

WEC ENERGY GROUP, INC.  
Form 8-K  
December 07, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported):

December 1, 2016

---

Commission File Number	Registrant; State of Incorporation Address; and Telephone Number	IRS Employer Identification No.
---------------------------	---	------------------------------------

001-09057	WEC ENERGY GROUP, INC. (A Wisconsin Corporation) 231 West Michigan Street P.O. Box 1331 Milwaukee, WI 53201 (414) 221-2345	39-1391525
-----------	---	------------

The name and address of the registrant have not changed since the last report.

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS;  
APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.

Performance Measures for Annual Incentive Compensation

On December 1, 2016, pursuant to the terms of the WEC Energy Group Short-Term Performance Plan, as amended and restated effective as of January 1, 2016 (the “STPP”), the Compensation Committee of WEC Energy Group, Inc.’s Board of Directors (the “Compensation Committee”) established the overall performance measures and their respective weighting for the upcoming 2017 plan year. For WEC Energy officers, the 2017 annual incentive under the STPP will be primarily dependent upon financial achievement determined by WEC Energy’s performance against targets for earnings from continuing operations (75% weight) and cash flow (25% weight). Awards can be increased or decreased by up to 10% based upon performance in the operational areas of customer satisfaction (5%), safety (2.5%) and supplier and workforce diversity (2.5%) for the entire family of WEC Energy companies.

For those officers whose positions primarily relate to utility operations in Wisconsin, the 2017 annual incentive under the STPP will be primarily dependent upon financial achievement determined by WEC Energy’s performance against targets for earnings from continuing operations (25% weight) and cash flow (25% weight), as well as against targets for the aggregate net income of WEC Energy’s Wisconsin utility operations (50% weight). Awards for these officers can be increased or decreased by up to 10% based upon performance in the operational areas of customer satisfaction (5%), safety (2.5%) and supplier diversity (1.25%) for WEC Energy’s Wisconsin utility operations, as well as workforce diversity (1.25%) for the entire family of WEC Energy companies.

For those officers whose positions primarily relate to utility operations in Illinois, the 2017 annual incentive under the STPP will be primarily dependent upon financial achievement determined by WEC Energy’s performance against targets for earnings from continuing operations (25% weight) and cash flow (25% weight), as well as against targets for the aggregate net income of WEC Energy’s Illinois utility operations (50% weight). Awards for these officers can be increased or decreased by up to 10% based upon performance in the operational areas of customer satisfaction (5%), safety (2.5%) and supplier diversity (1.25%) for WEC Energy’s Illinois utility operations, as well as workforce diversity (1.25%) for the entire family of WEC Energy companies.

All of the actual performance targets will be established in the near future.

Amendment of the Performance Unit Plan

On December 1, 2016, the Compensation Committee amended and restated the WEC Energy Group Performance Unit Plan effective January 1, 2017, to provide for an Additional Performance Measure in addition to the performance measure of total shareholder return. “Additional Performance Measure” is defined as the performance criterion or criteria (if any) that the Compensation Committee selects, in its sole discretion, based on the attainment of specific levels of performance by WEC Energy.

The Compensation Committee also adopted several administrative amendments, including clarifying how short-term dividend equivalents are calculated.

Prior to these amendments, performance units granted under this plan entitled the grantee to receive a cash payment based upon WEC Energy’s total shareholder return (stock price appreciation plus dividends) over a three-year performance period as compared to the total shareholder return of a custom peer group of companies. Performance units vested in an amount between 0% and 175% of the target award.

Pursuant to the amendments to the performance unit plan, beginning with the 2017 awards, performance will be measured against total shareholder return and the Additional Performance Measure(s), if any, selected by the Compensation Committee. Performance units will continue to vest in an amount between 0% and 175% of the target award based upon WEC Energy's comparative total shareholder return over a three-year performance period. However, the vesting percentage may be adjusted based upon WEC Energy's performance against the Additional Performance Measure(s). The Additional Performance Measure(s), if any, must be selected by the Compensation Committee at the beginning of the three-year performance period. For each year during the performance period, the Compensation Committee will select the target(s) for the Additional Performance Measure(s) and the potential adjustment to the vesting percentage for that year based on achievement of the

---

Additional Performance Measure(s) relative to the selected target(s). The actual adjustment, if any, to the vesting percentage based upon the Additional Performance Measure(s) will be determined annually. In no event will any adjustment cause the vesting percentage over the three-year performance period to be less than zero.

#### Amendment of the Director Restricted Stock Award Terms and Conditions

On December 1, 2016, the Compensation Committee revised the terms and conditions of restricted stock granted to Directors under the WEC Energy Group 1993 Omnibus Stock Incentive Plan, Amended and Restated effective as of January 1, 2016. Pursuant to these new terms and conditions, beginning with the 2017 awards to Directors, shares of restricted stock will vest upon one year of service as a Director of WEC Energy as opposed to three years of service.

#### ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

##### (d) Exhibits

##### 10 Material Contracts

10.1 WEC Energy Group Performance Unit Plan, amended and restated effective as of January 1, 2017.

10.2 Director Restricted Stock Award Terms and Conditions effective January 2017.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WEC ENERGY GROUP, INC.  
(Registrant)

/s/ William J. Guc

Date: December 7, 2016 William J. Guc – Vice President and Controller

ing should be sent to the plan administrator, together with a completed Shareholder Authorization Form. You should use certified or registered mail when sending stock certificates. **YOU SHOULD NOT ENDORSE CERTIFICATES SURRENDERED FOR SAFEKEEPING.** We will send you a notification when we receive certificates sent to us for safekeeping. It is your responsibility to retain records relative to the cost of any shares represented by certificates deposited for safekeeping. **COMMON STOCK SURRENDERED FOR SAFEKEEPING WILL BE TREATED IN THE SAME MANNER AS SHARES PURCHASED THROUGH THE PLAN.** Safekeeping protects your shares against loss, theft or accidental destruction. This also provides a convenient way for you to keep track of your shares. **TRANSFER OR ASSIGNMENT OF SHARES** You may instruct the plan administrator to transfer or assign plan shares to another account or to a new account. These instructions must be sent with appropriate documentation and comply with transfer regulations and applicable laws. Please call the plan administrator for specific instructions for transferring shares. **SHARES PLEDGED** You may not pledge shares held in a plan account as collateral. If you wish to use plan shares as collateral, you must have those shares registered in your name by withdrawing the shares from the plan. See "Certificates for Shares; Direct Registration System" below. **SHAREHOLDER VOTING** For each meeting of shareholders, you will receive notices of meetings, proxy statements and proxy cards covering the total full and fractional shares held, including shares held directly and shares held under the plan. If you return a proxy card properly signed and marked for voting, the covered shares will be voted as marked. If you return a proxy card properly signed, but without instructions as to how shares are to be voted with respect to any item on 13 the proxy card, the covered shares are voted in accordance with the recommendations of ALLETE's Board of Directors. If you do not return a proxy card, or return a card unexecuted or improperly executed, the covered shares will not be voted unless you vote in person at the meeting. **SALE OF SHARES** Invest Direct allows you to sell up to 200 plan shares in one transaction per calendar year. This includes shares of common stock deposited in the plan for safekeeping. We will not charge you an administrative and/or broker commission fee for this service if less than one share is sold. We will charge you a nominal administrative fee for sales of one or more shares, up to 200 shares. To sell plan shares, you must make a written request to the plan administrator by: 1) completing the Share Transaction Request Form on the reverse side of the Optional Cash Payment Form; or 2) submitting a letter of instruction indicating the plan account number and registration. The request should indicate the number of shares to be sold and must be signed by all plan account owners. We will generally sell shares within five business days after receiving a request. However, we may delay sale requests received during the dividend processing period until completion of dividend processing. You cannot control the terms and conditions of the sale of your plan shares. Neither you, ALLETE nor any of its affiliates may exercise any control or influence over the timing, price, amount or manner of the sale of the common stock sold by the independent agent. The independent agent will sell the shares. We will issue a check for the proceeds of the

sale minus applicable administrative fees and taxes as soon as practicable after the sale of the shares. The check will be made payable to the registered holders only. If you wish to sell more than once per calendar year or more than 200 shares, you or your stockbroker may request that the shares be moved to ALLETE's direct registration system, or DRS, or that a certificate be issued to you for the shares. See "Certificates for Shares; Direct Registration System." Once you receive a certificate or move your shares to DRS, you can place an order to sell through your stockbroker. Shares held outside the plan may not be sold through the plan. **CERTIFICATES FOR SHARES; DIRECT REGISTRATION SYSTEM** You can request stock certificates or can request to move to the direct registration system any number of full shares credited to your plan account, and may make such request without withdrawing from the plan. There is no charge for this service. The direct registration system permits an investor to hold ALLETE common stock as the registered owner in book-entry registration form on the stock transfer books of ALLETE, with no need for a physical stock certificate. You must make a written request to the plan administrator by: 1) completing the Share Transaction Request Form on the reverse side of the Optional Cash Payment Form; or 14 2) submitting a letter of instruction indicating the plan account number and registration. The request should indicate the number of shares to be certificated or moved to DRS and must be signed by all plan account owners. You must make a separate request each time a certificate or movement to DRS is requested. We process requests as soon as practicable after we receive them. We will continue to hold any remaining full and fractional shares in your plan account. Fractional shares cannot be issued in certificate form or moved to DRS. Certificating your shares or moving them to DRS does not automatically stop dividend reinvestment. We will continue to follow existing instructions regarding payment or reinvestment of dividends on shares moved to certificate or DRS form until we receive new instructions. To make a change in method of dividend payment, you must make a request in writing as more fully described under "Reinvestment of Dividends" above. **WITHDRAWAL FROM THE PLAN** You may withdraw from the plan at any time by notifying the plan administrator in writing of your decision by: 1) completing the Share Transaction Request Form on the reverse side of the Optional Cash Payment Form; or 2) submitting a letter of instruction indicating the plan account number and registration. The request should indicate that you wish to terminate participation in the plan. All plan account owners must sign the request and indicate whether they wish to receive a stock certificate, move their shares to DRS, or sell their shares (if the number of shares is 200 or less and they have not sold any other shares from their plan account that year). As explained above, you may terminate participation in the plan either by: 1) selling all the shares in your plan account through the plan (if that number of shares is 200 or less and you have not sold any other shares credited to your plan account in the year of termination); or 2) having a certificate issued for a specific number of whole shares or move a specific number of whole shares to DRS and sell the remaining shares through the plan. If a termination request does not specify the manner of distribution of shares, we will move the whole number of shares in that account to DRS and issue a check for the value of any remaining fractional shares. The plan administrator will only issue certificates for whole shares. If, during the same Investment Period, we receive an optional cash payment and a timely request to terminate participation in the plan, we will return the amount of the optional cash payment. If the request is not timely received we will use those funds to purchase shares in accordance with the terms of the plan. Such shares will be sold and the proceeds of the sale will be returned to you. In any event, certificates for whole shares allocated to a plan account upon termination and/or the proceeds from the sale of any shares held in that plan account will be sent to you no later than 30 days following the notice of termination. Your withdrawal from the plan will stop all investment under the plan if in the case of: 1) reinvestment of dividends, we receive notification of withdrawal not later than the Dividend Record Date for a cash dividend payment normally reinvested; and 15 2) optional cash payments, we receive notice of withdrawal on or before the end of the Investment Period during which we receive the optional cash payment. We will pay to you, without interest, any cash dividend or optional cash payment we receive for which investment has been stopped by timely notification of withdrawal from the plan. If you sell or otherwise dispose of all the shares of stock registered in your name in certificate form, the plan administrator will continue to reinvest the dividends on the shares credited to your plan account until the plan administrator is notified in writing of your intent to withdraw from the plan. **STATEMENTS OF ACCOUNT; SHAREHOLDER COMMUNICATIONS** You will receive quarterly Statements of Account, if there is any activity in your plan account in that quarter. In any event, you will receive a Statement of Account at least annually. In addition, you will receive a statement for the following transactions: 1) purchase of additional shares with optional cash payments; 2) deposit of shares into the plan for safekeeping; 3) sale of shares held in the plan; 4) withdrawal of plan shares; 5) transfer of plan shares; and 6) upon termination of the plan. **YOUR STATEMENTS OF ACCOUNT ARE YOUR CONTINUING RECORD OF THE**

**COST OF SHARES PURCHASED, THEIR BASIS FOR FEDERAL INCOME TAX PURPOSES, THE PROCEEDS OF SALES AND THE AMOUNT OF DIVIDENDS REPORTABLE FOR FEDERAL INCOME TAX PURPOSES. YOU SHOULD KEEP YOUR STATEMENTS OF ACCOUNT FOR INCOME TAX PURPOSES.** You will also receive copies of the same communications sent to all holders of ALLETE common stock, including ALLETE's Annual Report to Shareholders, Notice of Annual Meeting and Proxy Statement and tax information for reporting dividends paid. Statements of Account and other communications will be sent to your address on record with us. If you move, you must promptly notify us of your change of address to avoid delays in receiving up-to-date information.

**COSTS UNDER THE PLAN** You will not incur any brokerage fees, commissions or other charges for shares purchased for your plan account. However, if we pay any such charges, we are required to report them to the Internal Revenue Service (IRS) as income to you. Because of the volume of shares purchased through the plan, commissions that we pay on your behalf should be less than those that you would otherwise pay if you purchased, individually, the same number of shares on the open market. 16 If you request that we sell shares of common stock through the plan (other than a request for the sale of less than one share), you will be charged a nominal administrative fee and applicable taxes. There are no other service charges for participating in the plan. We pay all costs of administration of the plan. However, we reserve the right at any time to charge an administrative fee for costs that are reasonably related to actual administrative costs incurred by us as plan administrator. These costs include printing and mailing costs for prospectuses, brochures and forms, administrative handling fees for paperwork requested by you, and other similar costs. If we decide to charge such fees, you will be notified 90 days before their effective date.

**RIGHTS OFFERING AND STOCK SPLIT** A rights offering takes place if ALLETE issues to its existing shareholders the right to purchase additional shares of ALLETE common stock in proportion to the shares they already own. In a rights offering, warrants representing rights on all shares held directly by you, including those credited to your plan account, will be mailed directly to you in the same manner as to shareholders not participating in the plan. Rights based on a fractional share held in the plan will be sold by the plan administrator and the proceeds will be credited to your plan account under the plan and applied as cash dividends to purchase common stock to be credited to your plan account as of the Investment Date following the next Investment Period in which common stock is purchased with reinvested dividends. A rights offering is not related to the Rights attached to the shares of ALLETE common stock. See "Description of Common Stock--Description of Preferred Share Purchase Rights" below. Any shares issued in connection with a stock split distributed by ALLETE on shares credited to your plan account under the plan will be added to your plan account. If you hold your plan shares in certificate form, any shares issued in connection with a stock split will be mailed to you directly in the same manner as to shareholders who are not participating in the plan. If you hold your plan shares in DRS, any shares issued in connection with a stock split will similarly be registered in DRS.

**LIABILITY** Neither ALLETE, in its individual capacity or as plan administrator, nor any independent agent appointed by ALLETE under the plan will be liable for any act done in good faith or for any good faith omission to act with respect to the plan, including, without limitation, any claim of liability: 1) arising out of failure to terminate a plan account upon a participant's death before receipt of notice from an authorized representative of the estate of such death in writing (all instructions and requests by authorized representatives of a participant's estate must be accompanied by appropriate documentation and must comply with the transfer requirements of the plan and any applicable laws); 2) with respect to the prices or times at which, or sources from which, shares are purchased or sold; or 3) with respect to any fluctuation in market value before or after any purchase or sale of shares, provided that nothing contained herein shall be construed to affect any right to bring suit under the federal securities laws of the United States. 17

**YOU MUST RECOGNIZE THAT ALLETE CANNOT ASSURE YOU A PROFIT, OR PROTECT YOU AGAINST LOSSES, ON SHARES PURCHASED UNDER THE PLAN. THE MARKET PRICE OF ALLETE COMMON STOCK CAN FLUCTUATE SUBSTANTIALLY. YOU ACCEPT THE RISKS AS WELL AS THE BENEFITS OF THE PLAN. YOU PARTICIPATE IN THE PLAN AT YOUR SOLE DISCRETION, RISK AND RESPONSIBILITY.**

**MODIFICATION OR TERMINATION OF PLAN; TERMINATION OF PARTICIPANTS; GOVERNING LAW** We reserve the right to suspend, modify, amend or terminate the plan at any time and to interpret and regulate the plan as we deem necessary or desirable in connection with the operation of the plan. We also reserve the right, at our discretion, to terminate participation in the plan if your plan account is no longer active. ALLETE will provide notice of any such suspension, modification, amendment or termination. If we terminate your plan account, we will deliver or sell your shares in the manner described under the heading "Withdrawal from the Plan" above. In addition, we may terminate your participation in the plan if we believe that your participation may be contrary to the



general intent of the plan or in violation of applicable law. We will send you a certificate for whole shares and a check for the cash value of the fractional shares in any plan account so terminated. The terms and conditions of the plan and its operation shall be governed by and construed in accordance with the laws of the State of Minnesota.

**UNITED STATES FEDERAL INCOME TAX CONSEQUENCES** For federal income tax purposes, you will be treated as having received a distribution on the Dividend Payment Date in an amount equal to the fair market value on that date of the full and fractional number of shares purchased with the reinvested amount used to purchase authorized but unissued shares directly from ALLETE. The tax basis of the purchased shares will be equal to the fair market value of such shares on the Dividend Payment Date. For federal income tax purposes, you will be treated as having received a distribution on the Dividend Payment Date in an amount equal to the reinvested amount plus brokerage fees, commissions or other service charges used to purchase shares in the open market, if paid by us to obtain the shares. The tax basis of the purchased shares will be equal to the amount of the distribution. If you purchase shares with optional cash payments, any brokerage fees, commissions or other service charges paid by us to obtain the shares will be treated as a distribution to you for federal income tax purposes. The tax basis of shares purchased in this manner will be equal to the amount of the optional cash payment plus the amount of the distribution. For federal income tax purposes, distributions will be treated as dividends to the extent paid out of current or accumulated earnings and profits and will be includible in your income and taxable as ordinary income. If a distribution exceeds our current and accumulated earnings and profits, the excess will be first treated as a tax-free return of your investment, up to your tax basis in our common stock. Any remaining excess will be treated as a capital gain. Dividends received by noncorporate persons on common stock in tax years beginning on or before December 31, 2008 generally are subject to U.S. federal income tax at lower rates than other types of ordinary income, subject to certain exceptions. The holding period for shares acquired under the plan begins on the day after the shares are credited to your plan accounts. Your distribution for federal income tax purposes, including any brokerage fees, commissions or other 18 service charges we pay in respect of reinvested dividends or optional cash investments, will be reported on your year-end Form 1099-DIV. Upon sale, exchange or other disposition of any shares, you will generally realize gain or loss equal to the difference between the amount realized on the disposition and your tax basis in the shares. Such gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if you held the shares for more than one year immediately prior to such disposition. Long-term capital gains of individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Unless an exemption applies, we will send you a Form 1099-B for any shares sold through the plan. If you are a foreign shareholder whose distributions are subject to United States income tax withholding, or a domestic shareholder subject to backup withholding, the amount of the distribution either sent to you in cash or reinvested in shares will be reduced by such tax withholding. The regular Statements of Account sent to you will indicate the amount of tax withheld. We will similarly withhold taxes on any sale of shares if you are subject to income tax withholding or backup withholding. We will reduce the amount we send to you for such sale by the amount of tax withheld and any applicable administrative fees or broker commissions. Any income tax we withhold may be claimed as a credit on your federal income tax return. The information explained above is only a summary and does not purport to be a complete description of all tax consequences of participation in the plan. The description may be affected by future legislation, IRS rulings and regulations, or court decisions. In addition, the taxation of foreign shareholders, except as noted, is not discussed in this prospectus. Accordingly, you should consult your own tax advisors with respect to the federal, state, local and foreign tax consequences of your participation in the plan.

**DESCRIPTION OF COMMON STOCK GENERAL.** The following statements describing our common stock are not intended to be a complete description. They are qualified in their entirety by reference to our Articles of Incorporation, Rights Plan, as defined below, and mortgage and deed of trust. We also refer you to the laws of the State of Minnesota. We have the following authorized capital stock by our Articles of Incorporation: 43,333,333 shares of common stock, without par value, and 3,616,000 shares of preferred stock. As of the date of this prospectus, 29,701,774 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

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

**VOTING RIGHTS (NON-CUMULATIVE VOTING).** Holders of our common stock are entitled to receive notice of and to vote at any meeting of our shareholders. Each

share of our common stock, as well as each share of any of our issued and outstanding preferred stock, is entitled to one vote. Since the holders of these shares do not have cumulative voting rights, the holders of more than 50 percent of the shares voting can elect all our directors. If that happens, the holders of the remaining shares voting (less than 50 percent) cannot elect any directors. In addition, whenever dividends on any of our preferred stock are in default in the amount of four quarterly payments, and until all the 19 dividends in default are paid, the holders of our preferred stock are entitled, as one class, to elect a majority of the directors. Our common stock, as one class, would then elect the minority. Our Articles of Incorporation include detailed procedures and other provisions relating to these rights and their termination, including: - quorums; - terms of directors elected; - vacancies; - class voting; - meetings; and - adjournments. Our Articles of Incorporation contain provisions that make it difficult to obtain control of ALLETE through transactions not having the approval of our Board of Directors. These provisions include: 1) a provision requiring the affirmative vote of 75 percent of the outstanding shares of all classes of our capital stock, present and entitled to vote, in order to authorize certain mergers or consolidations, or sales or leases of a significant amount of assets, of ALLETE, and other significant transactions that may have an effect on the control of ALLETE. Any of those transactions are required to meet certain "fair price" and procedural requirements. Neither a 75 percent shareholder vote nor a "fair price" is required for any of those transactions that have been approved by a majority of the "Disinterested Directors," as that term is defined in our Articles of Incorporation; 2) a provision permitting a majority of the Disinterested Directors to determine whether the above requirements have been satisfied; and 3) a provision providing that some parts of our Articles of Incorporation cannot be altered unless approved by 75 percent of the outstanding shares of all classes of our capital stock, present and entitled to vote, unless the alteration is recommended to the shareholders by a majority of the Disinterested Directors. The parts of our Articles of Incorporation that cannot be altered except as stated above include parts relating to: a. 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 b. the number, election, terms of office and removal of directors of ALLETE and the way in which vacancies on the Board of Directors are filled. LIQUIDATION RIGHTS. After we have satisfied creditors and the preferential liquidation rights of any of our outstanding preferred stock, the holders of our common stock are entitled to share ratably in the distribution of all remaining assets. 20 MISCELLANEOUS. Holders of our common stock have no preemptive or conversion rights. Our common stock is listed on the New York Stock Exchange. The transfer agents and registrars for our common stock are Wells Fargo Bank, N.A. and ALLETE. DESCRIPTION OF PREFERRED SHARE PURCHASE RIGHTS. The following statements describing our preferred share purchase rights (each a Right) are not intended to be a complete description. They are qualified in their entirety by reference to the Rights Agreement, dated as of July 24, 1996 (Rights Plan), between ALLETE and ALLETE's Corporate Secretary, as Rights Agent. We also refer you to the laws of the State of Minnesota. In July 1996, our Board of Directors declared a dividend distribution of one Right for each outstanding share of our common stock to shareholders of record at the close of business on July 24, 1996 (Record Date). Our Board of Directors also authorized the issuance of one Right for each share of our common stock that becomes outstanding between the Record Date and July 23, 2006, or an earlier date on which the Rights are redeemed. Except as described below, each Right, when exercisable, entitles the registered holder to purchase from us one-and-a-half one-hundredths (three two-hundredths) of a share of Junior Serial Preferred Stock A, without par value (Serial Preferred) at a price of \$90.00 (the Purchase Price). The Purchase Price is subject to adjustment. Initially, no separate Right Certificates were distributed. Until the Distribution Date, our common stock certificates together with a copy of the Summary of Rights Plan are proof of the Rights. The Distribution Date is the earlier to occur of: 1) 10 days following a public announcement that a person or group of affiliated or associated persons (an Acquiring Person) has acquired, or obtained the right to acquire, beneficial ownership of 15 percent or more of the outstanding shares of our common stock (the Stock Acquisition Date); or 2) 15 business days following the commencement of (or a public announcement of an intention to make) a tender or exchange offer where a person or group would become the beneficial owner of 15 percent or more of our outstanding shares of common stock. At any time before a person becomes an Acquiring Person, our Board of Directors may extend the 15-business day time period. Until the Distribution Date (or the earlier redemption, expiration or termination of the Rights), the Rights will be transferred only with our common stock. The transfer of any of our common stock (whether by certificate or DRS), with or without a copy of the Summary of Rights Plan, will also constitute the transfer of the Rights associated with that common stock. As soon as practicable following the Distribution Date, we will mail separate certificates for the Rights to holders of record of our common stock as of the

close of business on the Distribution Date. After the Distribution Date, separate certificates for the Rights will be given as proof of the Rights. Each whole share of our Serial Preferred will have a minimum preferential quarterly dividend rate equal to the greater of \$51 per share or, subject to anti-dilution adjustment, 200 times the dividend declared on our common stock. If ALLETE liquidates, no distribution will be made to the holders of our common stock until the holders of our Serial Preferred have received a liquidation preference of \$100 per share, plus accrued and unpaid dividends. Holders of our Serial Preferred will be entitled to receive notice of and to vote at any meeting of our shareholders. Each whole share of our Serial Preferred is entitled to one vote. These shares do not have cumulative voting rights. Whenever dividends on any of our preferred stock are in default in the amount of four quarterly payments, and until all the dividends in default are paid, the holders of our Serial Preferred and other preferred stock will be entitled, together as one class, to elect a majority of directors. Our common stock would then elect the minority. If, in any merger or other transaction, shares of our common stock are exchanged for or converted into other securities and/or property, each whole share of our Serial Preferred will be entitled to receive, subject to 21 anti-dilution adjustment, 200 times the amount for or into which each share of our common stock is exchanged or converted. We cannot redeem the shares of Serial Preferred. The Rights are not exercisable until the Distribution Date and will expire at the earliest of: 1) July 23, 2006 (Final Expiration Date); 2) the redemption of the Rights by ALLETE as described below; or 3) the exchange of all Rights for our common stock as described below. If any person (other than ALLETE, its affiliates or any person receiving newly-issued shares of common stock directly from ALLETE) becomes the beneficial owner of 15 percent or more of the then outstanding shares of common stock, each holder of a Right will have a right to receive, upon exercise at the then current exercise price of the Right, common stock (or, in the discretion of the Board of Directors, cash, property or other securities of ALLETE) with a value equal to two times the exercise price of the Right. The Rights Plan contains an exemption for common stock we issue directly to any person. This exemption applies even if the person would become the beneficial owner of 15 percent or more of our common stock, provided that the person does not acquire any additional shares of our common stock. Examples of situations where we might issue common stock directly include private placements or acquisitions we make using our common stock as consideration. If following the Stock Acquisition Date we are acquired in a merger or other business combination transaction, or 50 percent or more of our assets or earning power are sold, we will make proper provision so that each holder of a Right will, after the transaction, have the right to receive, upon exercise at the then current exercise price of the Right, common stock of the acquiring or surviving company with a value equal to two times the exercise price of the Right. If the events described in the preceding two paragraphs happen (the Triggering Events), any Rights that an Acquiring Person beneficially owns or transferred to certain persons, will immediately become null and void. The Purchase Price payable and the number of shares of our Serial Preferred or other securities or property issuable if the Rights are exercised, are subject to adjustment. An adjustment would be made to prevent dilution, if there was a stock dividend on, or a subdivision, split, combination, consolidation or reclassification of, our Serial Preferred or our common stock, or a reverse split of our outstanding shares of Serial Preferred or common stock. Our Board of Directors may exchange the Rights at an exchange ratio of one share of common stock per Right at any time that is: 1) after the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15 percent or more of the outstanding common stock; and 2) before the acquisition by that person or group of 50 percent or more of the outstanding common stock. This exchange ratio is subject to adjustment and does not include Rights that have become null and void. With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least one percent in the Purchase Price. We will not be required to issue fractional shares of 22 Serial Preferred or common stock (other than fractions in multiples of one one-hundredths of a share of Serial Preferred). Instead, we may make an adjustment in cash based on the market price of the Serial Preferred or common stock on the last trading date before the date of exercise. Our Board of Directors may redeem the Rights in whole, but not in part, at a price of \$.015 per Right (Redemption Price) anytime before a person becomes an Acquiring Person. At our option, we may pay the Redemption Price in cash, shares of our common stock or other consideration that our Board of Directors deems appropriate. If we redeem the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price. If the Rights are exercised, issuance of our Serial Preferred or our common stock will be subject to any necessary regulatory approvals. Until a Right is exercised, the holder of the Right will have no rights as a shareholder of ALLETE, including, without limitation, the right to vote or to receive dividends. One million shares of our Serial Preferred were reserved for issuance if the Rights are exercised. We may amend the provisions of

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

**USE OF PROCEEDS** We will receive no proceeds from the offering of common stock through the plan unless shares of common stock are purchased directly from ALLETE. To the extent that shares are purchased directly from ALLETE, we expect that the net proceeds received will be used for general corporate purposes. We have no basis for estimating either the number of shares of common stock that may be sold under the plan, the prices at which those shares will be sold or the number of shares that will be purchased directly from ALLETE.

**EXPERTS** The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control Over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2004, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting. The statements as to matters of law and legal conclusions under "Description of the Common Stock" in this prospectus and in the documents incorporated in this prospectus by reference, will be reviewed by Deborah A. Amberg, Esq., Duluth, Minnesota, Vice President, General Counsel and Secretary of ALLETE. The statements under "United States Federal Income Tax Consequences" in this prospectus have been reviewed by Thelen Reid & Priest LLP. All of such statements and conclusions are presented or incorporated by reference in this prospectus in reliance upon the opinions of such individual and firms, respectively as experts.

<sup>23</sup> As of the date of this prospectus, Ms. Amberg owned 2,003 shares of ALLETE common stock. Ms. Amberg is acquiring additional shares of ALLETE common stock at regular intervals as a participant in the ALLETE Retirement Savings and Stock Ownership Plan. Under the Executive Long-Term Incentive Compensation Plan, Ms. Amberg has: - been granted options to purchase 15,950 shares of ALLETE common stock, of which 11,688 options are fully vested, the remainder of which shall vest over the next three years, and all of which will expire ten years from the date of grant; and - an award opportunity for up to 2,460 additional performance shares contingent upon the attainment of certain performance goals of ALLETE for the periods January 1, 2004 through December 31, 2005, January 1, 2004 through December 31, 2006, and January 1, 2005 through December 31, 2007.

**LEGAL OPINIONS** The legality of the shares of common stock offered hereby will be passed upon for ALLETE by Deborah A. Amberg, Duluth, Minnesota, Vice President, General Counsel and Secretary of ALLETE and by Thelen Reid & Priest LLP, New York, New York, counsel for ALLETE. Thelen Reid & Priest LLP may rely as to all matters of Minnesota law upon the opinion of Ms. Amberg. ----- 24