

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

MINNESOTA POWER, INC. MINNESOTA 41-0418150  
(Exact name of registrant as (State or other jurisdiction of (I.R.S. Employer  
specified in its charter) incorporation or organization) Identification No.)

30 West Superior Street  
Duluth, Minnesota 55802-2093  
(218) 722-2641  
(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

David G. Gartzke Senior Vice President-Finance and Chief Financial Officer 30 West Superior Street Duluth, Minnesota 55802-2093 (218) 722-2641	Philip R. Halverson, Esq. Vice President, General Counsel and Secretary 30 West Superior Street Duluth, Minnesota 55802-2093 (218) 722-2641	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 the effective date of this registration statement as determined 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. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
-----	-----	-----
First Mortgage Bonds and Debt Securities	\$400,000,000	\$105,600
-----	-----	-----

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT 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.

-----  
The information in this prospectus is not complete and may be changed. Minnesota Power, Inc. 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.

SUBJECT TO COMPLETION, DATED JULY 20, 2000

PROSPECTUS

\$400,000,000

MINNESOTA POWER, INC.

FIRST MORTGAGE BONDS

AND

DEBT SECURITIES  
-----

Minnesota Power, Inc. intends to offer from time to time not to exceed \$400,000,000 aggregate principal amount of its first mortgage bonds and debt securities. The first mortgage bonds will be secured by a mortgage that constitutes a first mortgage lien on substantially all of the property of Minnesota Power, Inc. The debt securities will be unsecured and will consist of debentures, notes or other unsecured evidence of indebtedness. Minnesota Power, Inc. will refer to the first mortgage bonds and the debt securities in this prospectus collectively as the "Securities."

The Securities will be offered on terms to be decided at the time of sale. Minnesota Power, Inc. will provide specific terms of the Securities, including their offering prices, interest rates and maturities, in supplements to this prospectus. The supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any supplement carefully before you invest.

Minnesota Power, Inc. may offer these Securities directly or through underwriters, agents or dealers. The supplements to this prospectus will describe the terms of any particular plan of distribution, including any underwriting arrangements. The "Plan of Distribution" section on page 17 of this prospectus also provides more information on this topic.

Minnesota Power, Inc.'s principal executive offices are located at 30 West Superior Street, Duluth, Minnesota 55802-2093, telephone number (218) 722-2641.

-----

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.

----- , 2000  
-----

TABLE OF CONTENTS

WHERE YOU CAN FIND MORE INFORMATION.....1

INCORPORATION BY REFERENCE.....1

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM  
ACT OF 1995.....1

MINNESOTA POWER, INC.....3

USE OF PROCEEDS.....5

CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES.....5

DESCRIPTION OF FIRST MORTGAGE BONDS.....6

DESCRIPTION OF DEBT SECURITIES.....10

PLAN OF DISTRIBUTION.....17

EXPERTS.....18

LEGAL OPINIONS.....19

#### WHERE YOU CAN FIND MORE INFORMATION

Minnesota Power, Inc. ("Minnesota Power") files annual, quarterly and other reports and other information with the Securities and Exchange Commission ("SEC"). You can read and copy any information filed by Minnesota Power 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 Minnesota Power. Minnesota Power also maintains an Internet site (<http://www.mnpower.com>). Information contained on Minnesota Power's Internet site does not constitute part of this prospectus.

#### INCORPORATION BY REFERENCE

The SEC allows Minnesota Power to "incorporate by reference" the information that Minnesota Power files with the SEC, which means that Minnesota Power 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. Minnesota Power is incorporating by reference the documents listed below and any future filings Minnesota Power makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until Minnesota Power sells all of the Securities described in this prospectus. Information that Minnesota Power files in the future with the SEC will automatically update and supersede this information.

- (1) Minnesota Power's Annual Report on Form 10-K for the year ended December 31, 1999.
- (2) Minnesota Power's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.
- (3) Minnesota Power's Current Reports on Form 8-K filed with the SEC on June 20, 2000, June 28, 2000 and July 19, 2000.

You may request a copy of these documents, at no cost to you, by writing or calling Shareholder Services, Minnesota Power, Inc., 30 West Superior Street, Duluth, Minnesota 55802-2093, telephone number (218) 723-3974 or (800) 535-3056.

You should rely only on the information contained in, or incorporated by reference in, this prospectus and the prospectus supplement. Minnesota Power has not, and any underwriters, agents or dealers have not, authorized anyone else to provide you with different information. Minnesota Power is not, and any underwriters, agents or dealers are not, making an offer of these Securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus and the 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, Minnesota Power is hereby filing cautionary statements identifying important factors that could cause Minnesota Power'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 Minnesota Power 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 Minnesota Power and may cause actual results to differ materially from those contained in those forward-looking statements:

- o prevailing governmental policies and regulatory actions, including those of Congress, state legislatures, the Federal Energy Regulatory Commission, the Minnesota Public Utilities Commission, the Florida Public Service Commission, the North Carolina Utilities Commission and the Public Service Commission of Wisconsin, with respect to 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 present or prospective wholesale and retail competition (including but not limited to retail wheeling and 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 Minnesota Power.

Any forward-looking statement speaks only as of the date on which that statement is made, and Minnesota Power 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 business 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.

MINNESOTA POWER, INC.

Minnesota Power, a multi-services company incorporated under the laws of the State of Minnesota in 1906, has operations in four business segments:

- (1) Electric Services, which include electric and gas services, coal mining and telecommunications;
- (2) Automotive Services, which include a network of vehicle auctions, a finance company, an auto transport company, a vehicle remarketing company and a company that provides field information services;
- (3) Water Services, which include water and wastewater services; and
- (4) Investments, which include a securities portfolio, intermediate-term investments and real estate operations.

	YEAR ENDED DECEMBER 31,			(UNAUDITED) SIX MONTHS ENDED JUNE 30,	
	1997	1998	1999	1999	2000
BASIC AND DILUTED EARNINGS PER SHARE OF COMMON STOCK					
Before Capital Re and ACE Transactions	\$ 1.24	\$ 1.35	\$ 1.49	\$ 0.67	\$ 0.91
Capital Re and ACE Transactions (a).	-	-	(0.52)	(0.35)	0.44
Total.....	\$ 1.24	\$ 1.35	\$ 0.97	\$ 0.32	\$ 1.35
NET INCOME					
Electric Services.....	\$ 43.1	\$ 47.4	\$ 45.0	\$ 19.6	\$ 20.0
Automotive Services.....	14.0	25.5	39.9	21.6	26.6
Water Services.....	8.2	7.5	12.2	5.7	6.5
Investments.....	32.1	29.6	26.8	9.3	21.7
Corporate Charges.....	(19.8)	(21.5)	(19.7)	(9.3)	(10.6)
Net Income before Capital Re and ACE Transactions.....	77.6	88.5	104.2	46.9	64.2
Capital Re and ACE Transactions (a).	-	-	(36.2)	(24.1)	30.4
	\$ 77.6	\$ 88.5	\$ 68.0	\$ 22.8	\$ 94.6

(a) In May 2000 Minnesota Power 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 Minnesota Power 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, including a \$24.1 million, or \$0.35 per share charge in the second quarter.

ELECTRIC SERVICES

Electric Services generate, transmit, distribute and market electricity. In addition, Electric Services include coal mining, telecommunications, engineering, operating and maintenance services, and economic development projects in and near Minnesota Power's service area. As of June 30, 2000, Minnesota Power was supplying retail electric service to 130,000 customers in 153 cities, towns and communities, and outlying rural areas of northeastern Minnesota. Minnesota Power's wholly owned subsidiary, Superior Water, Light and Power Company, was providing 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 June 30, 2000.

BNI Coal, Ltd., another wholly owned subsidiary of Minnesota Power, 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 extending to 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 MW. Minnkota Power has an option to extend its coal supply agreement to 2042.

Other wholly owned subsidiaries of Minnesota Power within the Electric 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 capacity fiber optic based communication services to businesses and communities across Minnesota and in Wisconsin;
- o Rainy River Energy Corporation, which holds ownership and power purchase positions in merchant generation, as well as provides engineering, operating and maintenance services to new and existing generating facilities; and
- o Upper Minnesota Properties, Inc., which has invested in affordable housing projects located in Minnesota Power's service territory.

Minnesota Power has large power contracts to sell power to eleven industrial customers (five taconite producers, four paper and pulp mills, and two pipeline companies) 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 includes several subsidiaries which are integral parts of the vehicle redistribution business. ADESA Corporation, a wholly owned subsidiary of Minnesota Power, is the second largest vehicle auction network in North America. Headquartered in Indianapolis, Indiana, ADESA owns, or leases, and operates 45 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.

Other subsidiaries of Minnesota Power within the Automotive Services business segment include:

- o Automotive Finance Corporation, which provides inventory financing for wholesale and retail automobile dealers who purchase vehicles from ADESA auctions, independent auctions, other auction chains and other outside sources;
- o Great Rigs Incorporated, which is one of the nation's largest used automobile transport carriers with over 150 automotive carriers, the majority of which are leased;
- o PAR, Inc., which provides customized remarketing services to various fleet operations; and
- o AutoVIN, Inc., 90 percent owned, which provides professional field information service to the automotive industry, including vehicle condition reporting, inventory verification auditing, program compliance auditing and facility inspection.

#### WATER SERVICES

Water Services include Florida Water Services Corporation, Heater Utilities, Inc., Instrumentation Services, Inc., Vibration Correction Services, Inc., and Americas' Water Service Corporation, each a wholly owned subsidiary of Minnesota Power. Florida Water, the largest investor owned water supplier in Florida, owns and operates water and wastewater treatment facilities within that state. As of June 30, 2000, Florida Water served 148,000 water customers and

72,000 wastewater customers, and maintained 151 water and wastewater facilities throughout Florida. As of June 30, 2000, Heater Utilities, which provides water and wastewater treatment services in North Carolina, served 43,000 water customers and 5,000 wastewater treatment customers. Instrumentation Services and Vibration Correction Services provide predictive maintenance and instrumentation consulting services to water and wastewater utilities throughout the southeastern part of the United States as well as Texas and Minnesota. Americas' Water Service offers contract management, operations and maintenance services for water and wastewater treatment facilities to governments and industries.

#### INVESTMENTS

Investments consist of an actively traded securities portfolio, intermediate-term investments and real estate operations. As of June 30, 2000, Minnesota Power had approximately \$113.7 million invested in a trading and available-for-sale securities portfolio. Since 1985 Minnesota Power has invested \$27.9 million in venture capital funds that seek long-term capital appreciation by making investments in companies developing advanced technologies to be used by the electric utility industry. In addition, through subsidiaries, Minnesota Power owns Cape Coral Holdings, Inc. and 80 percent of Lehigh Acquisition Corporation, real estate companies that own various real estate properties and operations in Florida.

#### USE OF PROCEEDS

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

#### CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

Minnesota Power has calculated ratios of earnings to fixed charges as follows:

YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED
1995	1996	1997	1998	1999	JUNE 30, 2000
1.90	2.12	2.46	2.65	2.76	4.89

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

YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED
1995	1996	1997	1998	1999	JUNE 30, 2000
1.73	1.93	2.26	2.39	2.45	4.28

The supplemental ratio of earnings to fixed charges includes Minnesota Power's obligation under a contract with Square Butte which extends through 2027, pursuant to which Minnesota Power is entitled to approximately 71 percent of the output of a 455-megawatt coal-fired generating unit. Minnesota Power is obligated to pay its pro rata share of Square Butte's costs based on output entitlement from the unit. 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 under a long-term contract.

#### DESCRIPTION OF FIRST MORTGAGE BONDS

General. The first mortgage bonds are to be issued under Minnesota Power'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 ("Mortgage Trustee" or "Mortgage Trustees"), as supplemented by twenty supplemental indentures (herein collectively referred to as the "Mortgage"), all of which are exhibits to the registration statement. The statements herein with respect to the first mortgage bonds offered by this prospectus and the Mortgage are merely an outline and do not purport to be complete. They make use of terms defined in the Mortgage and are qualified in their entirety by express reference to the cited articles and sections of the Mortgage. 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.

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 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 Minnesota Power upon 30 days notice at predetermined prices. If the First Mortgage Bonds are redeemable, Minnesota Power 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.)

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, Minnesota Power (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 General Counsel for Minnesota Power, a first lien on all of the electric generating plants and other materially important physical properties of Minnesota Power and substantially all other properties described in the Mortgage as owned by Minnesota Power, subject to

- o leases of minor portions of Minnesota Power's property to others for uses which, in the opinion of such counsel, do not interfere with Minnesota Power's business,
- o leases of certain property of Minnesota Power not used in its electric utility business, and
- o excepted encumbrances, minor defects and irregularities,

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 Minnesota Power after the date of the Mortgage, other than the excepted property, subject to pre-existing liens. However, if Minnesota Power 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 Minnesota Power 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 2 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 June 30, 2000, unfunded net property additions of approximately \$77 million.

Minnesota Power 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 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. Minnesota Power 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 Minnesota Power, including current net income available to be transferred to earned surplus, remaining:
  - (1) after such payment, distribution or acquisition; and
  - (2) after deducting any remainder of the amount of earned surplus of Minnesota Power 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 2 percent of net additions to depreciable mortgaged property made after June 30, 1945 through that calendar year. (See Mortgage, Section 39.) None of Minnesota Power's retained earnings as of June 30, 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 70 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 70 percent of the First Mortgage Bonds of each series affected. Minnesota Power has reserved the right without any consent or other action by the holders of any series of First Mortgage Bonds, including the holders of First Mortgage Bonds offered by this prospectus, to amend the Mortgage so as to substitute 66-2/3 percent for 70 percent in the foregoing provisions. In general, no modification of the terms of payment of principal and interest, no modification of the obligations of Minnesota Power 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; Fifth 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, Minnesota Power is required to provide to the Mortgage Trustees an annual statement by an appropriate officer as to Minnesota Power'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 Trustees to act and offered them reasonable opportunity to act and indemnify

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.)

#### DESCRIPTION OF DEBT SECURITIES

General. The following description sets forth certain general terms and provisions of Minnesota Power's unsecured debt securities that Minnesota Power may offer by this prospectus ("Debt Security" or "Debt Securities"). Minnesota Power 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 Minnesota Power's direct unsecured general obligations. The Debt Securities will be senior debt securities. Minnesota Power may issue the Debt Securities from time to time in one or more series. Minnesota Power will issue the Debt Securities under one or more separate Indentures ("Indenture") between Minnesota Power and a trustee ("Indenture Trustee") to be specified in the prospectus supplement.

The following descriptions of the Debt Securities and the Indenture are summaries and are qualified by reference to the Indenture. The form of 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," such provisions or defined terms are incorporated by reference herein. The 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 Debt Securities.

The Debt Securities will rank equally with all of Minnesota Power's other senior, unsecured and unsubordinated debt.

The prospectus supplement 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 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 Minnesota Power and any restrictions on such redemptions;
- o any sinking fund or other provisions or options held by holders of Debt Securities that would obligate Minnesota Power 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 Minnesota Power under the Indenture;
- o if the Debt Securities will be issued in denominations other than \$1,000;
- 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 Minnesota Power 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 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 Minnesota Power.

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 Debt Securities protection in the event of a highly-leveraged or similar transaction involving Minnesota Power or in the event of a change in control.

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 Minnesota Power 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, in The City of New York, as Paying Agent for Minnesota Power. Minnesota Power may change the place of payment on the Debt Securities, may appoint one or more additional Paying Agents, including Minnesota Power, and may remove any Paying Agent, all at the discretion of Minnesota Power. (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 in The City of New York.



Minnesota Power 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, Minnesota Power may require payment to cover any tax or other governmental charge that may be imposed. Minnesota Power will not be required to execute or to provide for the registration of transfer of, or the exchange of, (a) any Debt Security during a period of 15 days prior to giving any notice of redemption or (b) 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.** Minnesota Power 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 maturity, stated maturity date, or redemption. (See Indenture, Section 701.)

The Indenture will be deemed satisfied and discharged when no Debt Securities remain outstanding and when Minnesota Power has paid all other sums payable by Minnesota Power under the Indenture. (See Indenture, Section 702.)

All moneys Minnesota Power pays to the Indenture Trustee or any Paying Agent on 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 Minnesota Power. Thereafter, the holder of such Debt Security may look only to Minnesota Power for payment thereof. (See Indenture, Section 603.)

**Limitation on Liens.** Unless otherwise specified in a prospectus supplement with respect to a particular series of Debt Securities, Minnesota Power will not create or allow any liens, other than permitted liens, to be created on any of its property, 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 Minnesota Power'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; and
- o any other liens in an aggregate amount not exceeding 2.5 percent of Minnesota Power's consolidated assets.

The term excepted property includes, among others:

- o cash, shares of stock, interests in partnerships, bonds, notes, evidence of indebtedness and other securities, including investments in its subsidiaries;
- 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.

(See Indenture, Section 608.)

Consolidation, Merger, and Sale of Assets. Under the terms of the Indenture, Minnesota Power 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 Minnesota Power's obligations on all Debt Securities and under the Indenture;
- o immediately after giving effect to the 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
- o Minnesota Power shall have delivered to the Indenture Trustee an officer's certificate and an opinion of counsel as to compliance with the foregoing.

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

Events of Default. "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 Minnesota Power receives written notice from the Indenture Trustee, or Minnesota Power 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 Minnesota Power is diligently pursuing action to correct the default;
- o certain events in bankruptcy, insolvency or reorganization of Minnesota Power; or
- o any other event of default included in any supplemental indenture or officer's certificate for a specific 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 for a particular series of Debt Securities does not necessarily constitute an Event of Default for any other series of Debt Securities issued under the Indenture.

#### Remedies

Acceleration of Maturity. If an Event of Default 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 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 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 Minnesota Power has paid or deposited with the Indenture Trustee a sum sufficient to pay:
  - (1) all overdue interest, if any, on all Debt Securities of the series;
  - (2) 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;
  - (3) interest, if any, on overdue interest; and
  - (4) all amounts due to the Indenture Trustee under the Indenture; or
- o any other Event of Default 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 Minnesota Power. (See Indenture, Section 802.)

Right to Direct Proceedings. Other than its duties in case of an Event of Default, 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 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. (See Indenture, Section 812). The Indenture Trustee is not obligated to comply with directions that conflict with law or other provisions of the Indenture.

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;
- 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 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. Minnesota Power will provide to the Indenture Trustee an annual statement by an appropriate officer as to Minnesota Power's compliance with all conditions and covenants under the Indenture. (See Indenture, Section 606.)

Modification and Waiver. Minnesota Power 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 Minnesota Power in the Indenture and in the Debt Securities;
- o to add additional covenants of Minnesota Power or to surrender any right or power of Minnesota Power under the Indenture;
- o to add additional Events of Default;
- o to change, eliminate, or add any provision to the Indenture; provided, however, if the change, elimination, or addition will adversely affect 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, in any material respect, such change, elimination, or addition will become effective only as to such series:
  - (1) when the consent of the holders of Debt Securities of such series has been obtained in accordance with the Indenture; or
  - (2) 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 Minnesota Power may be served; or
- o to cure any ambiguity or inconsistency or to make any other provisions with respect to matters and questions arising under the Indenture; provided that such action 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 Minnesota Power 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. Minnesota Power 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 thereby.

A supplemental indenture which 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 Minnesota Power 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.)

Minnesota Power 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 Minnesota Power 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 Securities 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 Minnesota Power 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 Minnesota Power 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 Minnesota Power. 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 or event which, after notice or lapse of time, or both, would become an Event of Default has occurred and is continuing and except with respect to the Indenture Trustee appointed by act of the holders, if Minnesota Power 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 respective 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 such 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. Minnesota Power, the Indenture Trustee, and any agent of Minnesota Power 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. Each 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.)

Regarding the Indenture Trustee. The Indenture Trustee will be specified in the prospectus supplement. In addition to acting as Indenture Trustee, the Indenture Trustee may act as trustee under various indentures and trusts of Minnesota Power and its affiliates.

#### PLAN OF DISTRIBUTION

Minnesota Power 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 Minnesota Power uses 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 series of 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 Minnesota Power uses a dealer in the sale, Minnesota Power 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. Minnesota Power 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. Minnesota Power may sell the Securities directly to one or more purchasers. In this case, no underwriters 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 Minnesota Power from the sale of the Securities, any initial public offering price and other terms of the offering of the Securities.

Minnesota Power may authorize agents, underwriters or dealers to solicit offers by certain institutions to purchase the Securities from Minnesota Power 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.

Minnesota Power 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 Minnesota Power's Annual Report on Form 10-K for the year ended December 31, 1999 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" 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 Minnesota Power, and are set forth or incorporated by reference herein in reliance upon his opinion given upon his authority as an expert.

As of July 1, 2000, Mr. Halverson owned 21,978 shares of common stock of Minnesota Power. Mr. Halverson is acquiring additional shares of Minnesota Power 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 38,467 shares of Minnesota Power common stock, of which 24,652 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 874 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 Minnesota Power for the period January 1, 2000 through December 31, 2001.



LEGAL OPINIONS

The legality of the Securities will be passed upon for Minnesota Power by Mr. Halverson and by Thelen Reid & Priest LLP, New York, New York, counsel for Minnesota Power, and for any underwriter, dealer or agent by Morrison Cohen Singer & Weinstein, LLP, New York, New York. Thelen Reid & Priest LLP and Morrison Cohen Singer & Weinstein, LLP may rely as to all matters of Minnesota law upon the opinion of Mr. Halverson.

-----

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT. MINNESOTA POWER HAS NOT AUTHORIZED ANYONE ELSE TO PROVIDE YOU WITH DIFFERENT INFORMATION. MINNESOTA POWER 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.....	\$ 105,600
Minnesota Mortgage Registration Tax.....	920,000*
Legal and Accounting Fees.....	200,000*
Printing (Form S-3, prospectus, prospectus supplement, etc.)...	25,000*
Fees of the Trustees.....	30,000*
Rating agencies' fees.....	100,000*
Miscellaneous.....	29,400*
	-----
Total.....	\$1,410,000*
	=====

\* 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 Minnesota Power 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 effect 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 Minnesota Power 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."

Minnesota Power 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 Minnesota Power against certain other liabilities and expenses.

ITEM 16. EXHIBITS.

Exhibit Number	Description of Exhibit
-----	-----
1	- Form of Underwriting Agreement.
*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	- Certificate Fixing Terms of Serial Preferred Stock A, \$7.125 Series (filed as Exhibit 3(a)2, File No. 33-50143).
*4(a)3	- Certificate Fixing Terms of Serial Preferred Stock A, \$6.70 Series (filed as Exhibit 3(a)3, File No. 33-50143).
*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.) 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 Mortgage and Deed of Trust:

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)
Eighth	September 1, 1977	2-59690	2(c)

Number	Dated as of	Reference File	Exhibit
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

4(c)3 - Form of Supplemental Indenture relating to the First Mortgage Bonds.

4(d)1 - Form of Indenture (For Unsecured Debt Securities).

4(d)2 - 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	January 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

\*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 8.05% Cumulative Quarterly Income Preferred Securities, between Minnesota Power & Light Company (now Minnesota Power, Inc.), 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).

- \*4(h) - Indenture, dated as of March 1, 1996, relating to Minnesota Power's 8.05% Junior Subordinated Debentures, Series A, Due 2015, between Minnesota Power & Light Company (now Minnesota Power, Inc.) 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) - Guarantee Agreement, dated as of March 1, 1996, relating to MP&L Capital I's 8.05% Cumulative Quarterly Income Preferred Securities, between Minnesota Power & Light Company (now Minnesota Power, Inc.), 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(j) - Agreement as to Expenses and Liabilities, dated as of March 20, 1996, relating to MP&L Capital I's 8.05% Cumulative Quarterly Income Preferred Securities, between Minnesota Power & Light Company (now Minnesota Power, Inc.) and MP&L Capital I (filed as Exhibit 4(e) to the March 31, 1996 Form 10-Q, File No. 1-3548).
- \*4(k) - 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 (filed as Exhibit 4(i) to the 1996 Form 10-K, File No. 1-3548).
- \*4(l) - Rights Agreement dated as of July 24, 1996, between Minnesota Power & Light Company (now Minnesota Power, Inc.) and the Corporate Secretary of Minnesota Power & Light Company (now Minnesota Power, Inc.), 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) - Guarantee of Minnesota Power & Light Company (now Minnesota Power, Inc.), 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(o) - 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(p) - Guarantee of Minnesota Power, Inc., 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(q) - 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).
- 5(a) - Opinion and Consent of Philip R. Halverson, Esq., Vice President, General Counsel and Secretary of Minnesota Power, Inc.
- 5(b) - Opinion and Consent of Thelen Reid & Priest LLP.

- 12 - Computation of Ratios of Earnings to Fixed Charges and Supplemental Ratios of Earnings to Fixed Charges.
- 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)).
- 24 - Powers of Attorney (included on the signature pages of this registration statement).
- 25(a) - Statement of Eligibility on Form T-1 of The Bank of New York (as Mortgage Trustee).
- 25(b) - Statement of Eligibility on Form T-2 of Douglas J. MacInnes (as Mortgage Trustee).
- \*\*25(c) - Statement of Eligibility on Form T-1 of Indenture Trustee.

\* Incorporated herein by reference as indicated.

\*\* To be filed by amendment or pursuant to Trust Indenture Act Section 305(b)(2).

#### ITEM 17. UNDERTAKINGS.

a. The undersigned registrant hereby undertakes:

(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 registrant 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 the registrant'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 registrant pursuant to the provisions described under Item 15 above, or otherwise, the registrant has 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 registrant of expenses incurred or paid by a director, officer or controlling person of the 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 registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it 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 the registrant 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, the registrant 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 July 20, 2000.

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)	July 20, 2000
/s/ David G. Gartzke ----- David G. Gartzke	Senior Vice President-- Finance and Chief Financial Officer (Principal Financial Officer)	July 20, 2000
/s/ Mark A. Schober ----- Mark A. Schober	Controller (Principal Accounting Officer)	July 20, 2000



/s/ Kathleen A. Brekken ----- Kathleen A. Brekken	Director	July 20, 2000
/s/ Merrill K. Cragun ----- Merrill K. Cragun	Director	July 20, 2000
/s/ Dennis E. Evans ----- Dennis E. Evans	Director	July 20, 2000
----- Glenda E. Hood	Director	
/s/ Peter J. Johnson ----- Peter J. Johnson	Director	July 20, 2000
/s/ George L. Mayer ----- George L. Mayer	Director	July 20, 2000
/s/ Jack I. Rajala ----- Jack I. Rajala	Director	July 20, 2000
/s/ Arend J. Sandbulte ----- Arend J. Sandbulte	Director	July 20, 2000
/s/ Nick Smith ----- Nick Smith	Director	July 20, 2000
/s/ Bruce W. Stender ----- Bruce W. Stender	Director	July 20, 2000
/s/ Donald C. Wegmiller ----- Donald C. Wegmiller	Director	July 20, 2000

## EXHIBIT INDEX

- 1 Form of Underwriting Agreement.
- 4(c)3 Form of Supplemental Indenture relating to the First Mortgage Bonds.
- 4(d)1 Form of Indenture (For Unsecured Debt Securities).
- 4(d)2 Form of Officer's Certificate relating to Debt Securities, with form of Debt Security attached.
- 5(a) Opinion and Consent of Philip R. Halverson, Esq., Vice President, General Counsel and Secretary of Minnesota Power, Inc.
- 5(b) Opinion and Consent of Thelen Reid & Priest LLP.
- 12 Computation of Ratios of Earnings to Fixed Charges and Supplemental Ratios of Earnings to Fixed Charges.
- 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)).
- 24 Powers of Attorney (included on the signature pages of this registration statement).
- 25(a) Statement of Eligibility on Form T-1 of The Bank of New York (as Mortgage Trustee).
- 25(b) Statement of Eligibility on Form T-2 of Douglas J. MacInnes (as Mortgage Trustee).

MINNESOTA POWER, INC.  
UNDERWRITING AGREEMENT

[ \_\_\_\_\_, 200 ]  
-----  
New York, New York

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

Dear Sirs:

Minnesota Power, Inc., a corporation incorporated under the laws of Minnesota (the "Company"), proposes to issue and sell to you (the "Underwriter"), [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")]. [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 \_\_\_\_\_, 200 , between the Company and The Bank of New York, as trustee (the "Indenture Trustee"), said Indenture, together with any amendments or supplements thereto, are hereinafter referred to as the "Indenture."]

1. Sale and Purchase. The Company agrees to issue and sell to the

-----  
Underwriter, and the Underwriter agrees to purchase from the Company, its Securities as specified in Schedule I hereto. The obligations of the Company and the Underwriter 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

-----  
Underwriter, and payment of the purchase price by wire transfer in Federal funds, to the Company, will take place 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 Underwriter (the "Closing Date"). The 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 account specified by the Underwriter not later than the close of business on the business day preceding the Closing Date] [to the Underwriter in definitive

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

fully-registered form without coupons, registered in such names and in such denominations as the Underwriter requests 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 Underwriter in such denominations as the Company may determine. The Securities will be made available to the Underwriter for checking and packaging at least one full business day before the Closing Date].

3. Registration Statement and Prospectus; Public Offering. The Company

-----  
has filed with the Securities and Exchange Commission (the "Commission"), pursuant to the provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the published rules and regulations adopted by the Commission under it (the "Rules and Regulations"), a registration statement on Form S-3, including a prospectus ("Registration Statement No. 333-[ ]"),

-----  
relating to the registration of \$ ,000,000 principal amount of its First

-----  
Mortgage Bonds and Debt Securities, and such registration statement was declared effective on [ , 2000]. 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 the Registration Statement. Copies of such registration statement and any amendments thereto and of each preliminary prospectus included as part of Registration Statement No. 333-[ ] have been delivered to the Underwriter. Registration Statement No. 333-[ ], as it may be amended to the date of this Agreement, including financial statements and all exhibits, and the prospectus, as supplemented by a prospectus supplement relating to the Securities, proposed to be filed pursuant to Rule 424 is hereinafter respectively called the "Registration Statement" and the "Prospectus." References herein to the term "Effective Date" shall be deemed to refer to the later of the time and date the Registration Statement was declared effective or the time and date of the filing of the Company's most recent Annual Report on Form 10-K if such filing is made prior to the Closing Date. Any reference herein to the Registration Statement, any preliminary prospectus or the Prospectus includes the documents incorporated by reference (the "Incorporated Documents") therein pursuant to Item 12 of Form S-3 under the Securities Act and filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on or before the Effective Date or date of such preliminary prospectus or the Prospectus, as the case may be, 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 Underwriter proposes to make a public offering of the Securities, as described in the Prospectus, as soon after the date of this Agreement as the Underwriter deems advisable. The Company confirms that the Underwriter 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

-----  
Underwriter 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, and at the Closing Date, the Prospectus, as each may be amended or supplemented, and the [1 Mortgage] [2 Indenture] 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 said Effective Date and 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 said 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; except that this representation does not apply to (1) statements or omissions made in reliance on and in conformity with information relating to the Underwriter furnished in writing to the Company by the 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, of The Bank of New York and Douglas J. MacInnes, as Trustees, with respect to the Mortgage, or the portion of the Registration Statement constituting the Statement of Eligibility, or amendments thereto, of [ \_\_\_\_\_ ], with respect to the Indenture, under the Trust Indenture Act

-----  
except statements or omissions made in reliance on and in conformity with information furnished in writing to the Trustee 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 Underwriter furnished in writing to the Company specifically for inclusion in any preliminary prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus.

(c) The Company and its Material Subsidiaries (as defined below) have good and sufficient title to all real material 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 and its Material Subsidiaries (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).

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

(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.

(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 in the management, business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, and there has not been any material 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 and is a valid and binding agreement of the Company enforceable against it in accordance with its terms.

(h) The performance of this Agreement and the consummation of the transactions contemplated hereby this Agreement and the fulfillment of its terms will not result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, or other material agreement or instrument to which the Company is now a party.

(i) 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"] 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) The Securities, when issued and delivered as provided in this Agreement, will constitute legal, valid and binding obligations of the Company in accordance with their terms except as the same (1) may be subject to

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

bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the enforcement of creditors' rights and (2) may be limited by general principles of equity (whether such enforceability is considered in a proceeding in equity or in law).

(k) 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.

(l) 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. 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.

(m) 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.

(n) 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 management, 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 Underwriter a reasonable time before its filing and the Underwriter has not reasonably objected to it in writing within a reasonable time after receiving the copy.

(b) The Company will promptly advise the Underwriter (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 the Underwriter without charge one signed copy, or one conformed copy certified by an officer of the Company, of each of the Registration Statement and of any amendments thereto (including all exhibits filed with any such document) and as many conformed copies of the Registration Statement as the Underwriter may reasonably request.

(d) During such period as a prospectus is required by law to be delivered by the Underwriter or a dealer, the Company will deliver, without charge, to the Underwriter and to dealers, at such office or offices as the Underwriter may designate, as many copies of the Prospectus as the Underwriter may reasonably request, and, during such period (not exceeding nine months) 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 Underwriter, file, subject to paragraph (a) of this Section, with the Commission and deliver, without charge, to the Underwriter and to dealers (whose names and addresses the Underwriter will furnish to the Company) to whom Securities may have been sold by the Underwriter, 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; provided that should such event relate solely to the activities of the Underwriter, then the Underwriter shall assume the expense of preparing and furnishing any such amendment or supplement. In case the Underwriter is required to deliver a Prospectus after the expiration of nine months from the Effective Date, the Company, upon the request of the Underwriter, will furnish to the Underwriter, at the expense of the Underwriter, a reasonable quantity of an amendment or supplement complying with Section 10(a) of the Securities Act. Delivery by the Underwriter of any such amendments or supplements to the Prospectus will not constitute a waiver of any of the conditions in Section 6.

(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 Underwriter reasonably designates in order to qualify the Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions as the Underwriter reasonably designates.

(g) The Company will pay, or reimburse if paid by the Underwriter, 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, except as provided in Section 5(d), [5the 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 Underwriter, (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 Underwriter (not to exceed \$ ) in that

connection, and the preparation and printing of preliminary and supplemental "blue sky" memoranda and legal investment memoranda, (iv) except as provided in Section 5(d), the furnishing (including costs of shipping and mailing) to the Underwriter 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 Underwriter, and (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.

6. Conditions of the Underwriter's Obligation. The obligation of the

Underwriter 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 Underwriter or its 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 in the management, business, properties, financial condition, or results of operations of the Company and its subsidiaries, taken as a whole, other than transactions in the ordinary course of business and transactions set forth in or contemplated by the Prospectus, and (iii) there must not have occurred any event that makes untrue

1 For use in connection with First Mortgage Bond.  
2 For use in connection with Debt Securities.

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 Underwriter, any such development referred to in clause (i), (ii) or (iii) makes it impracticable to consummate the sale and delivery of the Bonds by the Underwriter at the initial public offering price.

(d) The Underwriter 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) there has not been any material adverse change in the management, business, properties, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, other than transactions in the ordinary course of business and transactions set forth in or contemplated in the Prospectus, (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 decreases in the rating of the Company's Securities by Moody's Investors Service, Inc. or Standard & Poor's Rating Services.

(f) The Underwriter must receive on the Closing Date opinions dated the Closing Date substantially in the form of Annex 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 Underwriter must receive on the Closing Date from Morrison Cohen Singer & Weinstein, LLP, its counsel, an opinion dated the Closing Date with respect to the Company, the Securities, the Registration Statement, the Prospectus, the [1[ ] Supplemental Indenture] [2 ], 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 Underwriter. 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 Underwriter 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, (ii) in their opinion, the consolidated financial statements audited

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

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 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, the latest available unaudited consolidated financial data of the Company 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 Underwriter's 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 (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 or long-term debt of the Company and its subsidiaries, or any decrease in the Company's consolidated net current assets or shareholders' equity, 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 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 average share amounts of net income, except in all instances for decreases which the Prospectus, as amended or supplemented, discloses have occurred or may occur, or which are disclosed in such letter, and (4) 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 Underwriter 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 Underwriter.

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

-----  
the Underwriter, the directors, officers, employees and agents of the Underwriter, and each person, if any, who controls the 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, 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 Underwriter and is based on an untrue statement or omission or alleged untrue statement or omission (1) made in reliance on and in conformity with information furnished in writing to the Company by the Underwriter expressly for use in the Registration Statement or the Prospectus or (2) in a preliminary prospectus if the Prospectus corrects the untrue statement or omission or alleged untrue statement or omission which is the basis of the loss, claim, damage or liability for which indemnification is sought and a copy of the Prospectus was not sent or given to such person at or before the confirmation of the sale to such person in any case where such delivery is required by the Securities Act, unless such failure to deliver the Prospectus was a result of noncompliance by the Company with Section 5(d). This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(b) The Underwriter 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 Underwriter, 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 Underwriter expressly for use in the Registration Statement or the Prospectus, as set forth in the last sentence of Section 4(b). This indemnity agreement will be in addition to any liability that the Underwriter 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 been advised by such counsel employed by it that there may be legal defenses available to it involving potential conflict with the interests of an indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (iii) 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. 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 Underwriter, the Company and the Underwriter 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 Underwriter 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 Underwriter on the other, (ii) the relative fault of the Company, on the one hand, and the Underwriter, 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 Underwriter 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 Underwriter, 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 Underwriter 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 Underwriter shall not be required to contribute any amount in excess of the underwriting discounts received by it, 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 Underwriter 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 Underwriter expressly for use in the Registration Statement, any preliminary prospectus or preliminary prospectus supplement or the Prospectus, as set forth in the last sentence of Section 4(b), the Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which the Underwriter has 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. This Agreement may be terminated by the Underwriter by  
-----  
notifying the Company at any time

(a) on or before the Closing Date if, in the judgment of the Underwriter, payment for the delivery of the Securities is rendered impracticable or inadvisable because (1) trading in the equity securities of the Company is suspended by the Commission or by the New York Stock Exchange, (2) additional material governmental restrictions, not in force on the date of this Agreement, are imposed upon trading in securities generally or minimum or maximum prices have been generally established on the New York Stock Exchange or on the American Stock Exchange, or trading in securities generally has been suspended or limited on either such Exchange or a general banking moratorium has been established by Federal or New York authorities, or (3) any outbreak or material escalation of hostilities or other calamity or crisis occurs the effect of which is such as to make it impracticable to market the Securities, or

(b) at or before the Closing Date, 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 Underwriter and the Underwriter will not be under any liability to the Company, except that (A) if this Agreement is terminated by the Underwriter 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 Underwriter 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, and (B) if the Underwriter fails or refuses to purchase the Securities agreed to be purchased by it under this Agreement, without some reason sufficient to justify cancellation or termination of its obligations under this Agreement, it will not be relieved of liability to the Company for damages occasioned by its default.

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

10. Miscellaneous. The reimbursement, indemnification and contribution

-----

agreements in Sections 5, 7, 8 and 9 and the representations and agreements of the Company and the Underwriter 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 Underwriter, the Company, or any controlling person and delivery and acceptance of and payment for the Securities.

This Agreement is for the benefit of the Underwriter, the Company, and their successors and assigns, and, to the extent expressed in this Agreement, for the benefit of persons controlling the Underwriter or the Company, directors and officers of the Company and directors, officers, employees and agents of the Underwriter, 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 Underwriter 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 Underwriter 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.

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,  
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 Minnesota Power, Inc. ("Company") of  
[\$ \_\_\_\_\_ ] principal amount of its [1 First Mortgage Bonds, % Series Due  
-----  
[ \_\_\_\_\_ , 20 ] (the "Bonds" or the "Securities")) [2 % Debt Securities,  
-----  
Series Due [ \_\_\_\_\_ , 20 ] (the "Debt Securities" 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 [ \_\_\_\_\_ , 200 ] to The Bank of New York, as Trustee, as

-----  
]. 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 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 the authorization of the [1 Mortgage] [2 Indenture] and the issuance  
and sale of the Securities thereunder.

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

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

1. 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 mortgage of the Company enforceable in accordance with its terms, except as limited or affected by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting enforcement of [1mortgagees' and] other creditors' rights and remedies generally and general principles of equity.

2. The Securities are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited or affected by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting enforcement of mortgagees' and other creditors' rights and remedies generally [2 and are entitled to the benefit of the security afforded by the Mortgage].

3. 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.

4. The Registration Statement and the Prospectus (except as to the financial statements, statement of income 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 have each become, and at the date hereof each of 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.

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

6. 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"] constitute a summary of the securities, documents and instruments therein described, are accurate and fairly present the information contained therein in all material respects.

7. The Agreement has been duly and validly authorized, executed and delivered by the Company and is a valid and legally binding obligation of the Company.

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

- - - - -

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

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 6 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, statement of income 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, franchises [1 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

- - - - -

1 For use in connection with First Mortgage Bond.

FORM OF OPINION OF  
PHILIP R. HALVERSON, ESQ.  
VICE PRESIDENT, GENERAL COUNSEL  
AND SECRETARY OF  
MINNESOTA POWER, INC.

[ \_\_\_\_\_ , 200 ]  
-----

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

Dear Sirs:

Reference is made to the sale by Minnesota Power, Inc. ("Company") of  
[\$ \_\_\_\_\_ ] principal amount of its [1 First Mortgage Bonds, [ \_\_\_\_ %] Series Due  
[ \_\_\_\_\_ , 20 \_\_\_\_ ] (the "Bonds" or the "Securities")) [2 \_\_\_\_ % Debt Securities,  
Series Due [ \_\_\_\_\_ , 20 \_\_\_\_ ] (the "Debt Securities" 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 [ \_\_\_\_\_ , 200 \_\_\_\_ ] to

The Bank of New York, as Trustee, as \_\_\_\_\_ ].

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 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.

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

I have reviewed all corporate proceedings taken by the Company in respect of the authorization of the [1 Mortgage] [2 Indenture] and the issuance and sale of the Securities thereunder.

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. The [1 Mortgage] [2 Indenture] has been duly and validly authorized by all necessary corporate action, has been validly executed and delivered, and is a valid and binding mortgage of the Company enforceable in accordance with its terms, except as limited or affected by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting enforcement of [1 mortgagees' and other] creditors' rights and remedies generally and general principles of equity.

2. The Securities are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited or affected by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting enforcement of mortgagees' and other creditors' rights and remedies generally and general principles of equity [1 and are entitled to the benefit of the security afforded by the Mortgage].

3. 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.

4. The Registration Statement and the Prospectus (except as to the financial statements, statement of income 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 have each become, and at the date hereof each of 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.

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

6. 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"] constitute a summary of the securities, documents and instruments therein described, are accurate and fairly present the information contained therein in all material respects.

7. The Agreement has been duly and validly authorized, executed and delivered by the Company and is a valid and legally binding obligation of the Company.

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

8. 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.

9. 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.

10. 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.

11. [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 the Mortgage 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.]

12. Other than as stated in the Registration Statement and the Prospectus there are no pending legal proceedings to which the Company or any Material Subsidiary is a party or of which property of the Company or any Material Subsidiary is the subject, which depart from the ordinary routine litigation incident to the kind of business conducted by the Company or any such

- - - - -  
1 For use in connection with First Mortgage Bond.

Material 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.

13. 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.

14. Neither the execution by the Company of the [1[ \_\_\_\_\_ ]  
Supplemental Indenture nor the issue and sale by the Company of the Bonds]  
[2 \_\_\_\_\_ ]  
Debt Securities] 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.

15. 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 6 and 13 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, statement of income or other financial or statistical data included in the Registration Statement or in the Prospectus.

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



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

B-5

MINNESOTA POWER, INC.  
(FORMERLY MINNESOTA POWER & LIGHT COMPANY)

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. (formerly Minnesota Power & Light Company), 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 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

\*

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	DATE	RECORDER DOC. NO.	DATE	REGISTRAR OF TITLES DOC. NO.
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Aitkin.....				
Benton.....				
Carlton.....				
Cass.....				
Crow Wing.....				
Hubbard.....				
Itasca.....				
Koochiching.....				
Lake.....				
Morrison.....				
Otter Tail.....				
Pine.....				
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
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

SERIES -----	PRINCIPAL AMOUNT ISSUED -----	PRINCIPAL AMOUNT OUTSTANDING -----
7-3/8% Series due March 1, 1997.....	60,000,000	None
7-3/4% Series due June 1, 2007.....	55,000,000	55,000,000
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

\*

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

-----  
 \* Here will be inserted additional executed Supplemental Indentures.

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

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 ensembling 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]\*,

\* 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.

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 \$ \_\_\_\_\_.

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.

-----

\*\* 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.

AMENDMENT TO THE MORTGAGE  
MEETINGS AND CONSENTS OF BONDHOLDERS

SECTION . Pursuant to the reservation of right in Section 3 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, by substituting for Article XIX (relating to Meetings and Consents of Bondholders) a new Article XIX to read as set forth in Section 3 of such Fifth Supplemental Indenture.]\*

AMENDMENT TO THE MORTGAGE  
NUCLEAR FUEL

SECTION . 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 III  
MISCELLANEOUS PROVISIONS

SECTION 3. Section 126 of the Mortgage, as heretofore amended, is hereby further amended by adding the words "and \_\_\_\_\_, \*\*\* after the words "and \_\_\_\_\_."\*\*\*

SECTION 4. 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 5. 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 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

\* 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.

such consent shall be valid or effective for more than 90 days after such record date.

SECTION 6. 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 7. 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 8. 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 9. 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 10. 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. 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.

By

-----  
[Name]  
[Title]

Attest:

-----  
[Name]  
[Title]

Executed, sealed and delivered by MINNESOTA POWER, INC.  
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. 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., 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.,

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

-----  
MINNESOTA POWER, INC.  
-----

TRUSTEE

-----  
INDENTURE

(FOR UNSECURED DEBT SECURITIES)

DATED AS OF -----  
-----

TABLE OF CONTENTS

PARTIES.....1

RECITAL OF THE COMPANY.....1

ARTICLE ONE.....1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION.....1

SECTION 101. Definitions.....1

ACT.....2

AFFILIATE.....2

AUTHENTICATING AGENT.....2

AUTHORIZED OFFICER.....2

BOARD OF DIRECTORS.....2

BOARD RESOLUTION.....2

BUSINESS DAY.....2

COMMISSION.....3

COMPANY.....3

COMPANY REQUEST.....3

COMPANY ORDER.....3

CORPORATE TRUST OFFICE.....3

CORPORATION.....3

DEFAULTED INTEREST.....3

DISCOUNT SECURITY.....3

DOLLAR.....3

\$.....3

EVENT OF DEFAULT.....3

GOVERNMENTAL AUTHORITY.....3

GOVERNMENT OBLIGATIONS.....3

HOLDER.....4

INDENTURE.....4

INTEREST PAYMENT DATE.....4

MATURITY.....4

OFFICER'S CERTIFICATE.....4

OPINION OF COUNSEL.....4

OUTSTANDING.....4

PAYING AGENT.....5

PERIODIC OFFERING.....5

PERSON.....5

PLACE OF PAYMENT.....5

PREDECESSOR SECURITY.....6

REDEMPTION DATE.....6  
REDEMPTION PRICE.....6

NOTE: THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.

REGULAR RECORD DATE.....	6
RESPONSIBLE OFFICER.....	6
SECURITIES.....	6
SECURITY REGISTER.....	6
SECURITY REGISTRAR.....	6
SPECIAL RECORD DATE.....	6
STATED INTEREST RATE.....	6
STATED MATURITY.....	6
TRUST INDENTURE ACT.....	6
TRUSTEE.....	6
UNITED STATES.....	7
SECTION 102. Compliance Certificates and Opinions.....	7
SECTION 103. Form of Documents Delivered to Trustee.....	7
SECTION 104. Acts of Holders.....	8
SECTION 105. Notices, etc. to Trustee and Company.....	10
SECTION 106. Notice to Holders of Securities; Waiver.....	11
SECTION 107. Conflict with Trust Indenture Act.....	11
SECTION 108. Effect of Headings and Table of Contents.....	11
SECTION 109. Successors and Assigns.....	11
SECTION 110. Separability Clause.....	11
SECTION 111. Benefits of Indenture.....	12
SECTION 112. Governing Law.....	12
SECTION 113. Legal Holidays.....	12
ARTICLE TWO.....	12
SECURITY FORMS.....	12
SECTION 201. Forms Generally.....	12
SECTION 202. Form of Trustee's Certificate of Authentication.....	13
ARTICLE THREE.....	14
THE SECURITIES.....	14
SECTION 301. Amount Unlimited; Issuable in Series.....	14
SECTION 302. Denominations.....	17
SECTION 303. Execution, Authentication, Delivery and Dating.....	17
SECTION 304. Temporary Securities.....	20
SECTION 305. Registration, Registration of Transfer and Exchange.....	20
SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.....	22
SECTION 307. Payment of Interest; Interest Rights Preserved.....	22
SECTION 308. Persons Deemed Owners.....	23
SECTION 309. Cancellation by Security Registrar.....	24
SECTION 310. Computation of Interest.....	24
SECTION 311. Payment to Be in Proper Currency.....	24

NOTE: THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.

ARTICLE FOUR.....	25
REDEMPTION OF SECURITIES.....	25
SECTION 401. Applicability of Article.....	25
SECTION 402. Election to Redeem; Notice to Trustee.....	25
SECTION 403. Selection of Securities to Be Redeemed.....	25
SECTION 404. Notice of Redemption.....	26
SECTION 405. Securities Payable on Redemption Date.....	27
SECTION 406. Securities Redeemed in Part.....	27
ARTICLE FIVE.....	28
SINKING FUNDS.....	28
SECTION 501. Applicability of Article.....	28
SECTION 502. Satisfaction of Sinking Fund Payments with Securities.....	28
SECTION 503. Redemption of Securities for Sinking Fund.....	28
ARTICLE SIX.....	29
COVENANTS.....	29
SECTION 601. Payment of Principal, Premium and Interest.....	29
SECTION 602. Maintenance of Office or Agency.....	29
SECTION 603. Money for Securities Payments to Be Held in Trust.....	30
SECTION 604. Corporate Existence.....	31
SECTION 605. Maintenance of Properties.....	31
SECTION 606. Annual Officer's Certificate as to Compliance.....	31
SECTION 607. Waiver of Certain Covenants.....	32
SECTION 608. Limitation on Liens.....	32
ARTICLE SEVEN.....	41
SATISFACTION AND DISCHARGE.....	41
SECTION 701. Defeasance.....	41
SECTION 702. Satisfaction and Discharge of Indenture.....	43
SECTION 703. Application of Trust Money.....	43

NOTE: THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.

ARTICLE EIGHT.....	44
EVENTS OF DEFAULT; REMEDIES.....	44
SECTION 801. Events of Default.....	44
SECTION 802. Acceleration of Maturity; Rescission and Annulment.....	45
SECTION 803. Collection of Indebtedness and Suits for Enforcement by Trustee.....	46
SECTION 804. Trustee May File Proofs of Claim.....	47
SECTION 805. Trustee May Enforce Claims Without Possession of Securities.....	48
SECTION 806. Application of Money Collected.....	48
SECTION 807. Limitation on Suits.....	48
SECTION 808. Unconditional Right of Holders to Receive Principal, Premium and Interest.....	49
SECTION 809. Restoration of Rights and Remedies.....	49
SECTION 810. Rights and Remedies Cumulative.....	49
SECTION 811. Delay or Omission Not Waiver.....	49
SECTION 812. Control by Holders of Securities.....	50
SECTION 813. Waiver of Past Defaults.....	50
SECTION 814. Undertaking for Costs.....	50
SECTION 815. Waiver of Stay or Extension Laws.....	51
ARTICLE NINE.....	51
THE TRUSTEE.....	51
SECTION 901. Certain Duties and Responsibilities.....	51
SECTION 902. Notice of Defaults.....	52
SECTION 903. Certain Rights of Trustee.....	52
SECTION 904. Not Responsible for Recitals or Issuance of Securities.....	53
SECTION 905. May Hold Securities.....	53
SECTION 906. Money Held in Trust.....	54
SECTION 907. Compensation and Reimbursement.....	54
SECTION 908. Disqualification; Conflicting Interests.....	55
SECTION 909. Corporate Trustee Required; Eligibility.....	55
SECTION 910. Resignation and Removal; Appointment of Successor.....	55
SECTION 911. Acceptance of Appointment by Successor.....	57
SECTION 912. Merger, Conversion, Consolidation or Succession to Business.....	58
SECTION 913. Preferential Collection of Claims Against Company.....	58
SECTION 914. Co-trustees and Separate Trustees.....	59
SECTION 915. Appointment of Authenticating Agent.....	60

NOTE: THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.

ARTICLE TEN.....	62
HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY.....	62
SECTION 1001. Lists of Holders.....	62
SECTION 1002. Reports by Trustee and Company.....	62
ARTICLE ELEVEN.....	62
CONSOLIDATION, MERGER, CONVEYANCE OR OTHER TRANSFER.....	62
SECTION 1101. Company May Consolidate, etc., Only on Certain Terms.....	62
SECTION 1102. Successor Person Substituted.....	63
ARTICLE TWELVE.....	63
SUPPLEMENTAL INDENTURES.....	63
SECTION 1201. Supplemental Indentures Without Consent of Holders.....	63
SECTION 1202. Supplemental Indentures With Consent of Holders.....	65
SECTION 1203. Execution of Supplemental Indentures.....	66
SECTION 1204. Effect of Supplemental Indentures.....	66
SECTION 1205. Conformity With Trust Indenture Act.....	66
SECTION 1206. Reference in Securities to Supplemental Indentures.....	67
SECTION 1207. Modification Without Supplemental Indenture.....	67
ARTICLE THIRTEEN.....	67
MEETINGS OF HOLDERS; ACTION WITHOUT MEETING.....	67
SECTION 1301. Purposes for Which Meetings May Be Called.....	67
SECTION 1302. Call, Notice and Place of Meetings.....	67
SECTION 1303. Persons Entitled to Vote at Meetings.....	68
SECTION 1304. Quorum; Action.....	68
SECTION 1305. Attendance at Meetings; Determination of Voting Rights; Conduct and Adjournment of Meetings.....	69
SECTION 1306. Counting Votes and Recording Action of Meetings.....	70
SECTION 1307. Action Without Meeting.....	70
ARTICLE FOURTEEN.....	71
IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS.....	71
SECTION 1401. Liability Solely Corporate.....	71

NOTE: THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.

Testimonium.....63  
Signatures and Seals.....63  
Acknowledgements.....64

NOTE: THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.



MINNESOTA POWER, INC.  
 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
(a)(3)	914
(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

NOTE: THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.

INDENTURE, dated as of \_\_\_\_\_, between MINNESOTA POWER, INC.,

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 \_\_\_\_\_, a corporation of the State of New York, having its principal corporate trust office at \_\_\_\_\_, 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 on \_\_\_\_\_.

"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:

Attention:  
Telephone:  
Telecopy:

If to the Company, to:

Minnesota Power, Inc.  
30 West Superior Street  
Duluth, Minnesota 55802

Attention:  
-----  
Telephone: (218) 722-2641  
Telecopy: (218 )  
-----

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.

-----  
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 \_\_\_\_\_ 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 (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 any property (other than Excepted Property) of the Company, real, personal or mixed, of whatever kind or nature and located in the State of Minnesota, whether owned at the date of the execution and delivery of this Indenture or hereafter acquired, 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;

(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; and

(24) in addition to the Permitted Liens defined in clauses (a) through (w) 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.

-----  
 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 \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing \_\_\_\_\_, \_\_\_\_\_, 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 \_\_\_\_\_ in each year, commencing \_\_\_\_\_, \_\_\_\_\_, 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 \_\_\_\_\_, 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.

Minnesota Power, Inc.

By: \_\_\_\_\_

\_\_\_\_\_, Trustee

By: \_\_\_\_\_

MINNESOTA POWER, INC.

## OFFICER'S CERTIFICATE

\_\_\_\_\_, the \_\_\_\_\_ of Minnesota Power, Inc. (the "Company"),  
 \_\_\_\_\_  
 pursuant to the authority granted in the Board Resolutions of the Company dated  
 \_\_\_\_\_, 200\_\_\_\_, and Sections 201 and 301 of the Indenture defined herein, does  
 \_\_\_\_\_  
 hereby certify to \_\_\_\_\_ (the "Trustee"), as Trustee under the  
 \_\_\_\_\_  
 Indenture of the Company (For Unsecured Debt Securities) dated as of \_\_\_\_\_,  
 \_\_\_\_\_  
 200\_\_\_\_ (the "Indenture") that:

1. The securities of the first series to be issued under the Indenture shall be designated "[ \_\_\_\_\_ % Series \_\_\_\_\_ Senior Notes due \_\_\_\_\_ ] [Floating Rate Senior Notes due \_\_\_\_\_]" (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 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 First 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 First Series shall bear interest as provided in the form set forth in Exhibit A hereto;
5. The principal (and premium, if any) and each installment of interest on the Senior Notes of the First Series shall be payable at, and registration and registration of transfers and exchanges in respect of the Senior Notes of the First Series may be effected 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. Notices and demands to or upon the Company in respect of the Senior Notes of the First 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, registration and registration of transfers and exchanges and service of notices and demands and the Company hereby appoints the Trustee as its agent for all such purposes; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates any such office or agency and such agent. The Trustee will be the Security Registrar and the Paying Agent for the Senior Notes of the First Series;
6. [ Redemption provisions, if any, should be inserted];
7. [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;]

8. 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;
9. 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.
10. 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;
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  
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)]

MINNESOTA POWER, INC.

[ % SENIOR NOTES, DUE \_\_\_\_\_ , \_\_\_\_\_ ] [FLOATING RATE SENIOR NOTES DUE \_\_\_\_\_ ]  
--- -----

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 a day preceding [the 15th day of the calendar month 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 office or agency of the Company maintained for that purpose in 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 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.

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.

\_\_\_\_\_, 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, dated as of \_\_\_\_\_, 200\_\_ (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 \_\_\_\_\_, 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\_\_ 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 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.]

MINNESOTA POWER / 30 west superior street / duluth, minnesota 55802-2093 /  
www.mnpower.com

Philip R. Halverson - vice president, general counsel and secretary  
218-723-3964  
fax 218-723-3960  
e-mail phalverson@mnpower.com

July 20, 2000

Minnesota Power, Inc.  
30 West Superior Street  
Duluth, Minnesota 55802

Ladies and Gentlemen:

Referring to the proposed issuance and sale from time to time by Minnesota Power, Inc. (Company) of one or more proposed new series of the Company's first mortgage bonds (Bonds) and unsecured debt securities (Debt Securities) in a principal amount not to exceed in the aggregate \$400,000,000, as contemplated in the registration statement on Form S-3 to be filed by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended, on or about the date hereof, I am of the opinion that:

1. The Company is a corporation validly organized and existing under the laws of the State of Minnesota.

2. 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 Minnesota Public Utilities Commission (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 (i) action shall have been taken to approve and authorize (a) the issuance and sale of the Offered Bonds, and (b) the execution and delivery of an appropriate Supplemental Indenture to the Company's Mortgage and Deed of Trust, dated as of September 1, 1945 (Mortgage), with Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas J. MacInnes, successor), as Trustees, as supplemented, and (ii) any other action necessary to the consummation of the proposed issuance and sale of the Offered Bonds shall have been taken;
- (c) The aforementioned Supplemental Indenture shall have been duly executed and delivered to the parties thereto; and
- (d) The Offered Bonds shall have been 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.

3. 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 (i) action shall have been taken to approve and authorize (a) the issuance and sale of the Offered Debt Securities, and (b) the execution and delivery of an indenture (Indenture) pursuant to which the Debt Securities are to be issued and an appropriate Officer's Certificate (Certificate) under the Indenture and (ii) any other

action necessary to the consummation of the proposed issuance and sale of the Offered Debt Securities shall have been taken;

- (c) The Indenture shall have been duly executed and delivered by an appropriate officer of the Company and by the trustee thereunder; and
- (d) The Certificate shall have been duly executed and delivered by an appropriate officer of the Company; and
- (e) 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 Indenture, as heretofore supplemented and to be further supplemented by the aforementioned Certificate.

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 captions "Experts" and "Legal Opinions."

Sincerely,

/s/ Philip R. Halverson

Philip R. Halverson

NEW YORK  
SAN FRANCISCO  
WASHINGTON, D.C.  
LOS ANGELES  
SAN JOSE

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

July 20, 2000

Minnesota Power, Inc.  
30 West Superior Street  
Duluth, Minnesota 55802

Ladies and Gentlemen:

Referring to the proposed issuance and sale from time to time by Minnesota Power, Inc. (Company) of one or more proposed new series of the Company's first mortgage bonds (Bonds) and unsecured debt securities (Debt Securities) in a principal amount not to exceed in the aggregate \$400,000,000, as contemplated in the registration statement on Form S-3 to be filed by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended, on or about the date hereof, 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. 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 Minnesota Public Utilities Commission (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 (i) action shall have been taken to approve and authorize (a) the issuance and sale of the Offered Bonds, and (b) the execution and delivery of an appropriate Supplemental Indenture to the Company's Mortgage and Deed of Trust, dated as of September 1, 1945 (Mortgage), with Irving Trust Company (now The Bank of New York) and Richard H. West (Douglas J. MacInnes, successor), as Trustees, as supplemented, and (ii) any other action necessary to the consummation of the proposed issuance and sale of the Offered Bonds shall have been taken;
- (c) The aforementioned Supplemental Indenture shall have been duly executed and delivered to the parties thereto; and
- (d) The Offered Bonds shall have been 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.

3. 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 (i) action shall have been taken to approve and authorize (a) the issuance and sale of the Offered Debt Securities, and (b) the execution and delivery of an indenture (Indenture) pursuant to which the

Debt Securities are to be issued and an appropriate Officer's Certificate (Certificate) under the Indenture and (ii) any other action necessary to the consummation of the proposed issuance and sale of the Offered Debt Securities shall have been taken;

- (c) The Indenture shall have been duly executed and delivered by an appropriate officer of the Company and by the trustee thereunder; and
- (d) The Certificate shall have been duly executed and delivered by an appropriate officer of the Company; and
- (e) 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 Indenture, as heretofore supplemented and to be further supplemented by the aforementioned Certificate.

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."

Very truly yours,

/S/ THELEN REID & PRIEST LLP

THELEN REID & PRIEST LLP

MINNESOTA POWER, INC.  
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND  
SUPPLEMENTAL RATIOS OF EARNINGS TO FIXED CHARGES

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30, 2000
	1995	1996	1997	1998	1999	
	(millions except ratios)					
Income from Continuing Operations Per Consolidated Statement of Income	\$ 61.9	\$ 69.2	\$ 77.6	\$ 88.5	\$ 68.0	\$ 94.6
Add (Deduct)						
Current Income Tax Expense	13.4	31.4	44.7	52.9	70.5	72.3
Deferred Income Tax Expense (Benefit)	(11.3)	(9.8)	3.2	2.7	(11.3)	(12.2)
Deferred Investment Tax Credits	(0.9)	(2.0)	(1.3)	(1.6)	(1.5)	(0.7)
Undistributed Income From Less Than 50% Owned Equity Investments	(9.1)	(11.0)	(13.9)	(14.1)	(0.6)	-
Minority Interest	0.2	3.3	2.3	2.0	1.8	-
	54.2	81.1	112.6	130.4	126.9	154.0
Fixed Charges						
Interest on Long-Term Debt	45.7	52.4	50.4	48.5	48.4	25.3
Capitalized Interest	1.4	1.5	1.5	1.0	0.7	0.4
Other Interest Charges - Net	7.9	10.2	14.3	17.1	12.0	6.9
Interest Component of All Rentals	3.7	2.5	3.7	5.7	4.8	3.9
Distributions on Redeemable Preferred Securities of Subsidiary	-	4.7	6.0	6.0	6.0	3.0
Total Fixed Charges	58.7	71.3	75.9	78.3	71.9	39.5
Earnings Before Income Taxes and Fixed Charges (Excluding Capitalized Interest)	\$ 111.5	\$ 150.9	\$ 187.0	\$ 207.7	\$ 198.1	\$ 193.1
Ratio of Earnings to Fixed Charges	1.90	2.12	2.46	2.65	2.76	4.89
Earnings Before Income Taxes and Fixed Charges (Excluding Capitalized Interest)	\$ 111.5	\$ 150.9	\$ 187.0	\$ 207.7	\$ 198.1	\$ 193.1
Supplemental Charges	13.5	14.4	12.0	14.5	15.4	7.4
Earnings Before Income Taxes and Fixed and Supplemental Charges (Excluding Capitalized Interest)	\$ 125.0	\$ 165.3	\$ 199.0	\$ 222.2	\$ 213.5	\$ 200.5
Total Fixed Charges	\$ 58.7	\$ 71.3	\$ 75.9	\$ 78.3	\$ 71.9	\$ 39.5
Supplemental Charges	13.5	14.4	12.0	14.5	15.4	7.4
Fixed and Supplemental Charges	\$ 72.2	\$ 85.7	\$ 87.9	\$ 92.8	\$ 87.3	\$ 46.9
Supplemental Ratio of Earnings to Fixed Charges (1)	1.73	1.93	2.26	2.39	2.45	4.28

(1) The supplemental ratio of earnings to fixed charges includes Minnesota Power's obligation under a contract with Square Butte Electric Cooperative which extends through 2027, pursuant to which Minnesota Power is entitled to approximately 71% of the output of a 455-megawatt coal-fired generating unit. Minnesota Power is obligated to pay its pro rata share of Square Butte's costs based on output entitlement from the unit. 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.



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, 2000, relating to the financial statements and financial statement schedule, which appear in Minnesota Power, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Minneapolis, MN  
July 19, 2000

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.  
(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  
(Zip code)

-----  
FIRST MORTGAGE BONDS\*  
(Title of the indenture securities)

-----  
\*Specific title(s) to be determined in connection with sale(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. 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 18th day of July, 2000.

THE BANK OF NEW YORK

By: STEPHEN J. GIURLANDO

-----  
Stephen J. Giurlando  
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 March 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.....	\$ 3,843,465
Interest-bearing balances.....	5,718,219
Securities:	
Held-to-maturity securities.....	821,842
Available-for-sale securities.....	5,134,756
Federal funds sold and Securities purchased under agreements to resell.....	2,498,315
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	40,912,488
LESS: Allowance for loan and lease losses.....	580,924
LESS: Allocated transfer risk reserve.....	12,597
Loans and leases, net of unearned income, allowance, and reserve.....	40,318,967
Trading Assets.....	8,658,971
Premises and fixed assets (including capitalized leases).....	725,709
Other real estate owned.....	7,309
Investments in unconsolidated subsidiaries and associated companies.....	225,206
Customers' liability to this bank on acceptances outstanding.....	932,029
Intangible assets.....	1,273,011
Other assets.....	2,796,228
	-----
Total assets.....	\$72,954,027 =====

LIABILITIES

-----

Deposits:	
In domestic offices.....	\$27,563,469
Noninterest-bearing.....	12,099,757
Interest-bearing.....	15,463,712
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	27,705,718
Noninterest-bearing.....	849,483
Interest-bearing.....	26,856,235
Federal funds purchased and Securities sold under agreements to repurchase .....	1,560,406
Demand notes issued to the U.S. Treasury.....	68,017
Trading liabilities.....	2,708,747
Other borrowed money:	
With remaining maturity of one year or less.....	1,397,051
With remaining maturity of more than one year through three years .....	351
With remaining maturity of more than three years.....	31,080
Bank's liability on acceptances executed and outstanding.....	932,905
Subordinated notes and debentures.....	1,652,000
Other liabilities.....	3,511,774
Total liabilities.....	67,131,518

EQUITY CAPITAL

-----

Common stock.....	1,135,284
Surplus.....	866,947
Undivided profits and capital reserves.....	3,894,578
Net unrealized holding gains (losses) on available-for-sale securities.....	(46,911)
Cumulative foreign currency translation adjustments.....	(27,389)
Total equity capital.....	5,822,509
Total liabilities and equity capital.....	\$72,954,027

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        )  
Gerald L. Hassell    )        Directors  
Alan R. Griffith      )

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.  
(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  
(Zip code)

-----  
FIRST MORTGAGE BONDS\*  
(Title of the indenture securities)

-----  
\*Specific title(s) to be determined in connection with sale(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 18th day of July, 2000.

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.