Fixed Charges, Preferred Dividends and Supplemental Charges	\$102.0	\$ 91.0	\$ 96.0	\$ 91.1	\$ 88.8

Supplemental Ratio of Earnings to Fixed Charges and Preferred Dividends (a)	3.26	2.35	2.31	2.18	1.86

(a) The supplemental ratio of earnings to fixed charges includes Minnesota Power's obligation under a contract with Square Butte Electric Cooperative (Square Butte) which extends through 2026, under which Minnesota Power is entitled to approximately 71% of the output of a 455-megawatt coal-fired generating unit (Unit). Minnesota Power is obligated to pay its pro rata share of Square Butte's costs based on Unit output entitlement. Minnesota Power's payment obligation is suspended if Square Butte fails to deliver any power, whether produced or purchased, for a period of one year. Square Butte's fixed costs consist primarily of debt service. Variable operating costs include the price of coal purchased from BNI Coal, Ltd. under a long-term contract. (See Note 14 to ALLETE's 2000 consolidated financial statements in ALLETE's Annual Report on Form 10-K for the year ended December 31, 2000.)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated January 17, 2001 relating to the financial statements and financial statement schedule, which appear in ALLETE's (legally incorporated as Minnesota Power, Inc.) Annual Report on Form 10-K for the year ended December 31, 2000. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Minneapolis, MN
March 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST
INDENTURE ACT OF 1939 OF A CORPORATION
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A
TRUSTEE PURSUANT TO SECTION 305(b)(2) -----

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (Jurisdiction of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. Employer Identification No.)
One Wall Street, New York, New York (Address of principal executive offices)	10286 (Zip code)

MINNESOTA POWER, INC.
(DOING BUSINESS AS ALLETE)
(Exact name of obligor as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	41-0418150 (I.R.S. Employer Identification No.)
30 West Superior Street Duluth, Minnesota (Address of principal executive offices)	55802-2093 (Zip code)

FIRST MORTGAGE BONDS*
(Title of the indenture securities)

*Specific title(s) to be determined in connection with issuances(s) of
First Mortgage Bonds.

ITEM 1. GENERAL INFORMATION.*

Furnish the following information as to the Trustee:

- (a) Name and address of each examining or supervising authority to
which it is subject.

Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006 and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	550 17th Street, N.W., Washington, D.C. 20429
New York Clearing House Association	New York, N.Y.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such
affiliation.

None. (See Note on page 2.)

ITEM 16. LIST OF EXHIBITS.

Exhibits identified in parentheses below, on file with the Commission,
are incorporated herein by reference as an exhibit hereto, pursuant to Rule
7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the

Commission's Rules of Practice.

1. - A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. - A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)
6. - The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. - A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

- -----

* Pursuant to General Instruction B, the Trustee has responded only to Items 1, 2 and 16 of this form since to the best of the knowledge of the Trustee the obligor is not in default under any indenture under which the Trustee is a trustee.

NOTE

Inasmuch as this Form T-1 is being filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 12th day of March, 2001.

THE BANK OF NEW YORK

By: TERENCE T. RAWLINS

Terence T. Rawlins
Assistant Vice President

Consolidated Report of Condition of
 THE BANK OF NEW YORK
 of One Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business December 31, 2000, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
-----	-----
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 3,083,720
Interest-bearing balances.....	4,949,333
Securities:	
Held-to-maturity securities.....	740,315
Available-for-sale securities.....	5,328,981
Federal funds sold and Securities purchased under agreements to resell.....	5,695,708
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	36,590,456
LESS: Allowance for loan and lease losses.....	598,536
LESS: Allocated transfer risk reserve.....	12,575
Loans and leases, net of unearned income, allowance, and reserve.....	35,979,345
Trading Assets.....	11,912,448
Premises and fixed assets (including capitalized leases).....	763,241
Other real estate owned.....	2,925
Investments in unconsolidated subsidiaries and associated companies.....	183,836
Customers' liability to this bank on acceptances outstanding.....	424,303
Intangible assets.....	1,378,477
Other assets.....	3,823,797

Total assets.....	\$74,266,429
	=====

LIABILITIES

Deposits:	
In domestic offices.....	\$28,328,548
Noninterest-bearing.....	12,637,384
Interest-bearing.....	15,691,164
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	27,920,690
Noninterest-bearing.....	470,130
Interest-bearing.....	27,450,560
Federal funds purchased and Securities sold under agreements to repurchase	1,437,916
Demand notes issued to the U.S. Treasury.....	100,000
Trading liabilities.....	2,049,818
Other borrowed money:	
With remaining maturity of one year or less.....	1,279,125
With remaining maturity of more than one year through three years	0
With remaining maturity of more than three years.....	31,080
Bank's liability on acceptances executed and outstanding.....	427,110
Subordinated notes and debentures.....	1,646,000
Other liabilities.....	4,604,478

Total liabilities.....	67,824,765

EQUITY CAPITAL

Common stock.....	1,135,285
Surplus.....	1,008,775
Undivided profits and capital reserves.....	4,308,492
Net unrealized holding gains (losses) on available-for-sale securities.....	(27,768)
Accumulated net gains (losses) on cash flow hedges.....	0
Cumulative foreign currency translation adjustments.....	(38,656)

Total equity capital.....	6,441,664

Total liabilities and equity capital.....	\$74,266,429
=====	

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi)
Alan R. Griffith)
Gerald L. Hassell) Directors

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-2

STATEMENT OF ELIGIBILITY UNDER THE TRUST
INDENTURE ACT OF 1939 OF AN INDIVIDUAL
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A
TRUSTEE PURSUANT TO SECTION 305(b)(2) -----

DOUGLAS J. MACINNES
(Name of Trustee)

101 Barclay Street
New York, New York
(Business Address, Street, City, State) 10286
(Zip Code)

MINNESOTA POWER, INC.
(DOING BUSINESS AS ALLETE)
(Exact name of obligor as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation or organization) 41-0418150
(I.R.S. Employer
Identification No.)

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

FIRST MORTGAGE BONDS*
(Title of the indenture securities)

*Specific title(s) to be determined in connection with issuances(s) of
First Mortgage Bonds.

ITEM 1. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such
affiliation.

None.*

ITEM 11. LIST OF EXHIBITS.

List below all exhibits filed as a part of this statement of
eligibility

None.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, I,
Douglas J. MacInnes, have signed this statement of eligibility in The City of
New York and State of New York, on the 12th day of March, 2001.

DOULGAS J. MACINNES

Douglas J. MacInnes

*Pursuant to General Instruction B, the Trustee has responded only to
Items 1 and 11 of this form since to the best of the knowledge of the Trustee
the obligor is not in default under any indenture under which the Trustee is a
trustee.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

Check if an application to determine eligibility of A trustee
pursuant to Section 305(b)(2) [X]

LASALLE BANK NATIONAL ASSOCIATION
(Exact name of trustee as specified in its charter)

36-0884183
(I.R.S. Employer
Identification No.)

135 South LaSalle Street, Chicago, Illinois 60603
(Address of principal executive offices) (Zip Code)

Willie J. Miller, Jr.
Group Senior Vice President
Chief Legal Officer and Secretary
Telephone: (312) 904-2018
135 South LaSalle Street, Suite 925
Chicago, Illinois 60603
(Name, address and telephone number of agent for service)

ALLETE (legally incorporated as Minnesota Power, Inc.)
(Exact name of obligor as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-0418150
(I.R.S. Employer
Identification No.)

30 West Superior Street
Duluth, Minnesota
(Address of principal executive offices)

55802-2093
(Zip Code)

Debt Securities
(Title of the indenture securities)

ITEM 1. GENERAL INFORMATION*

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.
1. Comptroller of the Currency, Washington D.C.
 2. Federal Deposit Insurance Corporation, Washington, D.C.
 3. The Board of Governors of the Federal Reserve Systems, Washington, D.C.
- (b) Whether it is authorized to exercise corporate trust powers.
Yes.

ITEM 2. AFFILIATIONS WITH THE OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such affiliation.

Not Applicable

*Pursuant to General Instruction B, the trustee has responded only to items 1, 2 and 16 of this form since to the best knowledge of the trustee the obligor is not in default under any indenture under which the trustee is a trustee.

ITEM 16. LIST OF EXHIBITS.

List below all exhibits filed as part of this statement of eligibility and qualification.

1. A copy of the Articles of Association of LaSalle Bank National Association now in effect. (incorporated herein by reference to Exhibit 1 filed with Form T-1 filed with the Current Report on Form 8-K, dated June 29, 2000, in File No. 333-61691).
2. A copy of the certificate of authority to commence business (incorporated herein by reference to Exhibit 2 filed with Form T-1 filed with the Current Report on Form 8-K, dated June 29, 2000, in File No. 333-61691).
3. A copy of the authorization to exercise corporate trust powers (incorporated herein by reference to Exhibit 3 filed with Form T-1 filed with the Current Report on Form 8-K, dated June 29, 2000, in File No. 333-61691).
4. A copy of the existing By-Laws of LaSalle Bank National Association (incorporated herein by reference to Exhibit 4 filed with Form T-1 filed with the Current Report on Form 8-K, dated June 29, 2000, in File No. 333-61691).
5. Not applicable.
6. The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939 (incorporated herein by reference to Exhibit 6 filed with Form T-1 filed with the Current Report on Form 8-K, dated June 29, 2000, in File No. 333-61691).
7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.
8. Not applicable.
9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the trustee, LaSalle Bank National Association, a corporation organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago, State of Illinois, on the 12th day of March, 2001.

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ John W. Porter

John W. Porter
Assistant Vice President

Transit Number: 71000505

CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL AND
 STATE-CHARTERED SAVINGS BANKS FOR DECEMBER 31, 2000

All schedules are to be reported in thousands of dollars. Unless otherwise
 indicated, report the amount outstanding as of the last business day of the
 quarter.

SCHEDULE RC - BALANCE SHEET

Dollar Amounts in Thousands

ASSETS

1. Cash and balances due from depository institutions (from Schedule RC-A):	RCFD			

a. Noninterest-bearing balances and currency and coin (1)	0081	1,440,053		1.a
b. Interest-bearing balances (2)	0071	17,034		1.b
2. Securities:				
a. Held-to-maturity securities (from Schedule RC-B, column A)	1754	694,913		2.a
b. Available-for-sale securities (from Schedule RC-B, column D)	1773	12,323,062		2.b
3. Federal funds sold and securities purchased under agreements to resell	1350	220,788		3.
4. Loans and lease financing receivables:				
a. Loans and leases, net of unearned income	RCFD			

(from Schedule RC-C)	2122	31,691,102		4.a
b. LESS: Allowance for loan and lease losses	3123	443,137		4.b
c. LESS: Allocated transfer risk reserve	3128	0		4.c
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)	2125	31,247,965		4.d
5. Trading assets (from Schedule RC-D)	3545	262,014		5.
6. Premises and fixed assets (including capitalized leases)	2145	279,087		6.
7. Other real estate owned (from Schedule RC-M)	2150	3,780		7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)	2130	0		8.
9. Customers' liability to this bank on acceptances outstanding	2155	13,076		9.
10. Intangible assets (from Schedule RC-M)	2143	677,878		10.
11. Other assets (from Schedule RC-F)	2160	1,673,187		11.
12. Total assets (sum of items 1 through 11)	2170	48,852,837	12.	48,852,837

(1) Includes cash items in process of collection and unposted debits.
 (2) Includes time certificates of deposit not held for trading.

Transit Number: 71000505

SCHEDULE RC - BALANCE SHEET

Dollar Amounts in Thousands

LIABILITIES

13. Deposits:				
a. In domestic offices (sum of totals of	RCON			
columns A and C from Schedule RC-E, part I)	----			
	2200	27,740,880	13. a	
	RCON			

(1) Noninterest-bearing (1)	6631	2,038,152	13. a.1	
(2) Interest-bearing	6636	25,702,728	13. a.2	27,740,880
	RCFN			

b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from				
Schedule RC-E, part II)	2200	4,404,467	13. b	
	RCFN			

(1) Noninterest-bearing	6631	0	13. b.1	
(2) Interest-bearing	6636	4,404,467	13. b.2	
	RCFD			

14. Federal funds purchased and securities sold under agreements to repurchase	2800	3,943,015	14.	
	RCON			

15. a. Demand notes issued to the U.S. Treasury	2840	473,742	15. a	
	RCFD			

b. Trading liabilities (from Schedule RC-D)	3548	54,207	15. b	
16. Other borrowed money (includes mortgage indebtedness and obligations under				
capitalized leases):				
a. With a remaining maturity of one year or less	2332	5,306,499	16. a	
b. With a remaining maturity of more than one year through three years	A547	19,396	16. b	
c. With a remaining maturity of more than three years	A548	1,972,209	16. c	
17. Not applicable.				
18. Bank's liability on acceptances executed and outstanding	2920	13,076	18.	
19. Subordinated notes and debentures (2)	3200	831,000	19.	
20. Other liabilities (from Schedule RC-G)	2930	760,921	20.	
21. Total liabilities (sum of items 13 through 20)	2948	45,519,412	21.	45,519,412
22. Not applicable.				

EQUITY CAPITAL

	RCFD			

23. Perpetual preferred stock and related surplus	3838	135,410	23.	
24. Common stock	3230	41,234	24.	
25. Surplus (exclude all surplus related to preferred stock)	3839	1,901,992	25.	
26. a. Undivided profits and capital reserves	3632	1,349,110	26. a	
b. Net unrealized holding gains (losses) on available-for-sale securities	8434	(94,321)	26. b	
c. Accumulated net gains (losses) on cash flow hedges	4336	0	26. c	
27. Cumulative foreign currency translation adjustments	3284	0	27.	
28. Total equity capital (sum of items 23 through 27)	3210	3,333,425	28.	3,333,425
29. Total liabilities and equity capital (sum of items 21 and 28)	3300	48,852,837	29.	

MEMORANDUM

TO BE REPORTED ONLY WITH THE MARCH REPORT OF CONDITION.

1. Indicate in the box at the right the number of the statement below that			
best describes the most comprehensive level of auditing work performed	RCFD	Number	
for the bank by independent external auditors as of any date during 1999	----	-----	
	6724	N/A	M.1

- 1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank
- 2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)
- 3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)
- 4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)
- 5 = Review of the bank's financial statements by external auditors
- 6 = Compilation of the bank's financial statements by external auditors

7 = Other audit procedures (excluding tax preparation work) 8 = No external audit work

- -----

- (1) Includes total demand deposits and noninterest-bearing time and savings deposits.
- (2) Includes limited-life preferred stock and related surplus.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST
INDENTURE ACT OF 1939 OF A CORPORATION
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A
TRUSTEE PURSUANT TO SECTION 305(b)(2) -----

THE BANK OF NEW YORK

(Exact name of trustee as specified in its charter)

New York
(Jurisdiction of incorporation
if not a U.S. national bank)

13-5160382
(I.R.S. Employer
Identification No.)

One Wall Street, New York, New York
(Address of principal executive offices)

10286
(Zip code)

ALLETE

(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)
(Exact name of obligor as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation or organization)

41-0418150
(I.R.S. Employer
Identification No.)

30 West Superior Street
Duluth, Minnesota
(Address of principal executive offices)

55802-2093
(Zip code)

ALLETE (LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)
JUNIOR SUBORDINATED DEBENTURES*
(Title of the indenture securities)

*Specific title(s) to be determined in connection with issuances(s) of
ALLETE (legally incorporated as Minnesota Power, Inc.) Junior Subordinated
Debentures.

ITEM 1. GENERAL INFORMATION.*

Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to
which it is subject.

Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006 and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	550 17th Street, N.W., Washington, D.C. 20429
New York Clearing House Association	New York, N.Y.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such
affiliation.

None. (See Note on page 2.)

ITEM 16. LIST OF EXHIBITS.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. - A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. - A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)
6. - The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. - A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

- - - - -
* Pursuant to General Instruction B, the Trustee has responded only to Items 1, 2 and 16 of this form since to the best of the knowledge of the Trustee the obligor is not in default under any indenture under which the Trustee is a trustee.

NOTE

Inasmuch as this Form T-1 is being filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 12th day of March, 2001.

THE BANK OF NEW YORK

By: TERENCE T. RAWLINS

Terence T. Rawlins
Assistant Vice President

Consolidated Report of Condition of
 THE BANK OF NEW YORK
 of One Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business December 31, 2000, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
- - - - -	-----
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 3,083,720
Interest-bearing balances.....	4,949,333
Securities:	
Held-to-maturity securities.....	740,315
Available-for-sale securities.....	5,328,981
Federal funds sold and Securities purchased under agreements to resell.....	5,695,708
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	36,590,456
LESS: Allowance for loan and lease losses.....	598,536
LESS: Allocated transfer risk reserve.....	12,575
Loans and leases, net of unearned income, allowance, and reserve.....	35,979,345
Trading Assets.....	11,912,448
Premises and fixed assets (including capitalized leases).....	763,241
Other real estate owned.....	2,925
Investments in unconsolidated subsidiaries and associated companies.....	183,836
Customers' liability to this bank on acceptances outstanding.....	424,303
Intangible assets.....	1,378,477
Other assets.....	3,823,797

Total assets.....	\$74,266,429
	=====

LIABILITIES

Deposits:	
In domestic offices.....	\$28,328,548
Noninterest-bearing.....	12,637,384
Interest-bearing.....	15,691,164
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	27,920,690
Noninterest-bearing.....	470,130
Interest-bearing.....	27,450,560
Federal funds purchased and Securities sold under agreements to repurchase	1,437,916
Demand notes issued to the U.S. Treasury.....	100,000
Trading liabilities.....	2,049,818
Other borrowed money:	
With remaining maturity of one year or less.....	1,279,125
With remaining maturity of more than one year through three years	0
With remaining maturity of more than three years.....	31,080
Bank's liability on acceptances executed and outstanding.....	427,110
Subordinated notes and debentures.....	1,646,000
Other liabilities.....	4,604,478

Total liabilities.....	67,824,765

EQUITY CAPITAL

Common stock.....	1,135,285
Surplus.....	1,008,775
Undivided profits and capital reserves.....	4,308,492
Net unrealized holding gains (losses) on available-for-sale securities.....	(27,768)
Accumulated net gains (losses) on cash flow hedges.....	0
Cumulative foreign currency translation adjustments.....	(38,656)

Total equity capital.....	6,441,664

Total liabilities and equity capital.....	\$74,266,429
=====	

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi)
Alan R. Griffith)
Gerald L. Hassell) Directors

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY UNDER THE TRUST
INDENTURE ACT OF 1939 OF A CORPORATION
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A
TRUSTEE PURSUANT TO SECTION 305(b)(2) -----

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (Jurisdiction of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. Employer Identification No.)
One Wall Street, New York, New York (Address of principal executive offices)	10286 (Zip code)

ALLETE CAPITAL II
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	To Be Applied For (I.R.S. Employer Identification No.)
30 West Superior Street Duluth, Minnesota (Address of principal executive offices)	55802-2093 (Zip code)

ALLETE CAPITAL II PREFERRED TRUST SECURITIES*
(Title of the indenture securities)

*Specific title(s) to be determined in connection with issuance(s) of
ALLETE Capital II Preferred Trust Securities.

ITEM 1. GENERAL INFORMATION.*

Furnish the following information as to the Trustee:

- (a) Name and address of each examining or supervising authority to
which it is subject.

Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006 and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	550 17th Street, N.W., Washington, D.C. 20429
New York Clearing House Association	New York, N.Y. 10005

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such
affiliation.

None. (See Note on page 2.)

ITEM 16. LIST OF EXHIBITS.

Exhibits identified in parentheses below, on file with the Commission,
are incorporated herein by reference as an exhibit hereto, pursuant to Rule
7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R.

ss.229.10(d).

1. - A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. - A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)
6. - The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. - A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

*Pursuant to General Instruction B, the Trustee has responded only to Items 1, 2 and 16 of this form since to the best of the knowledge of the Trustee the obligor is not in default under any indenture under which the Trustee is a trustee.

NOTE

Inasmuch as this Form T-1 is being filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 12th day of March, 2001.

THE BANK OF NEW YORK

By: TERENCE T. RAWLINS

Terence T. Rawlins
Assistant Vice President

Consolidated Report of Condition of
THE BANK OF NEW YORK
of One Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business December 31, 2000, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
-----	-----
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 3,083,720
Interest-bearing balances.....	4,949,333
Securities:	
Held-to-maturity securities.....	740,315
Available-for-sale securities.....	5,328,981
Federal funds sold and Securities purchased under agreements to resell.....	5,695,708
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	36,590,456
LESS: Allowance for loan and lease losses.....	598,536
LESS: Allocated transfer risk reserve.....	12,575
Loans and leases, net of unearned income, allowance, and reserve.....	35,979,345
Trading Assets.....	11,912,448
Premises and fixed assets (including capitalized leases).....	763,241
Other real estate owned.....	2,925
Investments in unconsolidated subsidiaries and associated companies.....	183,836
Customers' liability to this bank on acceptances outstanding.....	424,303
Intangible assets.....	1,378,477
Other assets.....	3,823,797

Total assets.....	\$74,266,429
	=====

LIABILITIES

Deposits:	
In domestic offices.....	\$28,328,548
Noninterest-bearing.....	12,637,384
Interest-bearing.....	15,691,164
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	27,920,690
Noninterest-bearing.....	470,130
Interest-bearing.....	27,450,560
Federal funds purchased and Securities sold under agreements to repurchase	1,437,916
Demand notes issued to the U.S. Treasury.....	100,000
Trading liabilities.....	2,049,818
Other borrowed money:	
With remaining maturity of one year or less.....	1,279,125
With remaining maturity of more than one year through three years	0
With remaining maturity of more than three years.....	31,080
Bank's liability on acceptances executed and outstanding.....	427,110
Subordinated notes and debentures.....	1,646,000
Other liabilities.....	4,604,478

Total liabilities.....	67,824,765

EQUITY CAPITAL

Common stock.....	1,135,285
Surplus.....	1,008,775
Undivided profits and capital reserves.....	4,308,492
Net unrealized holding gains (losses) on available-for-sale securities.....	(27,768)
Accumulated net gains (losses) on cash flow hedges.....	0
Cumulative foreign currency translation adjustments.....	(38,656)

Total equity capital.....	6,441,664

Total liabilities and equity capital.....	\$74,266,429
=====	

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi)
Alan R. Griffith)
Gerald L. Hassell) Directors

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST
INDENTURE ACT OF 1939 OF A CORPORATION
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A
TRUSTEE PURSUANT TO SECTION 305(b)(2) -----

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York
(Jurisdiction of incorporation
if not a U.S. national bank)

13-5160382
(I.R.S. Employer
Identification No.)

One Wall Street, New York, New York
(Address of principal executive offices)

10286
(Zip code)

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)
(Exact name of obligor as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation or organization)

41-0418150
(I.R.S. Employer
Identification No.)

30 West Superior Street
Duluth, Minnesota
(Address of principal executive offices)

55802-2093
(Zip code)

ALLETE (LEGALLY INCORPORATED AS MINNESOTA POWER, INC.) GUARANTEE WITH
RESPECT TO ALLETE CAPITAL II PREFERRED TRUST SECURITIES*
(Title of the indenture securities)

*Specific title(s) to be determined in connection with issuances(s) of
ALLETE Capital II Preferred Trust Securities.

ITEM 1. GENERAL INFORMATION.*

Furnish the following information as to the Trustee:

- (a) Name and address of each examining or supervising authority to
which it is subject.

Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006 and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	550 17th Street, N.W., Washington, D.C. 20429
New York Clearing House Association	New York, N.Y.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such
affiliation.

None. (See Note on page 2.)

ITEM 16. LIST OF EXHIBITS.

Exhibits identified in parentheses below, on file with the Commission,
are incorporated herein by reference as an exhibit hereto, pursuant to Rule

1. - A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. - A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)
6. - The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. - A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

- - - - -

* Pursuant to General Instruction B, the Trustee has responded only to Items 1, 2 and 16 of this form since to the best of the knowledge of the Trustee the obligor is not in default under any indenture under which the Trustee is a trustee.

NOTE

Inasmuch as this Form T-1 is being filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 12th day of March, 2001.

THE BANK OF NEW YORK

By: TERENCE T. RAWLINS

Terence T. Rawlins
Assistant Vice President

Consolidated Report of Condition of
 THE BANK OF NEW YORK
 of One Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business December 31, 2000, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
-----	-----
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 3,083,720
Interest-bearing balances.....	4,949,333
Securities:	
Held-to-maturity securities.....	740,315
Available-for-sale securities.....	5,328,981
Federal funds sold and Securities purchased under agreements to resell.....	5,695,708
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	36,590,456
LESS: Allowance for loan and lease losses.....	598,536
LESS: Allocated transfer risk reserve.....	12,575
Loans and leases, net of unearned income, allowance, and reserve.....	35,979,345
Trading Assets.....	11,912,448
Premises and fixed assets (including capitalized leases).....	763,241
Other real estate owned.....	2,925
Investments in unconsolidated subsidiaries and associated companies.....	183,836
Customers' liability to this bank on acceptances outstanding.....	424,303
Intangible assets.....	1,378,477
Other assets.....	3,823,797

Total assets.....	\$74,266,429
	=====

LIABILITIES

Deposits:	
In domestic offices.....	\$28,328,548
Noninterest-bearing.....	12,637,384
Interest-bearing.....	15,691,164
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	27,920,690
Noninterest-bearing.....	470,130
Interest-bearing.....	27,450,560
Federal funds purchased and Securities sold under agreements to repurchase	1,437,916
Demand notes issued to the U.S. Treasury.....	100,000
Trading liabilities.....	2,049,818
Other borrowed money:	
With remaining maturity of one year or less.....	1,279,125
With remaining maturity of more than one year through three years	0
With remaining maturity of more than three years.....	31,080
Bank's liability on acceptances executed and outstanding.....	427,110
Subordinated notes and debentures.....	1,646,000
Other liabilities.....	4,604,478

Total liabilities.....	67,824,765

EQUITY CAPITAL

Common stock.....	1,135,285
Surplus.....	1,008,775
Undivided profits and capital reserves.....	4,308,492
Net unrealized holding gains (losses) on available-for-sale securities.....	(27,768)
Accumulated net gains (losses) on cash flow hedges.....	0
Cumulative foreign currency translation adjustments.....	(38,656)

Total equity capital.....	6,441,664

Total liabilities and equity capital.....	\$74,266,429
=====	

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi)
Alan R. Griffith)
Gerald L. Hassell) Directors

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY UNDER THE TRUST
INDENTURE ACT OF 1939 OF A CORPORATION
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A
TRUSTEE PURSUANT TO SECTION 305(b)(2) -----

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York
(Jurisdiction of incorporation
if not a U.S. national bank)

13-5160382
(I.R.S. Employer
Identification No.)

One Wall Street, New York, New York
(Address of principal executive offices)

10286
(Zip code)

ALLETE CAPITAL III
(Exact name of obligor as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

To Be Applied For
(I.R.S. Employer
Identification No.)

30 West Superior Street
Duluth, Minnesota
(Address of principal executive offices)

55802-2093
(Zip code)

ALLETE CAPITAL III PREFERRED TRUST SECURITIES*
(Title of the indenture securities)

*Specific title(s) to be determined in connection with issuance(s) of
ALLETE Capital III Preferred Trust Securities.

ITEM 1. GENERAL INFORMATION.*

Furnish the following information as to the Trustee:

- (a) Name and address of each examining or supervising authority to
which it is subject.

Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006 and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	550 17th Street, N.W., Washington, D.C. 20429
New York Clearing House Association	New York, N.Y. 10005

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such
affiliation.

None. (See Note on page 2.)

ITEM 16. LIST OF EXHIBITS.

Exhibits identified in parentheses below, on file with the Commission,
are incorporated herein by reference as an exhibit hereto, pursuant to Rule
7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R.

ss.229.10(d).

1. - A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. - A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)
6. - The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. - A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

*Pursuant to General Instruction B, the Trustee has responded only to Items 1, 2 and 16 of this form since to the best of the knowledge of the Trustee the obligor is not in default under any indenture under which the Trustee is a trustee.

NOTE

Inasmuch as this Form T-1 is being filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 12th day of March, 2001.

THE BANK OF NEW YORK

By: TERENCE T. RAWLINS

Terence T. Rawlins
Assistant Vice President

Consolidated Report of Condition of
 THE BANK OF NEW YORK
 of One Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business December 31, 2000, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
-----	-----
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 3,083,720
Interest-bearing balances.....	4,949,333
Securities:	
Held-to-maturity securities.....	740,315
Available-for-sale securities.....	5,328,981
Federal funds sold and Securities purchased under agreements to resell.....	5,695,708
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	36,590,456
LESS: Allowance for loan and lease losses.....	598,536
LESS: Allocated transfer risk reserve.....	12,575
Loans and leases, net of unearned income, allowance, and reserve.....	35,979,345
Trading Assets.....	11,912,448
Premises and fixed assets (including capitalized leases).....	763,241
Other real estate owned.....	2,925
Investments in unconsolidated subsidiaries and associated companies.....	183,836
Customers' liability to this bank on acceptances outstanding.....	424,303
Intangible assets.....	1,378,477
Other assets.....	3,823,797

Total assets.....	\$74,266,429
	=====

LIABILITIES

Deposits:	
In domestic offices.....	\$28,328,548
Noninterest-bearing.....	12,637,384
Interest-bearing.....	15,691,164
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	27,920,690
Noninterest-bearing.....	470,130
Interest-bearing.....	27,450,560
Federal funds purchased and Securities sold under agreements to repurchase	1,437,916
Demand notes issued to the U.S. Treasury.....	100,000
Trading liabilities.....	2,049,818
Other borrowed money:	
With remaining maturity of one year or less.....	1,279,125
With remaining maturity of more than one year through three years	0
With remaining maturity of more than three years.....	31,080
Bank's liability on acceptances executed and outstanding.....	427,110
Subordinated notes and debentures.....	1,646,000
Other liabilities.....	4,604,478

Total liabilities.....	67,824,765

EQUITY CAPITAL

Common stock.....	1,135,285
Surplus.....	1,008,775
Undivided profits and capital reserves.....	4,308,492
Net unrealized holding gains (losses) on available-for-sale securities.....	(27,768)
Accumulated net gains (losses) on cash flow hedges.....	0
Cumulative foreign currency translation adjustments.....	(38,656)

Total equity capital.....	6,441,664

Total liabilities and equity capital.....	\$74,266,429
=====	

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi)
Alan R. Griffith)
Gerald L. Hassell) Directors

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST
INDENTURE ACT OF 1939 OF A CORPORATION
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A
TRUSTEE PURSUANT TO SECTION 305(b)(2) -----

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York
(Jurisdiction of incorporation
if not a U.S. national bank)

13-5160382
(I.R.S. Employer
Identification No.)

One Wall Street, New York, New York
(Address of principal executive offices)

10286
(Zip code)

ALLETE
(LEGALLY INCORPORATED AS MINNESOTA POWER, INC.)
(Exact name of obligor as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation or organization)

41-0418150
(I.R.S. Employer
Identification No.)

30 West Superior Street
Duluth, Minnesota
(Address of principal executive offices)

55802-2093
(Zip code)

ALLETE (LEGALLY INCORPORATED AS MINNESOTA POWER, INC.) GUARANTEE
WITH RESPECT TO ALLETE CAPITAL III PREFERRED TRUST SECURITIES*
(Title of the indenture securities)

*Specific title(s) to be determined in connection with issuances(s) of
ALLETE Capital III Preferred Trust Securities.

ITEM 1. GENERAL INFORMATION.*

Furnish the following information as to the Trustee:

- (a) Name and address of each examining or supervising authority to
which it is subject.

Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006 and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	550 17th Street, N.W., Washington, D.C. 20429
New York Clearing House Association	New York, N.Y.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such
affiliation.

None. (See Note on page 2.)

ITEM 16. LIST OF EXHIBITS.

Exhibits identified in parentheses below, on file with the Commission,
are incorporated herein by reference as an exhibit hereto, pursuant to Rule

1. - A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
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7. - A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

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* Pursuant to General Instruction B, the Trustee has responded only to Items 1, 2 and 16 of this form since to the best of the knowledge of the Trustee the obligor is not in default under any indenture under which the Trustee is a trustee.

NOTE

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SIGNATURE

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THE BANK OF NEW YORK

By: TERENCE T. RAWLINS

Terence T. Rawlins
Assistant Vice President

Consolidated Report of Condition of
 THE BANK OF NEW YORK
 of One Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business December 31, 2000, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

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Other assets.....	3,823,797

Total assets.....	\$74,266,429
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LIABILITIES

Deposits:	
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Noninterest-bearing.....	12,637,384
Interest-bearing.....	15,691,164
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	27,920,690
Noninterest-bearing.....	470,130
Interest-bearing.....	27,450,560
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Demand notes issued to the U.S. Treasury.....	100,000
Trading liabilities.....	2,049,818
Other borrowed money:	
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With remaining maturity of more than one year through three years	0
With remaining maturity of more than three years.....	31,080
Bank's liability on acceptances executed and outstanding.....	427,110
Subordinated notes and debentures.....	1,646,000
Other liabilities.....	4,604,478

Total liabilities.....	67,824,765

EQUITY CAPITAL

Common stock.....	1,135,285
Surplus.....	1,008,775
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Net unrealized holding gains (losses) on available-for-sale securities.....	(27,768)
Accumulated net gains (losses) on cash flow hedges.....	0
Cumulative foreign currency translation adjustments.....	(38,656)

Total equity capital.....	6,441,664

Total liabilities and equity capital.....	\$74,266,429
	=====

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi)
Alan R. Griffith)
Gerald L. Hassell) Directors