

BLACK HILLS CORP /SD/
Form 424B3
February 07, 2003
Table of Contents

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SEC File No. 333-101576

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Black Hills Corporation, or Black Hills, and Mallon Resources Corporation, or Mallon, have agreed on a merger involving our two companies. Before we can complete the merger, we must obtain the approval of Mallon's common shareholders. We are sending you this proxy statement/prospectus to ask you to vote in favor of the merger.

In the merger, Black Hills Acquisition Corp., a wholly-owned subsidiary of Black Hills, will merge with and into Mallon. Upon consummation of the merger, Mallon will be the surviving company and a wholly-owned subsidiary of Black Hills. As a Mallon shareholder, you will be entitled to receive .044 shares of Black Hills common stock for each share of Mallon common stock and cash instead of any fractional shares you would otherwise receive in the merger.

Black Hills' common stock is traded on the New York Stock Exchange under the symbol BKH. On January 29, 2003, the closing price of Black Hills common stock was \$24.04 per share and the closing price of Mallon common stock was \$1.05 per share. We encourage you to obtain more recent quotations. Shares of Mallon common stock will be deregistered if the merger is consummated.

Mallon will hold a special meeting of its shareholders on March 10, 2003, at 9:00 a.m. local time, at the offices of Holme Roberts & Owen LLP, located at 1700 Lincoln Street, Suite 4100, Denver, Colorado 80203, to consider and vote on the merger agreement. At Mallon's special meeting, Mallon will ask its common shareholders to consider and vote on the merger agreement. Shareholder approval of the proposal is a prerequisite to consummation of the merger. Holders of Mallon common stock are entitled to dissenters' rights in connection with the merger, which are discussed in greater detail on page 38.

TO CAST YOUR VOTE FOR THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND DATE YOUR PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE.

The enclosed form of proxy, when executed and returned, will be voted as set forth therein. Any shareholder signing a proxy has the power to revoke the proxy in writing, addressed to Mallon, or in person at the meeting at any time before the proxy is exercised.

This document is a prospectus of Black Hills relating to the issuance of shares of Black Hills' common stock in connection with the merger and a proxy statement for Mallon to use in soliciting proxies for its special meeting. It contains answers to frequently asked questions and a summary description of the merger followed by a more detailed discussion of the merger and related matters beginning on page 25. **YOU SHOULD ALSO CONSIDER THE MATTERS DISCUSSED UNDER RISK FACTORS COMMENCING ON PAGE 11 OF THIS PROXY STATEMENT/PROSPECTUS. WE URGE YOU TO CAREFULLY REVIEW THIS ENTIRE DOCUMENT.**

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS PROXY STATEMENT/PROSPECTUS IS DATED FEBRUARY 5, 2003 AND IS FIRST BEING MAILED TO SHAREHOLDERS ON OR ABOUT FEBRUARY 7, 2003.

Table of Contents

MALLON RESOURCES CORPORATION

999 18TH STREET, SUITE 1700

DENVER, COLORADO 80202

(303) 293-2333

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MARCH 10, 2003

To Shareholders of Mallon Resources Corporation:

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of Mallon Resources Corporation, a Colorado corporation, or Mallon, will be held at the offices of Holme Roberts & Owen LLP located at 1700 Lincoln Street, Suite 4100, Denver, Colorado 80203, on March 10, 2003 at 9:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated October 1, 2002, among Black Hills Corporation, Black Hills Acquisition Corp. and Mallon.
2. To transact such other business incident to the conduct of the meeting as may properly come before the meeting or any adjournments or postponements thereof.

Only common shareholders of record at the close of business on January 23, 2003 are entitled to notice of and to vote at the Mallon special meeting or at any adjournments or postponements thereof. Approval of the merger agreement requires the affirmative vote of a majority of the outstanding shares of Mallon common stock. Approval of the merger agreement is a prerequisite to the completion of the merger. Holders of Mallon common stock are entitled to dissenters' rights under the Colorado Business Corporation Act in respect of the merger.

The Mallon board of directors has determined that the terms of the merger agreement and the transactions contemplated by it are advisable and in the best interests of Mallon and its shareholders. Accordingly, the members of the Mallon board of directors have unanimously approved the merger and the merger agreement and recommend that common shareholders vote at the special meeting to approve the merger agreement.

Please do not send us any Mallon stock certificates at this time. If the merger is approved by the common shareholders of Mallon, and if the other conditions to the merger agreement are satisfied or waived, forms to be used to exchange your shares of Mallon common stock for shares of Black Hills Corporation common stock will be mailed to you.

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By Order of the Board of Directors,

George O. Mallon, Jr.

Chairman

Denver, Colorado

February 7, 2003

YOUR VOTE IS VERY IMPORTANT. EVEN IF YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, WE REQUEST THAT YOU SIGN AND RETURN THE ENCLOSED PROXY OR VOTING INSTRUCTION CARD AND THUS ENSURE THAT YOUR SHARES WILL BE REPRESENTED AT THE SPECIAL MEETING IF YOU ARE UNABLE TO ATTEND. IF YOU DO ATTEND THE SPECIAL MEETING AND WISH TO VOTE IN PERSON, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This document incorporates important business and financial information about our companies from documents we have filed with the Securities and Exchange Commission, or SEC, but have not included or delivered with this document. If you call or write us, we will send you these documents, excluding exhibits, without charge. You can contact us at:

| | |
|------------------------------|------------------------------|
| Black Hills Corporation | Mallon Resources Corporation |
| 625 Ninth Street | 999 18th Street, Suite 1700 |
| Rapid City, South Dakota | Denver, Colorado 80202 |
| Attention: Steven J. Helmers | Attention: Roy K. Ross |
| 605-721-2300 | 303-293-2333 |

PLEASE REQUEST DOCUMENTS FROM EITHER COMPANY NOT LATER THAN FEBRUARY 28, 2003. IF YOU REQUEST ANY DOCUMENTS, WE WILL MAIL THE DOCUMENTS TO YOU BY FIRST CLASS MAIL, OR ANOTHER EQUALLY PROMPT MEANS, BY THE NEXT BUSINESS DAY AFTER WE RECEIVE YOUR REQUEST.

See [Where You Can Find More Information](#) on page 128 for more information about the documents referred to in this document.

Table of Contents**TABLE OF CONTENTS**

| | Page |
|--|-------------|
| <u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u> | v |
| <u>SUMMARY</u> | 1 |
| <u>The Companies</u> | 1 |
| <u>The Merger</u> | 1 |
| <u>The Mallon Special Meeting</u> | 2 |
| <u>Mallon's Recommendation to Shareholders</u> | 2 |
| <u>Opinion of Mallon's Financial Advisor</u> | 2 |
| <u>Record Date and Voting Power</u> | 2 |
| <u>Quorum and Vote Required</u> | 2 |
| <u>Credit Agreement</u> | 2 |
| <u>Voting Agreements</u> | 3 |
| <u>Accounting Treatment</u> | 3 |
| <u>Certain Material United States Federal Income Tax Consequences</u> | 3 |
| <u>Board of Directors and Management of the Surviving Corporation Following the Merger</u> | 4 |
| <u>Regulatory Matters</u> | 4 |
| <u>Comparative Per Share Market Price Information</u> | 4 |
| <u>Dissenters' Rights for Shareholders</u> | 4 |
| <u>Conditions to the Merger</u> | 5 |
| <u>Termination of the Merger Agreement</u> | 5 |
| <u>Payments Upon Termination</u> | 6 |
| <u>Interests of Certain Persons in the Merger That Differ from Your Interests</u> | 6 |
| <u>No Solicitation</u> | 7 |
| <u>Material Differences in the Rights of Shareholders</u> | 7 |
| <u>Summary Selected Historical Consolidated Financial Data</u> | 8 |
| <u>Mallon Estimated Proved Oil and Gas Reserves</u> | 10 |
| <u>Comparative Per Share Data</u> | 10 |
| <u>RISK FACTORS</u> | 11 |
| <u>Risks Related to the Merger</u> | 11 |
| <u>Risks Related to Black Hills After the Merger</u> | 11 |
| <u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u> | 17 |
| <u>MARKET PRICE AND DIVIDEND INFORMATION</u> | 19 |
| <u>THE MALLON SPECIAL MEETING</u> | 21 |
| <u>Time and Place</u> | 21 |
| <u>Purpose of the Special Meeting</u> | 21 |
| <u>Outstanding Shares Held on Record Date</u> | 21 |
| <u>Shares Entitled to Vote at the Special Meeting</u> | 21 |
| <u>Quorum</u> | 21 |
| <u>Vote Necessary to Approve Merger</u> | 21 |
| <u>Voting Agreements</u> | 21 |
| <u>Management Share Ownership</u> | 22 |
| <u>Proxies</u> | 23 |
| <u>Other Voting Matters</u> | 23 |
| <u>Other Business: Adjournments and Postponements</u> | 24 |
| <u>THE MERGER</u> | 25 |
| <u>Background of the Merger</u> | 25 |
| <u>Reasons for the Merger; Recommendations of Mallon's Board of Directors</u> | 29 |
| <u>Opinion of Mallon's Financial Advisor</u> | 30 |

Table of Contents**TABLE OF CONTENTS (Continued)**

| | <u>Page</u> |
|--|-------------|
| <u>Accounting Treatment</u> | 36 |
| <u>Regulatory Matters</u> | 36 |
| <u>Interests of Certain Persons in the Merger</u> | 36 |
| <u>Dissenters' Rights</u> | 38 |
| <u>Federal Securities Law Consequences: Resale Restrictions</u> | 41 |
| TERMS OF THE MERGER AGREEMENT | 42 |
| <u>Effective Time of the Merger</u> | 42 |
| <u>Manner and Basis of Converting Shares</u> | 42 |
| <u>Exchange Procedures</u> | 43 |
| <u>Representations and Warranties</u> | 43 |
| <u>Conduct of Business Prior to the Merger</u> | 43 |
| <u>No Solicitation</u> | 45 |
| <u>Certain Additional Agreements</u> | 46 |
| <u>Conditions to the Merger</u> | 47 |
| <u>Termination of the Merger Agreement</u> | 48 |
| <u>Expenses</u> | 49 |
| CREDIT AGREEMENT | 50 |
| CERTAIN MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER | 51 |
| <u>Scope of Discussion</u> | 51 |
| <u>Tax Opinions</u> | 52 |
| <u>United States Federal Income Tax Consequences to U.S. Holders That Participate in the Merger</u> | 52 |
| <u>United States Federal Income Tax Consequences to Non-U.S. Holders That Participate in the Merger</u> | 53 |
| <u>United States Federal Income Tax Consequences to Mallon Shareholders That Exercise Dissenters' Rights</u> | 56 |
| <u>Tax Consequences to Holders of Black Hills Common Stock</u> | 56 |
| <u>Backup Withholding and Information Reporting</u> | 56 |
| <u>FIRPTA Withholding</u> | 57 |
| <u>Wage-Related Withholding and Information Reporting</u> | 57 |
| UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION | 58 |
| <u>Black Hills Corporation Unaudited Pro Forma Combined Condensed Balance Sheet as of September 30, 2002</u> | 59 |
| <u>Black Hills Corporation Unaudited Pro Forma Combined Condensed Statement of Operations for the Nine Months Ended September 30, 2002</u> | 60 |
| <u>Black Hills Corporation Unaudited Pro Forma Combined Condensed Statement of Operations for the Year Ended December 31, 2001</u> | 61 |
| <u>Black Hills Corporation Notes to Unaudited Pro Forma Combined Condensed Financial Statements</u> | 62 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF BLACK HILLS CORPORATION | 64 |
| <u>Business Strategy</u> | 64 |
| <u>Prospective Information</u> | 64 |
| <u>Results of Operations</u> | 65 |
| <u>Critical Accounting Policies</u> | 78 |
| <u>Liquidity and Capital Resources</u> | 80 |
| INFORMATION ABOUT BLACK HILLS | 84 |
| <u>Integrated Energy</u> | 84 |
| <u>Electric Utility</u> | 85 |
| <u>Communications</u> | 85 |

Table of Contents**TABLE OF CONTENTS (Continued)**

| | Page |
|--|-------------|
| <u>MANAGEMENT OF BLACK HILLS</u> | 86 |
| <u>Executive Officers</u> | 86 |
| <u>Securities Ownership of Management and Principal Shareholders</u> | 88 |
| <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF MALLON</u> | 91 |
| <u>Overview</u> | 91 |
| <u>Recent Events</u> | 91 |
| <u>Results of Operations</u> | 93 |
| <u>Critical Accounting Policies</u> | 100 |
| <u>Liquidity and Capital Resources</u> | 101 |
| <u>Hedging Activities</u> | 104 |
| <u>Contractual Commitments and Obligations</u> | 104 |
| <u>Impact of Inflation</u> | 105 |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 105 |
| <u>Miscellaneous</u> | 106 |
| <u>INFORMATION ABOUT MALLON</u> | 107 |
| <u>General</u> | 107 |
| <u>Areas of Operations</u> | 107 |
| <u>East Blanco Field, Rio Arriba County, New Mexico</u> | 107 |
| <u>Other San Juan Basin Fields</u> | 107 |
| <u>Other Areas</u> | 107 |
| <u>Gas Sweetening Plant</u> | 108 |
| <u>Title to Properties; Acreage</u> | 108 |
| <u>Summary Oil and Gas Reserve Data</u> | 109 |
| <u>Drilling Activity</u> | 109 |
| <u>Recompletion Activity</u> | 109 |
| <u>Productive Wells</u> | 110 |
| <u>Production and Sales</u> | 110 |
| <u>Marketing</u> | 110 |
| <u>Price Risk Management Transactions</u> | 110 |
| <u>Employees</u> | 111 |
| <u>Legal Proceedings</u> | 111 |
| <u>MANAGEMENT OF MALLON</u> | 112 |
| <u>Directors, Executive Officers and Key Employees</u> | 112 |
| <u>The Mallon Board of Directors and its Committees</u> | 113 |
| <u>Executive Compensation of Mallon</u> | 114 |
| <u>Stock Options Granted in 2001</u> | 114 |
| <u>Stock Option Exercises and Fiscal Year End Values</u> | 115 |
| <u>Equity Compensation Plan Information</u> | 115 |
| <u>Director Compensation</u> | 116 |
| <u>Employment Agreements</u> | 116 |
| <u>CERTAIN TRANSACTIONS OF MALLON</u> | 118 |
| <u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE OF MALLON</u> | 118 |
| <u>SECURITIES OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS OF MALLON</u> | 119 |
| <u>SHAREHOLDER PROPOSALS</u> | 120 |

Table of Contents

TABLE OF CONTENTS (Continued)

| | Page |
|---|-------------|
| <u>COMPARISON OF SHAREHOLDER RIGHTS</u> | 120 |
| <u>Authorized Common Stock</u> | 120 |
| <u>Directors</u> | 120 |
| <u>Special Meetings of Shareholders</u> | 121 |
| <u>Notice of Meetings: Certain Proposals</u> | 122 |
| <u>Amendment to Articles of Incorporation</u> | 122 |
| <u>Amendment to Bylaws</u> | 122 |
| <u>State Takeover Legislation</u> | 122 |
| <u>Rights Plan</u> | 123 |
| <u>Liability of Directors</u> | 123 |
| <u>Indemnification of Directors and Officers</u> | 124 |
| <u>Dissenters' Rights</u> | 124 |
| <u>Inspection of Books and Records</u> | 125 |
| <u>Vote Required for Mergers</u> | 125 |
| <u>EXPERTS</u> | 126 |
| <u>LEGAL MATTERS</u> | 126 |
| <u>GLOSSARY OF OIL AND GAS TERMS</u> | 127 |
| <u>WHERE YOU CAN FIND MORE INFORMATION</u> | 128 |
| <u>Black Hills</u> | 129 |
| <u>Mallon</u> | 129 |

LIST OF ANNEXES

| | |
|---------|---|
| Annex A | Agreement and Plan of Merger dated as of October 1, 2002 by and among Black Hills Corporation, Black Hills Acquisition Corp. and Mallon Resources Corporation |
| Annex B | Opinion of Waterous & Co. Limited dated October 1, 2002 |
| Annex C | Provisions of Colorado Business Corporation Act relating to dissenters' rights |

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHY ARE THE TWO COMPANIES PROPOSING TO MERGE?

A: The proposed merger will combine the businesses of Black Hills and Mallon. Our companies are proposing the merger because we believe that the combined company, with its larger, more diverse asset base and expanded cash flow, will be better positioned to continue growing in the independent energy industry. We believe that the merger will, among other things:

support Black Hills' integrated energy strategy by substantially increasing its current natural gas production and reserves;

increase Black Hills' exploitation drilling potential;

result in administrative cost savings and operating efficiencies on a combined basis; and

improve the liquidity of Mallon's shareholders.

Please review the more detailed description of our reasons for the merger on pages 29-30.

Q: HOW WILL THE MERGER WORK?

A: Black Hills Acquisition Corp., a wholly-owned subsidiary of Black Hills, will merge with and into Mallon and Mallon will continue as the surviving corporation and will be a wholly-owned subsidiary of Black Hills. We refer to Black Hills Acquisition Corp. as "Merger Sub" in this document. Shareholders of Mallon will become shareholders of Black Hills.

Q: WHAT WILL HAPPEN TO MALLON COMMON STOCK AND STOCK OPTIONS IN THE MERGER?

A: Mallon shareholders will receive .044 of a share of Black Hills common stock for each share of Mallon common stock they own. Mallon shareholders will also receive cash for any fractional Black Hills shares they would otherwise receive in the merger. As of the close of business on the effective date of the merger, all outstanding options to purchase Mallon common stock that are not exercised will be cancelled and terminated automatically. Each holder of an option who exercises such option concurrently with the consummation of the merger will receive .044 of a share of Black Hills common stock for each share of Mallon common stock received upon exercise of such option.

Q: WHEN DO YOU EXPECT THE MERGER TO BE COMPLETED?

A: Subject to shareholder and regulatory approval, we hope to complete the merger in the first quarter of 2003.

Q: WHEN IS THE SPECIAL SHAREHOLDERS' MEETING?

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A: Mallon's special meeting of shareholders will take place on March 10, 2003. The time and location of the special meeting is specified on the cover page of this document.

Q: WHAT WILL HAPPEN AT THE SPECIAL SHAREHOLDERS MEETING?

A: Mallon's shareholders will vote on whether to approve the merger agreement and the transactions contemplated by the merger agreement.

Q: WHAT VOTE IS REQUIRED FOR THE PROPOSAL?

A: At the Mallon special meeting, approval of the merger agreement requires the affirmative vote of a majority of the outstanding shares of Mallon common stock.

v

Table of Contents

Q: WHAT DO I NEED TO DO TO VOTE?

A: If you own Mallon common stock, after reading this document, indicate on the enclosed proxy how you want to vote, sign it and mail it in the enclosed return envelope as soon as possible so that your shares will be represented at the special meeting. If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be counted as a vote in favor of the proposals submitted at the special meeting. The failure to return your proxy card will have the same effect as voting against the merger.

You may attend the special meeting and vote your shares in person, rather than signing and mailing your proxy card. In addition, you may revoke your proxy on or before the day of the special meeting by following the instructions on page 23. You then may either change your vote or attend the special meeting and vote in person.

THE MEMBERS OF THE MALLON BOARD OF DIRECTORS HAVE UNANIMOUSLY APPROVED THE MERGER AND THE MERGER AGREEMENT AND RECOMMEND THAT MALLON SHAREHOLDERS VOTE FOR THE APPROVAL OF THE MERGER AGREEMENT.

Q: IF MY SHARES ARE HELD IN STREET NAME BY MY BROKER, WILL MY BROKER VOTE THEM FOR ME?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedure provided by your broker.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. After the merger is completed, we will send you written instructions that explain how to exchange your stock certificates for certificates representing Black Hills common stock. Please do not send in any stock certificates until you receive these written instructions and the letter of transmittal.

Q: WILL MALLON SHAREHOLDERS BE ABLE TO TRADE THE BLACK HILLS COMMON STOCK THAT THEY RECEIVE IN THE MERGER?

A: Yes. Except for Black Hills common stock to be held by certain affiliates of Mallon, the Black Hills common stock received in the merger will be freely tradable. The Black Hills common stock issued in connection with the merger will be listed on the New York Stock Exchange under the symbol BKH.

Q: AM I ENTITLED TO DISSENTERS RIGHTS?

A: Yes. Holders of Mallon common stock are entitled to dissenters rights in connection with the merger. See the detailed description beginning on page 38.

Q: WHAT ARE THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO BLACK HILLS AND MALLON COMMON SHAREHOLDERS?

A:

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A summary of certain United States federal income tax consequences of the merger likely to be material to typical shareholders of Mallon and Black Hills is included in the section Certain Material United States Federal Income Tax Consequences of the Merger beginning on page 51.

Q: ARE THERE RISKS ASSOCIATED WITH THE MERGER THAT I SHOULD CONSIDER IN DECIDING HOW TO VOTE?

A: Yes. You should carefully read the detailed description of the risks associated with the merger and Black Hills beginning on page 11.

Table of Contents

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have more questions about the merger you should contact:

Roy K. Ross
Mallon Resources Corporation
999 18th Street, Suite 1700
Denver, Colorado 80202
(303) 293-2333

Q: WHERE CAN I FIND MORE INFORMATION ABOUT THE COMPANIES?

A: