

**Securities and Exchange Commission**  
Washington, D.C. 20549

**FORM S-8**  
**Registration Statement Under the Securities Act of 1933**

**ALLETE, Inc.**

(Exact name of registrant as specified in its charter)

**Minnesota**

(State of incorporation or organization)

**41-0418150**

(I.R.S. Employer Identification No.)

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

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

**ALLETE and Affiliated Companies**  
**Employee Stock Purchase Plan**

(Full Title of Plan)

<p>MARK A. SCHOBER Senior Vice President and Chief Financial Officer 30 West Superior Street Duluth, Minnesota 55802-2093 (218) 279-5000</p> <p>DONALD W. STELLMAKER Vice President and Corporate Treasurer 30 West Superior Street Duluth, Minnesota 55802-2093 (218) 279-5000</p>	<p>DEBORAH A. AMBERG, Esq. Senior Vice President, General Counsel and Secretary 30 West Superior Street Duluth, Minnesota 55802-2093 (218) 279-5000</p> <p>ROBERT J. REGER, JR., Esq. Morgan, Lewis &amp; Bockius LLP 101 Park Avenue New York, New York 10178-0060 (212) 309-6000</p>
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(Names and addresses, including zip codes, and telephone numbers, including area codes, of agents for service)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

**CALCULATION OF REGISTRATION FEE**

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Common Stock, without par value	200,000 Shares (1)	\$41.29	\$8,258,000	\$947

(1) In addition, pursuant to Rule 416(a) under the Securities Act of 1933, this registration statement also covers such indeterminable number of additional securities as may become deliverable as a result of stock splits, stock dividends, split ups, recapitalizations or similar transactions, in accordance with the provisions of the plan.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(h) under the Securities Act of 1933 on the basis of the average of the high and low prices of the registrant's common stock on the New York Stock Exchange composite tape on July 27, 2012.

**ALLETE and Affiliated Companies**  
**Employee Stock Purchase Plan**

**Part II. Information Required in the Registration Statement**

**Item 3. Incorporation of Documents by Reference.**

ALLETE, Inc. (ALLETE) hereby incorporates herein by reference the following documents previously filed by ALLETE with the Securities and Exchange Commission (SEC).

- (1) ALLETE's Annual Report on Form 10-K for the year ended December 31, 2011;
- (2) ALLETE's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012; and
- (3) ALLETE's Current Reports on Form 8-K filed on February 6, 2012, as amended by a Form 8-K/A filed on February 21, 2012, February 17, 2012, as amended by a Form 8-K/A filed on February 21, 2012, March 1, 2012, May 11, 2012, July 2, 2012, August 1, 2012 and August 3, 2012.

All documents subsequently filed by ALLETE pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (other than any documents, or portions of documents, not deemed to be filed) prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all the securities then remaining unsold, shall be deemed to be incorporated herein by reference and to be a part hereof from the respective dates of filing thereof. Any statement contained in an incorporated document shall be deemed to be modified or superseded to the extent that a statement contained herein or in any subsequently filed incorporated document modifies or supersedes such statement.

**Item 4. Description of Securities.**

**Description of Common Stock**

*General.* The following statements describing ALLETE's common stock are not intended to be a complete description. For additional information, please see ALLETE's Articles of Incorporation and Bylaws. Each of these documents has been previously filed with the SEC and they are exhibits to this registration statement. Reference is also made to the laws of the State of Minnesota.

ALLETE has the following capital stock authorized by its Articles of Incorporation: 80,000,000 shares of common stock, without par value, and 3,616,000 shares of preferred stock. As of July 31, 2012, 38,331,196 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

*Dividend Rights.* ALLETE's common stock is entitled to dividends only after ALLETE has provided for dividends and any sinking fund requirements on any issued and outstanding preferred stock. ALLETE's Articles of Incorporation contain provisions which would restrict net income available for the payment of cash dividends on outstanding common stock in the event that shares of ALLETE's preferred stock were outstanding and certain common stock equity capitalization ratios were not met.

*Voting Rights (Non-Cumulative Voting).* Holders of ALLETE's common stock are entitled to receive notice of and to vote at any meeting of shareholders. Each share of ALLETE's common stock, as well as each share of any of ALLETE's issued and outstanding preferred stock, is entitled to one vote. Holders of ALLETE's common stock do not have cumulative voting rights. Each director shall be elected by the vote of a majority of the votes cast with respect to the director at a meeting of shareholders called for such purpose at which a quorum is present. At any such meeting for which the number of nominees (other than nominees withdrawn on or before the sixtieth (60th) day before the first anniversary of the preceding year's annual shareholder meeting) exceeds the number of directors to be elected, directors shall be elected by a plurality of the votes present and entitled to vote on the election of directors. In addition, whenever dividends on any of ALLETE's preferred stock are in default in the amount of four full quarterly payments or more, and until all the dividends in default are paid, the holders of ALLETE's preferred stock are entitled, as one class, to elect a majority of the directors. ALLETE's common stock, as one class, would then elect the minority.

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

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

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

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

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

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

## **Item 5. Interests of Named Experts and Counsel.**

The legality of these shares will be passed upon for ALLETE by Deborah A. Amberg, Esq., Senior Vice President, General Counsel and Secretary, and by Morgan, Lewis & Bockius LLP, New York, New York, counsel to ALLETE. Morgan, Lewis & Bockius LLP may rely as to all matters of Minnesota law upon the opinion of Ms. Amberg.

As of July 30, 2012, Ms. Amberg owned 16,478 shares of common stock of ALLETE. Ms. Amberg is acquiring additional shares of ALLETE common stock at regular intervals as a participant in the ALLETE and Affiliated Companies Retirement Savings and Stock Ownership Plan. Under the Executive Long-Term Incentive Compensation Plan, Ms. Amberg has:

- outstanding options to purchase 25,345 shares of ALLETE common stock, which options are fully vested, and which will expire ten years from the date of grant;
- restricted stock units pursuant to which 3,518 shares of common stock (plus accrued dividend equivalents) will be distributed to Ms. Amberg after they vest (on December 31, 2012, 2013 and 2014) provided she remains employed on the payment dates; and
- an award opportunity for up to 12,716 performance shares (plus accrued dividend equivalents) that will be distributed to Ms. Amberg if ALLETE attains certain performance goals for the periods January 1, 2010 through December 31, 2012, January 1, 2011 through December 31, 2013 and January 1, 2012 through December 31, 2014, and provided Ms. Amberg remains employed on the payment dates.

## **Item 6. Indemnification of Directors and Officers.**

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

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

"No director of this Corporation shall be personally liable to this Corporation or its stockholders for monetary damages for breach of fiduciary duty by that director as a director; provided, however, that this Article IX shall not eliminate or limit the liability of a director: (a) for any breach of the director's duty of loyalty to this Corporation or its stockholders; (b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of 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 ALLETE contains the following provisions relative to indemnification of directors and officers:

"The Corporation shall reimburse or indemnify each present and future Director and officer of the Corporation (and his or her heirs, executors and administrators) for or against all expenses reasonably incurred by such Director or officer in connection with or arising out of any action, suit or proceeding in which such Director or officer may be involved by reason of being or having been a Director or officer of the Corporation. Such indemnification for reasonable expenses is to be to the fullest extent permitted by the Minnesota Business Corporation Act, Minnesota Statutes Chapter 302A. By affirmative vote of the Board of Directors or with written approval of the Chairman and Chief Executive Officer, such indemnification may be extended to include agents and employees who are not Directors or officers of the Corporation, but who would otherwise be indemnified for acts and omissions under Chapter 302A of the Minnesota Business Corporation Act, if such agent or employee were an officer of the Corporation."

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

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

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

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

**Item 8. Exhibits.**

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
*4(a)1	- Articles of Incorporation, amended and restated as of May 8, 2001 (filed as Exhibit 3(b) to the March 31, 2001, Form 10-Q, File No. 1-3548).
*4(a)2	- Amendment to Articles of Incorporation, effective 12:00 p.m. Eastern Time on September 20, 2004 (filed as Exhibit 3 to the September 21, 2004, Form 8-K, File No. 1-3548).
*4(a)3	- Amendment to Articles of Incorporation, dated as of May 12, 2009 (filed as Exhibit 3 to the June 30, 2009, Form 10-Q, File No. 1-3548).
*4(a)4	- Amendment to Articles of Incorporation, dated as of May 11, 2010 (filed as Exhibit 3(a) to the May 14, 2010, Form 8-K, File No. 1-3548).
*4(a)5	- Amendment to Certificate of Assumed Name, filed with the Minnesota Secretary of State on May 8, 2001 (filed as Exhibit 3(a) to the March 31, 2001, Form 10-Q, File No. 1-3548).
*4(b)	- Bylaws, as amended effective May 11, 2010 (filed as Exhibit 3(b) to the May 14, 2010, Form 8-K, File No. 1-3548).
5(a)	- Opinion and Consent of Deborah A. Amberg, Esq., Senior Vice President, General Counsel and Secretary of ALLETE, Inc.
5(b)	- Opinion and Consent of Morgan, Lewis & Bockius LLP.
23(a)	- Consent of PricewaterhouseCoopers LLP.
23(b)	- Consent of Deborah A. Amberg, Esq. (included in opinion, attached hereto as Exhibit 5(a)).
23(c)	- Consent of Morgan, Lewis & Bockius LLP (included in opinion, attached hereto as Exhibit 5(b)).
24	- Power of Attorney (included on the signature page of this registration statement).
99	- ALLETE and Affiliated Companies Employee Stock Purchase Plan.

\* Incorporated herein by reference as indicated.

## Item 9. Undertakings.

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 subsections (i) and (ii) do not apply if the information required to be included in a post-effective amendment by those subsections 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.

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 6 of this registration statement, 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.



<hr/> <i>/s/ Kathleen A. Brekken</i> <hr/> Kathleen A. Brekken	Director	August 3, 2012
<hr/> <i>/s/ Kathryn W. Dindo</i> <hr/> Kathryn W. Dindo	Director	August 3, 2012
<hr/> <i>/s/ Heidi J. Eddins</i> <hr/> Heidi J. Eddins	Director	August 3, 2012
<hr/> <i>/s/ Sidney W. Emery, Jr.</i> <hr/> Sidney W. Emery, Jr.	Director	August 3, 2012
<hr/> <i>/s/ James S. Haines, Jr.</i> <hr/> James S. Haines, Jr.	Director	August 3, 2012
<hr/> <i>/s/ James J. Hoolihan</i> <hr/> James J. Hoolihan	Director	August 3, 2012
<hr/> <i>/s/ Madeleine W. Ludlow</i> <hr/> Madeleine W. Ludlow	Director	August 3, 2012
<hr/> <i>/s/ Douglas C. Neve</i> <hr/> Douglas C. Neve	Director	August 3, 2012
<hr/> <i>/s/ Leonard C. Rodman</i> <hr/> Leonard C. Rodman	Director	August 3, 2012
<hr/> <i>/s/ Bruce W. Stender</i> <hr/> Bruce W. Stender	Director	August 3, 2012



[Letterhead of Deborah A. Amberg, Esq.]

August 3, 2012

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

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-8 (the "Registration Statement") to be filed by ALLETE, Inc. ("Company") on or about the date hereof, with the Securities and Exchange Commission ("Commission") under the Securities Act of 1933, as amended ("Securities Act"), for the registration of 200,000 shares of the Company's Common Stock, without par value ("Common Stock"), in connection with the ALLETE and Affiliated Companies Employee Stock Purchase Plan ("Plan"). This opinion is given with respect to the shares of Common Stock to the extent that they include newly-issued shares.

In connection therewith, I have reviewed such documents and records as I have deemed necessary to enable me to express an opinion on the matters covered hereby.

Based upon the foregoing, I am of the opinion that all action necessary to make the Common Stock validly issued, fully paid and non-assessable will have been taken when:

1. The shares of Common Stock are issued and sold in compliance with authority contained in an order or orders of the Minnesota Public Utilities Commission; and
2. The Common Stock shall have been issued and sold for the consideration contemplated by the Plan, and as otherwise contemplated by the Registration Statement.

I am a member of the Minnesota Bar and this opinion is limited to the laws of the State of Minnesota and the federal laws of the United States insofar as they bear on the matters covered hereby. As to all matters of New York law, I have relied, with your consent, upon the opinion of even date herewith rendered to you by Morgan, Lewis & Bockius LLP, New York, New York. As to all matters of Minnesota law, Morgan, Lewis & Bockius 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 Registration Statement. In giving the foregoing consent, I do not thereby admit that I come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

Sincerely,

/s/ Deborah A. Amberg

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Deborah A. Amberg

[Letterhead of Morgan, Lewis &amp; Bockius LLP]

August 3, 2012

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

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-8 (the "Registration Statement") to be filed by ALLETE, Inc. ("Company") on or about the date hereof, with the Securities and Exchange Commission ("Commission") under the Securities Act of 1933, as amended ("Securities Act"), for the registration of 200,000 shares of the Company's Common Stock, without par value ("Common Stock"), in connection with the ALLETE and Affiliated Companies Employee Stock Purchase Plan ("Plan"). This opinion is given with respect to the shares of Common Stock to the extent that they include newly-issued shares.

In connection therewith, we have reviewed such documents and records as we have deemed necessary to enable us to express an opinion on the matters covered hereby.

Based upon the foregoing, we are of the opinion that all action necessary to make the Common Stock validly issued, fully paid and non-assessable will have been taken when:

1. The shares of Common Stock are issued and sold in compliance with authority contained in an order or orders of the Minnesota Public Utilities Commission; and
2. The Common Stock shall have been issued and sold for the consideration contemplated by the Plan, and as otherwise contemplated by the Registration Statement.

This opinion is limited to the laws of the States of Minnesota and New York and the federal laws of the United States insofar as they bear on the matters covered hereby. As to all matters of Minnesota law, we have relied, with your consent, upon the opinion of even date herewith rendered to you by Deborah A. Amberg, Esq., Senior Vice President, General Counsel and Secretary of the Company. As to all matters of New York law, Deborah A. Amberg, Esq., is hereby authorized to rely upon this opinion to the same extent as if this opinion had been addressed to her.

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 Registration Statement. In giving the foregoing consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

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Morgan, Lewis & Bockius LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 15, 2012 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in ALLETE, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011.

/s/ PricewaterhouseCoopers LLP

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PricewaterhouseCoopers LLP

Minneapolis, Minnesota

August 3, 2012

**ALLETE and Affiliated Companies**  
**Employee Stock Purchase Plan**  
**(As Amended and Restated Effective May 9, 2012)**

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**ALLETE and Affiliated Companies**  
**Employee Stock Purchase Plan**  
**(As Amended and Restated Effective May 9, 2012)**

**ARTICLE 1. PURPOSES OF THE PLAN**

**Section 1.01** The purposes of the ALLETE and Affiliated Companies Employee Stock Purchase Plan (Plan) are to encourage employees of ALLETE (Company) and each of its subsidiaries (each, a Subsidiary Company), to become shareholders in the Company, to stimulate increased interest on the part of such employees in the affairs of the Company and Subsidiary Company, and to afford such employees an opportunity to share in the profits and growth of the Company and Subsidiary Company. The Plan enables Company and Subsidiary Company employees to purchase directly from the Company authorized but unissued shares of the Company's common stock (Common Stock) at a discount from the market price at the time that the purchases are made, with an opportunity to pay the purchase price through payroll deductions, optional cash payments, or by a combination thereof.

**Section 1.02** The term "Subsidiary Company" shall mean, with respect to any present or future corporation, any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**Section 1.03** The Company intends the Plan to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended (Code). The provisions of the Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of Section 423 of the Code.

**ARTICLE 2. ADMINISTRATION OF PLAN**

**Section 2.01** The Plan will be administered for the Company by a committee to be known as the Employee Benefit Plans Committee (Committee). The Committee shall consist of not less than three (3) members to be appointed by the Board of Directors of the Company. At least one (1) member of the Committee shall be an officer of the Company and shall be responsible for recording and maintaining the Committee's records.

**Section 2.02** Each participant in the Plan shall have a separate account. Shares of the Company's Common Stock purchased for the account of each participant will be registered in the name of the Company as agent for the participant.

**Section 2.03** Each participant in the Plan will receive a periodic statement of his or her account. At least one (1) such statement shall be provided to each participant prior to January 31 of the year following a calendar year in which a distribution was made showing the number of shares distributed during the calendar year, the date each distribution was made and the fair market value of the stock on the date distribution was made. In addition, each participant will receive copies of the same communications sent to all holders of Common Stock, including the Company's Annual Report to Shareholders, the Notice of Annual Meeting and Proxy Statement and Internal Revenue Service information for reporting dividends paid.

**Section 2.04** The Company, Committee and any designated agent of either, in administering the Plan, will not be liable for any act done in good faith or for any good faith omission to act, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to receipt of notice in writing of such death.

**Section 2.05** The Company will pay all administrative costs of the Plan and, except as indicated in Article 12, no brokerage fees or other charges will be payable by any participant.

### ARTICLE 3. EMPLOYEES ELIGIBLE TO PARTICIPATE

**Section 3.01** All employees of the Company and of a Subsidiary Company whose Board of Directors or Chief Executive Officer requests participation in the Plan and whose participation in the Plan is approved by the Committee or the Board of Directors of the Company shall be eligible to participate in the Plan except any of the following: (a) employees who have been employed less than six (6) months as of the time purchases of shares of the Company's Common Stock would be made for the participant's Plan account, (b) employees who are regularly scheduled to work less than 0.5 full-time equivalency or less than 20 hours per week, whichever is less, (c) employees whose customary employment is for not more than five (5) months in any calendar year, (d) employees who immediately after a purchase of shares hereunder would own stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any Subsidiary Company within the meaning of the rules set forth in Sections 423(b)(3) or 425(d) of Code, and (e) directors who are not officers, provided that each Subsidiary Company that has elected to participate in the Plan subsequent to the November 14, 1989 adoption of the amendment to this Section shall continue to participate in the Plan without taking any further action.

**Section 3.02** An employee whose customary employment is less than forty (40) hours per week must work one (1) year during which such employee is regularly scheduled to work at least 0.5 full-time equivalency or at least 20 hours per week, whichever is less to become eligible.

**Section 3.03** An eligible employee may join the Plan at any time.

### ARTICLE 4. PARTICIPATION IN PLAN

**Section 4.01** An eligible employee may become a participant in the Plan by completing and signing a New Account Authorization Form provided by the Company and returning it to the employee's human resources department.

### ARTICLE 5. PARTICIPATION THROUGH PAYROLL DEDUCTION

**Section 5.01** An eligible employee may participate in the Plan by filing with the Company (or the Subsidiary Company), on a New Account Authorization Form furnished by the Company (or the Subsidiary Company), an authorization for the Company (or the Subsidiary Company) to make payroll deductions in an amount selected by the employee which is not less than five dollars (\$5) per payroll period nor more than twenty-three thousand seven hundred fifty dollars (\$23,750) per calendar year. In any event, the sum of all payroll deductions, all optional cash payments (see Article 6) and all dividends available for investment (see Article 8) for any participant may not exceed twenty-three thousand seven hundred fifty dollars (\$23,750) per calendar year. Employees may increase or decrease, the amount of the employee's payroll deduction, within the above limit, or discontinue payroll deductions by notifying the Company (or the Subsidiary Company) on forms to be furnished by the Company (or the Subsidiary Company). Payroll deductions, or any changes in the amount to be deducted, will begin with the first full pay period following receipt and processing by the Company (or Subsidiary Company) of the completed New Account Authorization Form or Change in Payroll Deduction Form.

**Section 5.02** Payroll deductions will be used by the Company or its designated agent, along with any optional cash payments (see Article 6) and any dividends available for investment (see Article 8), to purchase authorized but unissued shares of the Company's Common Stock on the first day of the month immediately following receipt of such funds (Investment Date).

**Section 5.03** No interest will be paid by the Company on amounts held for investment through payroll deductions.

## **ARTICLE 6. PARTICIPATION THROUGH OPTIONAL CASH PAYMENTS AND PAYROLL DEDUCTIONS**

**Section 6.01** An eligible employee who elects to participate in the payroll deduction feature of the Plan may also make cash payments at any time upon or after becoming a participant in the Plan. Optional cash payments by a participant cannot be less than ten dollars (\$10) per payment nor more than a total of twenty-three thousand seven hundred fifty dollars (\$23,750) per calendar year. In any event, the sum of all payroll deductions (see Article 5), all optional cash payments and all dividends available for investment (see Section 8.01) for any participant may not exceed twenty-three thousand seven hundred fifty dollars (\$23,750) per calendar year. Any optional cash payment in excess of the annual contribution limit stated above will be refunded to the participant without interest.

**Section 6.02** A participant may make an optional cash payment by enclosing a check (made payable to the Company or its designated agent) with the New Account Authorization Form (see Article 4) when enrolling, or at any other time, by forwarding a check with a Cash Payment Form, which will be attached to statements of account sent to participants by the Company or its designated agent. The same amount of money need not be invested each month and there is no obligation to make an optional cash payment in any month. Cash Payment Forms should be sent to the address indicated on the form. A Cash Payment Form may be obtained at any time by sending a written request to the Company in care of ALLETE Shareholder Services, 30 West Superior Street, Duluth, Minnesota 55802.

**Section 6.03** Optional cash payments received from a participant will be used by the Company or its designated agent, along with any payroll deductions (see Article 5) and any dividends available for investment (see Article 8), to purchase authorized but unissued shares of the Company's Common Stock on the Investment Date immediately following receipt of such funds.

**Section 6.05** No interest will be paid by the Company on optional cash payments held for investment.

## **ARTICLE 7. PARTICIPATION THROUGH "OPTIONAL CASH PAYMENTS ONLY" FEATURE OF THE PLAN**

**Section 7.01** An eligible employee may elect to participate in the Plan solely through optional cash payments. The employee should indicate this choice by indicating a payroll deduction amount of \$0 on the New Account Authorization Form (see Article 4). The provisions of Article 6 shall apply to optional cash payments received by the Company pursuant to this Article 7.

**Section 7.02** An eligible employee who elects to participate in the optional cash payment only feature may at any time elect to enroll also in the payroll deduction feature of the Plan. A Change in Payroll Deduction Form providing for payroll deductions must be executed and returned to the employee's human resources department.

**Section 7.03** An eligible employee who elects to participate through payroll deductions may at any time elect to discontinue payroll deductions and participate solely in the optional cash payment feature. In such event, the employee must notify the Company by contacting the employee's human resources department and must complete and sign a form instructing the Company (or Subsidiary Company) to discontinue payroll deductions. Payroll deductions will be discontinued effective the first pay period after the Company (or Subsidiary Company) receives and processes instructions from the employee.



## ARTICLE 8. REINVESTMENT OF DIVIDENDS

**Section 8.01** All cash dividends paid on shares of the Company's Common Stock credited to participant's account under the Plan will be used to purchase additional authorized but unissued shares of the Company's Common Stock until the Company or its designated agent is notified of a participant's death or withdrawal from the Plan, until the Plan is terminated by the Company, or until the participant ceases to be an eligible employee of the Company or Subsidiary Company (see Article 3). In any event, the sum of all payroll deductions (see Article 5), all optional cash payments (see Article 6) and all dividends available for investment for any participant may not exceed twenty-three thousand seven hundred fifty dollars (\$23,750) per calendar year. Any cash dividends in excess of the annual contribution limit stated above shall be paid by the Company in cash directly to the participant.

## ARTICLE 9. NUMBER AND PRICE OF SHARES PURCHASED UNDER THE PLAN

**Section 9.01** The number of shares which may be purchased for each participant depends upon the amount of the participant's payroll deductions, if any, optional cash payments, if any, dividends available for investment, if any, the price of the shares of Common Stock and the number of shares available for sale pursuant to the Plan in the manner set forth in Article 10. Except as limited by the provisions of Article 10, each participant's account will be credited with that number of shares, including any fraction of a share computed to three (3) decimal places, equal to the total amount to be invested divided by the purchase price as provided in Section 9.02 below.

**Section 9.02** The price of shares of Common Stock purchased pursuant to the Plan will be ninety-five percent (95%) of the closing price of the Company's Common Stock on the New York Stock Exchange on the appropriate Investment Date (or the next preceding day on which the New York Stock Exchange is open, if it is closed on the Investment Date). In the event no trading occurs in the Company's Common Stock on the Investment Date, the purchase price will be ninety-five percent (95%) of the average of the reported bid and asked prices on the New York Stock Exchange on that date.

**Section 9.03.** On each Investment Date, each participating employee shall be deemed to have been granted by the Company and to have simultaneously exercised an option to purchase a number of shares of Common Stock in an amount equal to the sum of (i) payroll deductions received from the participant since the prior Investment Date, if any, (ii) optional cash payments received from the participant since the prior Investment Date, if any, and (iii) dividends available for reinvestment since the prior Investment Date divided by the purchase price as provided in Section 9.02 above.

## ARTICLE 10. TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUANCE AND SALE PURSUANT TO THE PLAN

**Section 10.01** The number of shares of the Company's authorized but unissued Common Stock reserved for issuance and sale pursuant to the Plan will be \_\_\_\_\_ (\_\_\_\_\_). The Company shall promptly institute the requisite corporate and regulatory proceedings which may be necessary or appropriate to assure continued availability of such shares for issuance and sale pursuant to the Plan.

**Section 10.02** In the event that payroll deductions, optional cash payments and dividends available for investment of all participants exceed, at any Investment Date, the aggregate purchase price of shares remaining available for issuance pursuant to the Plan, payroll deductions, optional cash payments and dividends available for investment of each participant will be applied pro rata to the purchase of shares available under the Plan. The portion of each deduction, optional cash payment or dividends available for investment of any participant not so applied will be returned promptly without interest to the participant.

**ARTICLE 11. ISSUANCE OF CERTIFICATES FOR COMMON  
STOCK PURCHASED UNDER THE PLAN**

**Section 11.01** No certificates for shares of Common Stock purchased under the Plan will automatically be issued to participants. The number of shares credited to a participant's account under the Plan will be shown on each statement of account mailed to the participant.

**Section 11.02** A participant, without withdrawing from the Plan, may request stock certificates or may request to move to the direct registration system (DRS) any number of whole shares credited to the participant's account under the Plan. A request for issuance of certificates or to move to DRS should be mailed to the Company in care of ALLETE Shareholder Services, 30 West Superior Street, Duluth, Minnesota 55802. Any remaining whole shares and any fractional share will continue to be credited to the participant's account. Fractional shares will not be issued under any circumstances.

**Section 11.03** Subject to applicable securities regulations, certificates for whole shares, when issued, or shares held in the DRS will be registered in the names in which accounts under the Plan are maintained.

**ARTICLE 12. SALE OF COMMON STOCK PURCHASED  
UNDER THE PLAN**

**Section 12.01** A participant, or the estate of a deceased participant, may instruct the Company or its designated agent to sell up to two hundred (200) shares of the Common Stock held in the participant's Plan account in any calendar year. The cash proceeds from any such sale will be distributed to the participant or his estate, as applicable. The Company may deduct commissions payable to the independent agent, taxes and any other expenses related to the sale from the cash proceeds.

**Section 12.02** A participant (or the estate of a deceased participant) who wishes to sell shares of Common Stock credited to the participant's (or deceased participant's) account must so notify the Company in care of ALLETE Shareholder Services, 30 West Superior Street, Duluth, Minnesota 55802. The Company will generally sell the Plan shares within five (5) business days after receipt of a request and the selling price will be the average price of all shares sold on behalf of participants on the given sale date.

**Section 12.03** The right to sell shares of Common Stock credited to a participant's Plan account may not be exercised more than once during any calendar year.

**ARTICLE 13. PLEDGING OF COMMON STOCK CREDITED TO  
PARTICIPANT'S PLAN ACCOUNT**

**Section 13.01** Shares credited to the account of a participant under the Plan may not be pledged.

**ARTICLE 14. NON-TRANSFERABILITY OF RIGHTS**

**Section 14.01** The right to purchase shares of the Company's Common Stock pursuant to the Plan shall not be transferable in any manner.

**ARTICLE 15. DEATH OR RETIREMENT OF PARTICIPANT OR  
WITHDRAWAL FROM PLAN**

**Section 15.01** A participant may withdraw from the Plan at any time. A participant's death, retirement or withdrawal from the Plan will stop all investment on an Investment Date if notification of death, retirement or withdrawal is received at least five (5) business days prior to the Investment Date. Any payroll deduction, optional cash payment, or dividends available for investment, for which investment has been stopped by timely notification of death, retirement or withdrawal from the Plan, will be refunded by the Company to the participant without interest.

**Section 15.02** The Company must be notified in writing of a participant's death, retirement or withdrawal from the Plan. Upon notification of a participant's death, retirement or withdrawal from the Plan or upon termination of the Plan by the Company or upon a participant ceasing to be an eligible employee of the Company or Subsidiary Company (see Article 3), whole shares credited to the participant's account under the Plan will be deposited into the DRS (unless the Company or its designated agent is instructed to sell a certain number of such shares as provided in Article 12, in which case any whole shares remaining in the participant's Plan account after such sale will be deposited into the DRS) and a cash payment will be made for any fraction of a share credited to the employee's account.

#### **ARTICLE 16. RIGHTS OFFERING**

**Section 16.01** In the event of a rights offering, warrants representing rights on any whole shares credited to a participant's account under the Plan will be mailed directly to the participant in the same manner as to all other shareholders.

**Section 16.02** Rights based on a fraction of a share held in a participant's Plan account will be sold by the Company and the proceeds will be credited to the participant's account under the Plan and applied as an optional cash payment to purchase authorized but unissued shares for the Company's Common Stock on the next Investment Date.

#### **ARTICLE 17. STOCK DIVIDENDS OR STOCK SPLITS**

**Section 17.01** Any stock dividends or shares issued pursuant to a stock split distributed by the Company on shares credited to the account of a participant under the Plan will be added to the participant's account.

#### **ARTICLE 18. VOTING RIGHTS OF SHARES CREDITED TO PARTICIPANT'S ACCOUNT UNDER THE PLAN**

**Section 18.01** For each meeting of shareholders each participant will receive a proxy for voting whole and fractional shares credited to his or her account under the Plan.

**Section 18.02** If instructions are not received on all or part of a properly signed and returned proxy form, with respect to any item thereon, all of the participant's shares credited to his or her account under the Plan will be voted in the same manner as for nonparticipating shareholders who return proxies and do not provide instructions, that is, in accordance with the recommendations of the Board of Directors of the Company. If the proxy form is not returned or if it is returned unsigned, none of the participant's shares will be voted unless the participant votes in person.

#### **ARTICLE 19. SUSPENSION, MODIFICATION, AMENDMENT OR TERMINATION OF PLAN**

**Section 19.01** The Board of Directors of the Company reserves the right to suspend, modify, amend, or terminate the Plan at any time except that the Board of Directors of the Company cannot decrease the purchase price of the shares offered pursuant to the Plan, or make more restrictive the eligibility requirements for employees wishing to participate in the Plan. All participants will receive notice of any suspension, modification, amendment or termination of the Plan.

#### **ARTICLE 20. IMPLEMENTATION, INTERPRETATION, OR REGULATION OF PLAN**

**Section 20.01** The Company is authorized to take such actions to carry out the Plan as may be consistent with the Plan's terms and conditions.

**Section 20.02** The Company reserves the right to interpret and regulate the Plan as it deems desirable or necessary in connection with the Plan's operation.

IN WITNESS WHEREOF, ALLETE has caused this instrument to be executed by its duly authorized officers.

ALLETE, Inc.

By: /s/ Alan R. Hodnik

Alan R. Hodnik

Its: Chairman, President and CEO

ATTEST:

By: /s/ Deborah A. Amberg

Deborah A. Amberg

Its: Senior Vice President, General Counsel  
and Secretary