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ALLETE INC
Form DEF 14A
March 25, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO.)

Filed by the Registrant /X/
Filed by a Party other than the Registrant / /
Check the appropriate box:
/ / Preliminary Proxy Statement
/ / CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE
14a-6(e)(2))
/X/ Definitive Proxy Statement
/ / Definitive Additional Materials
/ / Soliciting Material Pursuant to Section 240.14a-12

ALLETE, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/X/ No fee required.
/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[Photo of Medardo Salgado and Manuel Vargas buffing a Beetle at ADESA Golden Gate's reconditioning facility]

[Photo of ALLETE's Ethics Handbook on the printing press]

NOTICE AND PROXY STATEMENT

[Photo of Minnesota Power lineman working on a power pole in Duluth, MN]

[Photo of vehicle in a parking garage]

[ALLETE LOGO]
ANNUAL MEETING
OF SHAREHOLDERS

Tuesday May 13, 2003
Duluth, Minnesota

[Photo of a transmission tower in Duluth, MN]

[ALLETE LOGO]

March 25, 2003

Dear Shareholder:

We cordially invite you to our 2003 Annual Meeting of Shareholders to be held Tuesday, May 13, 2003 at 10:30 a.m. in the auditorium of the Duluth Entertainment Convention Center (DECC). The DECC is located on the waterfront at 350 Harbor Drive in Duluth. Free parking is available in the adjoining lot. On behalf of the Board of Directors, I encourage you to attend.

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At this year's meeting you will be asked to elect ten Directors, ratify the appointment of PricewaterhouseCoopers LLP as independent auditors, and approve the reservation of an additional 500,000 shares of common stock for issuance under our employee stock purchase plan.

Standing for election to the Board for the first time this year is Mr. Tom Cunningham, recently retired from a long and successful career at Ford Motor Company where he was responsible for Ford's used vehicle sales strategy in the United States. His experience will be a valuable asset to the Board in its oversight of our Automotive Services business. Two directors will not be standing for re-election this year. Ms. Glenda Hood resigned from the Board earlier this year to avoid conflicts of interest that would result after her appointment to the office of Secretary of State for Florida. Ms. Kathleen Brekken declined to stand for re-election as part of a resolve to find a better balance to the demands of her professional obligations. We thank them for their many contributions during their tenure on the Board.

After our Annual Meeting, we invite you to visit with our directors, officers and employees over lunch in the Lake Superior Ballroom located within the DECC. If you plan to join us for lunch, please return the enclosed reservation card.

It is important that your shares be represented and voted whether or not you plan to attend our Annual Meeting. You can vote your shares by Internet, a toll-free telephone call, or by returning the enclosed Proxy Card. Please see your Proxy Card for specific instructions on how to vote.

Thank you for your investment in ALLETE.

Sincerely,

David G. Gartzke

David G. Gartzke
Chairman, President and
Chief Executive Officer

ALLETE, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS - MAY 13, 2003

The Annual Meeting of Shareholders of ALLETE, Inc. will be held in the auditorium at the Duluth Entertainment Convention Center, 350 Harbor Drive, Duluth, Minnesota, on Tuesday, May 13, 2003 at 10:30 a.m. for the following purposes:

1. To elect a Board of ten directors to serve for the ensuing year;
2. To ratify the appointment of PricewaterhouseCoopers LLP as ALLETE's independent auditors for 2003;
3. To approve the reservation of an additional 500,000 shares of ALLETE

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Common Stock for issuance under the ALLETE and Affiliated Companies Employee Stock Purchase Plan; and

- 4. To transact such other business as may properly come before the meeting or any adjournments thereof.

Shareholders of record on the books of ALLETE at the close of business on March 14, 2003 are entitled to notice of and to vote at the Annual Meeting.

All shareholders are cordially invited and encouraged to attend the meeting in person. The holders of a majority of the shares entitled to vote at the meeting must be present in person or by Proxy to constitute a quorum.

Your early response will facilitate an efficient tally of your votes. If voting by mail, please sign, date and return the enclosed Proxy Card in the envelope provided. Alternatively, follow the enclosed instructions to vote by phone or the Internet.

By order of the Board of Directors,

Philip R. Halverson

Philip R. Halverson
Vice President, General Counsel and Secretary

Dated at Duluth, Minnesota
March 25, 2003

IF YOU HAVE NOT RECEIVED THE ALLETE 2002 ANNUAL REPORT, WHICH INCLUDES FINANCIAL STATEMENTS, KINDLY NOTIFY ALLETE SHAREHOLDER SERVICES, 30 WEST SUPERIOR STREET, DULUTH, MN 55802-2093, TELEPHONE NUMBER 1-800-535-3056 OR 1-218-723-3974, AND A COPY WILL BE SENT TO YOU.

ALLETE, INC.
30 WEST SUPERIOR STREET
DULUTH, MINNESOTA 55802

PROXY STATEMENT

SOLICITATION

The Proxy accompanying this Proxy Statement is solicited on behalf of the Board of Directors of ALLETE, Inc. (ALLETE or Company) for use at the Annual Meeting of Shareholders to be held on May 13, 2003 and any adjournments thereof. The purpose of the meeting is to elect a Board of ten directors to serve for the ensuing year, to ratify the appointment of PricewaterhouseCoopers LLP (PricewaterhouseCoopers) as ALLETE's independent auditors for 2003, to approve the reservation of an additional 500,000 shares of ALLETE Common Stock (Common Stock) for issuance under the ALLETE and Affiliated Companies Employee Stock Purchase Plan, and to transact such other business as may properly come before the meeting. All properly submitted proxies received at or before the meeting and entitled to vote will be voted at the meeting.

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This Proxy Statement and the enclosed Proxy Card were first mailed on or about March 25, 2003. Each Proxy delivered pursuant to this solicitation is revocable any time before it is voted by written notice delivered to the Secretary of ALLETE.

ALLETE expects to solicit proxies primarily by mail. Proxies also may be solicited at a nominal cost in person and by telephone by employees or retirees of ALLETE. The expenses of such solicitation are the ordinary ones in connection with preparing, assembling and mailing the material, and also include charges and expenses of brokerage houses and other custodians, nominees or other fiduciaries for communicating with shareholders. Additional solicitation of proxies will be made by mail, telephone and in person by Georgeson Shareholder Communications, Inc., a firm specializing in the solicitation of proxies, at a cost to ALLETE of approximately \$15,000 plus expenses. The total amount of such costs will be borne by ALLETE.

OUTSTANDING SHARES AND VOTING PROCEDURES

The outstanding shares of capital stock of ALLETE as of March 14, 2003 were 86,087,753 shares of Common Stock (without par value).

Each share of the Common Stock of record on the books of ALLETE at the close of business on March 14, 2003 is entitled to notice of the Annual Meeting and to one vote.

The affirmative vote of a majority of the shares of stock entitled to vote at the Annual Meeting is required for election of each director, and the affirmative vote of a majority of the shares of stock present and entitled to vote is required for approval of the other items described in this Proxy Statement to be acted upon by shareholders. An automated system administered by Wells Fargo Bank Minnesota, N.A. tabulates the votes. Abstentions are included in determining the number of shares present and voting, and are treated as votes against the particular proposal. Broker non-votes are not counted for or against any proposal.

Any shareholder giving a Proxy has the right to revoke it at any time prior to its exercise by giving notice in writing to the Secretary.

Unless contrary instructions are indicated on the Proxy, all shares represented by valid proxies will be voted "FOR" the election of all nominees for director named herein, "FOR" ratifying the appointment of PricewaterhouseCoopers as ALLETE's independent auditors for 2003, and "FOR" approval of the reservation of an additional 500,000 shares of Common Stock for issuance under the ALLETE and Affiliated Companies Employee Stock Purchase Plan. If any other business is transacted at the meeting, all shares represented by valid proxies will be voted in accordance with the best judgment of the appointed proxies.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The only person known to ALLETE who as of March 14, 2003 owned beneficially more than 5 percent of any class of ALLETE's voting securities is American Express Trust Company, 50765 AXP Financial Center, Minneapolis, Minnesota, 55474. As of March 14, 2003 American Express Trust Company held 8,343,864 shares, or 9.7 percent, of ALLETE's Common Stock in its capacity as Trustee of the Minnesota Power and Affiliated Companies Retirement Savings and Stock Ownership Plan (RSOP). Generally, these shares will be voted in accordance with instructions received by American Express Trust Company from participants

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in the RSOP.

The following table presents the shares of Common Stock beneficially owned by directors, nominees for director and executive officers named in the Summary Compensation Table which appears subsequently in this Proxy Statement, and all directors and executive officers of ALLETE as a group, as of March 14, 2003. Unless otherwise indicated, the persons shown have sole voting and investment power over the shares listed.

| Name of Beneficial Owner | Number of Shares Beneficially Owned | Options Exercisable within 60 days | Name of | Number of Shares Beneficially |
|-----------------------------|---|--|---------|----------------------------------|
|-----------------------------|---|--|---------|----------------------------------|