

# THE ALLETE™ INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.

## ADESA spin-off date set, reverse stock split and new dividend for ALLETE announced

ALLETE's board of directors has set a date of Sept. 20 to spin off its remaining equity interest in ADESA, Inc. The Company expects that one share of ADESA common stock will be distributed for each outstanding share of ALLETE common stock on the record date of Sept. 13, 2004.

### Dear Shareholder



When ADESA, Inc. is spun-off from ALLETE later this month, it will be the last of several strategic steps that the board believes will unlock the long-term value of this corporation. ADESA, which has been trading independently since the initial public offering in June, will soon be totally independent of ALLETE. Those who own shares of ALLETE on September 13 are expected to receive one share of ADESA stock for each share of ALLETE they own.

Instead of owning stock in one company that has two primary business lines, you will own stock in two separate companies. Each company will be better able to pursue its own strategy, taking advantage of opportunities in a specific market.

Much has happened since late 2001, including the complete sale of another business unit, ALLETE Water Services. With the net proceeds of that sale, we paid down debt and strengthened our balance sheet. We exited or closed several other businesses that we determined were not significant to ALLETE's future.

After the spin-off is complete, we believe that both ALLETE and ADESA will be well positioned to compete in the markets for which they are best suited.

ALLETE's primary strength will be regulated electric utility Minnesota Power, serving northeast Minnesota and northwest Wisconsin. Non-regulated businesses include ALLETE Properties, which owns and markets properties in Florida, Enventis Telecom and BNI Coal. With nearly a century of experience, Minnesota Power serves a healthy

Registered ALLETE shareholders will receive their ADESA stock in book entry form. Shareholders will receive a statement of ownership indicating the number of shares credited and a cash payment for any fractional share. Those who own stock in ALLETE on Sept. 13 will not have to do anything to receive their ADESA shares.

The board has also approved a one-for-three reverse stock split, which will become effective immediately following the spin-off. Each three shares of ALLETE common stock will be converted into one share of "new" ALLETE common stock. There will be a corresponding increase in the value of each "new" share.

The board anticipates declaring a post-spin-off quarterly dividend of 30 cents per share (equivalent to 30 cents per share prior to the reverse stock split).

Action on the spin-off, reverse stock split and new dividend was taken by the ALLETE board at its Aug. 24 meeting. Detailed information about the transaction, including a list of frequently-asked questions, was mailed to all registered shareholders of ALLETE.

To facilitate recordkeeping for these transactions, the company will suspend all activity in its Invest Direct stock purchase plan from Sept. 10 until Sept. 20, 2004. Further information about the transactions, including cost-basis information, will be sent to shareholders later.



### Shares of ADESA, Inc. common stock "go public" on New York Stock Exchange

ADESA, Inc. issued 6,250,000 million shares of common stock June 16 that began trading publicly on the New York Stock Exchange (NYSE). The milestone event was celebrated six days later by ALLETE and ADESA executives, who gathered at the exchange for the traditional opening bell ceremony. Pictured, left to right are:

customer base that includes major international steel and papermaking companies.

ADESA will soon be the only publicly-traded full-service vehicle remarketing network in North America, with 53 used vehicle auctions, 27 salvage auctions and 80 Automotive Finance Corporation loan production offices. AFC is the leading independent vehicle dealer finance company in North America.

Soon I'll be turning over my chairmanship of ALLETE's board to veteran director Bruce Stender. With Bruce and Don Shippar leading the company, ALLETE is in very capable hands. I'll be devoting all my energy to the leadership of ADESA, Inc., and I hope to stay in touch with all of you.

Sincerely,  
**David G. Garzke**  
Chairman

the traditional opening bell ceremony. Pictured, left to right, are: Scott Anderson, Brenda Flayton, Cameron Hitchcock, Cheryl Munce, Chuck Tapp, NYSE President Katherine Kinney; ALLETE Chief Financial Officer James Vizanko, ALLETE Board Chairman David Gartzke and his wife, Louise, Paul Sylvester, Jim Hallett, Paul Lips, Brad Todd, and Curt Phillips (photo courtesy NYSE).

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### ***Florida Water Services completes \$18 million sale of remaining systems***

ALLETE's Florida Water Services subsidiary completed the sale of its remaining 72 water and wastewater systems to Aqua America, Inc. and Seminole County for a total of \$18 million.

The transactions are subject to regulatory approval by the Florida Public Service Commission, which may result in an adjustment to the final purchase price.

Aqua America purchased 63 of the water and wastewater systems for \$13.8 million. Seminole County bought nine

systems for \$4.2 million.

The closing of these water utility sales essentially concludes ALLETE's successful strategy of exiting its Water Services businesses. When the strategy was launched in late 2001, ALLETE owned the largest publicly-traded water and wastewater utilities in both Florida and North Carolina. Sale proceeds were used to strengthen ALLETE's balance sheet and retire debt.

### ***Donald Stellmaker appointed ALLETE treasurer***



**Donald W. Stellmaker**

Donald W. Stellmaker, director of corporate financial planning, has been appointed treasurer of ALLETE by the Duluth-based corporation's board of directors.

Stellmaker, 47, joined ALLETE in 1980 as a load forecast analyst for utility subsidiary Minnesota Power.

"Don's extensive knowledge of our company, analytical skills and financial

CEO of ALLETE. "I'm thrilled to have him as our newest officer of ALLETE."

Stellmaker earned a bachelor's degree and a master of business administration at the University of Minnesota-Duluth after graduating from Duluth East High School in 1975. He became a market research analyst at Minnesota Power in 1984 and was named a financial analyst the following year. Since then he has served as supervisor, manager and director of corporate financial planning and budgeting at ALLETE.

In his new role, Stellmaker will report to James Vizanko, who has served as ALLETE treasurer since 1993. Vizanko, the chief financial officer of the corporation, was promoted to senior vice president earlier this year.

planning experience make him a great choice as treasurer," said Don Shippar, President and

### ***Minnesota Power's mercury reduction efforts recognized with international award***

Minnesota Power in July was named a winner in the Industry and Business category of the Lake Superior Binational Program's environmental stewardship awards program. It tied for the honor with Pinehurst Inn at Pikes Creek, in Bayfield, Wis.

The Lake Superior Binational Program is a partnership of American and Canadian government agencies, First Nations/Tribes and citizen stakeholders working to protect and restore the natural environment of the Lake Superior Basin. Its U.S. branch is coordinated out of the Sigurd Olson Environmental Institute in Ashland, Wis.

The group praised Minnesota Power for having attacked the mercury emissions issue "from both the production and consumption side." It noted the full-scale mercury emissions control technology testing at Laskin Energy Center in Hoyt Lakes, Minn., and the company's design and construction of a model energy-saving house in Duluth that consumes minimal electricity and thus reduces the demand for fossil fuel-fired generation.

Minnesota Power has been a national leader in the search for ways to reduce mercury emissions for more than 10 years. In the early 1990s, Minnesota Power volunteered to be one of eight sites around the country for a comprehensive assessment of emissions, including mercury, by the U.S. Department of Energy.



Minnesota Power was honored for its environmental stewardship by the Lake Superior Binational Program in a ceremony at Minnesota Point in Duluth.

Pictured, left to right, are Senior Vice President of Environmental Services Dave Jeronimus, Customer Service Representative Dean Talbott and Supervisor of Air Quality Tim Hagley.

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*The statements contained in this newsletter and statements that ALLETE may make orally in connection with this newsletter that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.*