

WISCONSIN ENERGY CORP
Form 8-K
November 12, 2014

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):

November 12, 2014

Commission
File Number
001-09057

Registrant; State of Incorporation
Address; and Telephone Number

IRS Employer
Identification No.
39-1391525

WISCONSIN ENERGY CORPORATION

(A Wisconsin Corporation)

231 West Michigan Street

P.O. Box 1331

Milwaukee, WI 53201

(414) 221-2345

Edgar Filing: WISCONSIN ENERGY CORP - Form 8-K

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 8.01 Other Events

Introduction

As announced on June 23, 2014, Wisconsin Energy Corporation, a Wisconsin corporation (Wisconsin Energy) and Integrys Energy Group, Inc., a Wisconsin corporation (Integrys) entered into an Agreement and Plan of Merger (the Merger Agreement). Thereafter, WEC Acquisition Corp., a Wisconsin corporation and a wholly owned subsidiary of Wisconsin Energy (Merger Sub), and GET Acquisition Corp., a Wisconsin corporation and a wholly owned subsidiary of Wisconsin Energy (Subsequent Merger Sub) became parties to the Merger Agreement by executing a joinder agreement. Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into Integrys (the Merger), with Integrys continuing as the surviving corporation and a wholly owned subsidiary of Wisconsin Energy. Immediately thereafter, Integrys will merge with and into Subsequent Merger Sub, with Subsequent Merger Sub continuing as the surviving corporation and a wholly owned subsidiary of Wisconsin Energy. On October 14, 2014, Wisconsin Energy and Integrys each filed with the Securities and Exchange Commission (the SEC) a definitive joint proxy statement/prospectus (the Definitive Joint Proxy Statement/Prospectus) in connection with the Merger, which is included in the Registration Statement on Form S-4, file No. 333-198096, filed by Wisconsin Energy with the SEC and declared effective by the SEC on October 6, 2014 (the Registration Statement). The Definitive Joint Proxy Statement/Prospectus was first mailed to the shareholders of Wisconsin Energy and Integrys on or about October 21, 2014. Wisconsin Energy is making this filing in connection with the execution of a memorandum of understanding (the MOU) regarding the settlement of certain litigation arising out of the announcement of the Merger Agreement.

As disclosed in the Definitive Joint Proxy Statement/Prospectus, since the June 23, 2014 announcement of the merger agreement, Integrys and its board of directors, along with Wisconsin Energy, were named defendants in ten class action lawsuits and/or derivative complaints brought by purported Integrys Energy Group shareholders challenging the proposed merger. Two lawsuits were filed in the Circuit Court of Milwaukee County, Wisconsin (the Wisconsin Court), *Amo v. Integrys Energy Group, Inc., et al.*, (the Amo Action) and *Inman v. Schrock, et al.*, (the Inman Action). Three lawsuits were filed in the Circuit Court of Brown County, Wisconsin: *Rubin v. Integrys Energy Group, Inc., et al.*; *Blachor v. Integrys Energy Group, Inc., et al.*; *Albera v. Integrys Energy Group, Inc., et al.* (together with the Amo and Inman Actions, the Wisconsin Actions). Two lawsuits were filed in the Circuit Court of Cook County, Illinois, *Taxman v. Integrys Energy Group, Inc., et al.*, and *Curley v. Integrys Energy Group, Inc., et al.*, (the Illinois Actions). Three lawsuits were filed in the United States District Court for the Northern District of Illinois (the Federal Court), *Steiner v. Budney, et al.*, and *Collison v. Schrock, et al.*, (the Steiner and Collison Actions); and *Tri-State Joint Fund v. Integrys Energy Group, Inc., et al.*, (the Tri-State Action).

Each of the Wisconsin and Illinois Actions was either dismissed or consolidated with the Amo Action, and, with the exception of the Inman plaintiff whose action was consolidated after the fact the plaintiffs in the Wisconsin Actions joined Plaintiff Amo in filing an Amended Complaint on October 3, 2014. The Collison Action was consolidated with the Steiner Action.

The Wisconsin Actions and Steiner and Collison Actions allege, among other things, that members of the Integrys board breached their fiduciary duties in connection with the proposed transaction; that the merger agreement involves an unfair price; that it was the product of an inadequate sales process; that it contains unreasonable deal protection devices that purportedly preclude competing offers; that the members of the Integrys board were unjustly enriched at the expense of Integrys; and that the preliminary joint proxy statement/prospectus omits material information. The complaints further variously allege that Integrys, Wisconsin Energy, and/or its acquisition subsidiaries aided and abetted the purported breaches of fiduciary duty. The plaintiffs in these lawsuits seek, among other things, (i) a declaration that the merger agreement was entered into in breach of the Integrys directors' fiduciary duties, (ii) an injunction enjoining the Integrys board from consummating the merger, (iii) an order directing the Integrys board to exercise their duties to obtain a transaction which is in the best interests of Integrys' shareholders, (iv) an order granting the class members any benefits allegedly improperly received by the defendants, (v) a rescission of the merger or damages, in the event that it is consummated, (vi) disgorgement of benefits or compensation obtained as a result of the purported breaches of fiduciary duty, and/or (vii) an order directing additional disclosure regarding the merger. The Tri-State Action seeks to enjoin the proposed transaction and alleges that Integrys, its board, Wisconsin Energy, and Gale E. Klappa (the Chief Executive Officer of Wisconsin Energy) violated Sections 14(a) and 20(a) of the 1934 Securities Exchange Act and Rule 14a-9 promulgated thereunder. It alleges, among other things, that the Registration Statement misrepresented or omitted material facts, including material information about the allegedly unfair and conflicted sales process, the inadequate consideration offered in the proposed transaction, and Integrys' actual intrinsic value.

On November 12, 2014, counsel for Integrys, the Integrys board of directors, Mr. Klappa, and Wisconsin Energy entered into an MOU with counsel for plaintiffs in the Amo, Steiner and Collison, and Tri-State Actions pursuant to which Wisconsin Energy and Integrys have agreed to make the disclosures concerning the Merger set forth below. The MOU also provides that, solely for purposes of settlement, the Wisconsin Court will certify a class consisting of all persons who were record or beneficial shareholders of Integrys at any time between June 23, 2014 and the consummation of the Merger (the Class). In addition, the MOU provides that, subject to approval by the Wisconsin Court after notice to the members of the Class (the Class Members), the Amo, Steiner and Collison, and Tri-State Actions will be dismissed with prejudice and all claims, including derivative claims, that the Class Members may possess with regard to the Merger will be released. In connection with the settlement, the plaintiffs' counsel has expressed its intention to seek an award of attorneys' fees and expenses. The amount of the award to the plaintiffs' counsel will ultimately be determined by the Wisconsin and/or Federal Courts. This payment will not affect the amount of merger consideration to be received by any Integrys shareholder in the Merger. There can be no assurance that the parties will ultimately enter into a definitive settlement agreement or that the Wisconsin Court will approve the settlement. In the absence of either event, the proposed settlement as contemplated by the MOU may be terminated.

Integrys, the Integrys board of directors, Mr. Klappa, and Wisconsin Energy each have denied, and continue to deny, that they have committed or aided and abetted in the commission of any violation of law or breaches of duty or engaged in any of the alleged wrongful acts and

IntegrYS, the IntegrYS board of directors, Mr. Klappa, and Wisconsin Energy expressly maintain that they diligently and scrupulously complied with their fiduciary, disclosure and other legal duties. IntegrYS, the IntegrYS board of directors, Mr. Klappa, and Wisconsin Energy are entering into the MOU and the contemplated settlement solely to eliminate the risk, burden and expense of further litigation. Nothing in the MOU, any settlement agreement or any public filing, including this Current Report on Form 8-K (this Current Report), is or shall be deemed to be an admission of the legal necessity of filing or the materiality under applicable laws of any of the additional information contained herein or in any public filing associated with the proposed settlement of the Amo, Steiner and Collison, and Tri-State Actions.

Supplemental Disclosures

Solely in connection with the contemplated settlement of the Amo, Steiner and Collison, and Tri-State Actions, IntegrYS and Wisconsin Energy have agreed to make the following supplemental disclosures to the Definitive Joint Proxy Statement/Prospectus. The following information should be read in conjunction with the Definitive Joint Proxy Statement/Prospectus, which should be read in its entirety. The information contained in this Current Report is incorporated by reference into the Registration Statement and the Definitive Joint Proxy Statement/Prospectus included therein. All page references in the information below are to pages in the Definitive Joint Proxy Statement/Prospectus, and capitalized terms used in this Current Report shall have the meanings set forth in the Definitive Joint Proxy Statement/Prospectus, unless otherwise defined herein.

(1) Supplement to Background of the Merger

The following disclosure supplements and replaces the second sentence of the fourteenth paragraph (which paragraph begins On February 13) under the heading Background of the Merger on page 41 of the Definitive Joint Proxy Statement/Prospectus:

At the meeting, the IntegrYS Board met in executive session with Mr. Schrock present, during which Mr. Schrock summarized his communications with Mr. Klappa since December 18, 2013.

The following disclosure supplements and is to be inserted after the fourth sentence of the fourteenth paragraph (which paragraph begins On February 13) under the heading Background of the Merger on page 41 of the Definitive Joint Proxy Statement/Prospectus:

Lazard's list identified, based on Lazard's professional judgment and experience, those potential counterparties that Lazard believed to have the greatest likelihood of possessing the strategic motivation and fit, stakeholder and regulatory skills, and, to the extent relevant, financial resources to pursue, enter into and successfully close a transaction with IntegrYS.

The following disclosure supplements and replaces the final sentence of the sixteenth paragraph (which paragraph begins On March 1) under the heading Background of the Merger on page 42 of the Definitive Joint Proxy Statement/Prospectus:

Edgar Filing: WISCONSIN ENERGY CORP - Form 8-K

At this meeting, the Integrys Board resolved to amend and expand the existing advisory services agreement with Lazard in regard to potential strategic transactions.

The following disclosure supplements and is to be inserted after the final sentence of the thirty third paragraph (which paragraph begins On April 29) under the heading Background of the Merger on page 45 of the Definitive Joint Proxy Statement/Prospectus:

At the meeting, the Integrys Board met in executive session with Mr. Schrock present, during which Mr. Schrock discussed the potential for a retention program for employees in light of the pending transaction.

The following disclosure supplements and replaces the second sentence of the forty second paragraph (which paragraph begins On May 15) under the heading Background of the Merger on page 46 of the Definitive Joint Proxy Statement/Prospectus:

At the meeting, the Integrys Board met in executive session with Mr. Schrock present, during which a representative of Lazard reviewed Lazard's revised analysis of Integrys' management plan, Wisconsin Energy's long-term plan and Wisconsin Energy's revised non-binding indicative offer.

The following disclosure supplements and is to be inserted before the final sentence of the sixty ninth paragraph (which paragraph begins On June 16, 2014, the Integrys Board) under the heading Background of the Merger on page 49 of the Definitive Joint Proxy Statement/Prospectus:

The Board also discussed the number of directors from Integrys' Board that would be appointed to the Wisconsin Energy Board upon consummation and whether Integrys or Wisconsin Energy would select such directors, but there was no discussion on which Integrys directors would be so appointed. The Board also discussed the open issue relating to the size of the termination fee and asked questions about the need for a termination fee and what would be customary based on similar transactions.

The following disclosure supplements and is to be inserted after the fifth sentence of the seventy third paragraph (which paragraph begins On June 18, 2014, the Integrys Board) under the heading Background of the Merger on page 50 of the Definitive Joint Proxy Statement/Prospectus:

The members of the Integrys Board disclosed potential conflicts of interest, including: Mr. Brodsky's ownership of a small number of Wisconsin Energy shares through his living trust account; Mr. Jones co-leasing arrangements for a suite in Miller Park that he shares with Wisconsin Energy; and, Ms. Collins noted that she served on a panel recently with a Wisconsin Energy director.

The following disclosure supplements and is to be inserted before the penultimate sentence of the seventy third paragraph (which paragraph begins On June 18, 2014, the

Integrys Board) under the heading *Background of the Merger* on page 51 of the *Definitive Joint Proxy Statement/Prospectus*:

Mr. Schrock also added that, in his conversation with Mr. Klappa earlier that morning, Mr. Klappa described that this latest revised proposal was Wisconsin Energy's best and final offer.

(2) Supplement to Integrys Unaudited Prospective Financial Information

The following text shall be inserted as a new paragraph on page 64 of the Definitive Joint Proxy Statement/Prospectus before the heading Integrys Base case :

EBITDA, EBIT and Net Income in each of the Integrys Base case, Integrys Enhanced Status Quo case and Integrys Downside case include Integrys equity share of earnings of ATC resulting from Integrys' ownership interest therein.

The table appearing under the heading Integrys Base case on page 64 of the Definitive Joint Proxy Statement/Prospectus shall be replaced with the following:

Integrys Base case(1)

	Year Ended December 31,				
	2014E	2015E	2016E	2017E	2018E
	(\$ in millions)				
Net Revenue	\$ 2,301	\$ 2,038	\$ 2,176	\$ 2,242	\$ 2,415
EBITDA	\$ 912	\$ 932	\$ 1,032	\$ 1,074	\$ 1,204
EBIT	\$ 595	\$ 626	\$ 702	\$ 728	\$ 830
Net Income	\$ 435	\$ 294	\$ 328	\$ 337	\$ 386
Dividends per Share	\$ 2.72	\$ 2.74	\$ 2.78	\$ 2.82	\$ 2.99
Free Cash Flow	\$ 509	\$ (150)	\$ (197)	\$ (156)	\$ 45
Capital Expenditures	\$ 1,077	\$ 799	\$ 916	\$ 896	\$ 772

(1) Projections for Integrys for the years ended December 31, 2014E-2018E were derived from Integrys' management plan.

(3) Supplement to Lazard's Sum-of-the-Parts Discounted Cash Flow Analysis

The following disclosure supplements and is to be inserted after the final sentence of the third full paragraph (which paragraph begins "To value the ATC and Other segments") under the heading "Sum-of-the-Parts Discounted Cash Flow Analysis" on page 80 of the Definitive Joint

Proxy Statement/Prospectus:

Each multiple range was selected based on Lazard's professional judgment and experience.

The following disclosure supplements and is to be inserted after the final sentence of the eighth full paragraph (which paragraph begins "To value ATC and Other segments") under

the heading *Sum-of-the-Parts Discounted Cash Flow Analysis* on page 81 of the Definitive Joint Proxy Statement/Prospectus:

Each multiple range was selected based on Lazard's professional judgment and experience.

(4) Supplement to Lazard's Selected Precedent Transactions Multiples Analysis

The table appearing under the heading *Selected Precedent Transactions Multiples Analysis* on page 84 of the Definitive Joint Proxy Statement/Prospectus shall be replaced with the following:

Announcement Date	Acquiror	Target	Transaction Multiples	
			P/E FY+1(1)	EV/EBITDA FY+2(1)
4/30/2014(2)	Exelon Corporation	Pepco Holdings, Inc.	22.8x	9.8x
4/7/2014	Laclede Gas Company	Energen Corp. (Alagasco)	N/A	N/A
12/11/2013(2)	Fortis Inc.	UNS Energy Corporation	18.3x	8.6x
5/29/2013(2)	Berkshire Hathaway Energy Company (f/k/a MidAmerican Energy Holdings Company)	NV Energy, Inc.	17.7x	9.0x
2/21/2012(2)	Fortis Inc.	CH Energy Group, Inc.	19.6x	9.5x
7/12/2011(2)	Gaz Métro Limited Partnership	Central Vermont Public Service Corporation	19.6x	N/A
4/28/2011	Exelon Corporation	Constellation Energy Group, Inc.	11.9x	6.5x
4/20/2011	The AES Corporation	DPL Inc.	12.4x	7.6x
1/10/2011(2)	Duke Energy Corporation	Progress Energy, Inc.	15.2x	9.2x

Edgar Filing: WISCONSIN ENERGY CORP - Form 8-K

12/7/2010	AGL Resources Inc.	Nicor Gas Company	18.1x	N/A
5/25/2010	UIL Holdings Corporation	Iberdrola USA (New England Gas Utilities)	N/A	N/A
2/11/2010	FirstEnergy Corp.	Allegheny Energy, Inc.	12.1x	6.3x
10/26/2007(2)	Macquarie Infrastructure Partners	Puget Energy, Inc.	17.6x	9.4x
6/25/2007	Iberdrola, S.A.	Energy East Corporation	18.8x	7.5x
2/26/2007	KKR/TPG: Texas Energy Future Holdings Limited Partnership	TXU Corp.	13.6x	8.1x
2/7/2007	Great Plains Energy Incorporated / Black Hills Corp.	Aquila, Inc.	22.7x	8.4x
7/10/2006	WPS Resources Corp.	Peoples Energy Corp.	18.7x	N/A
7/5/2006	Macquarie Infrastructure Partners and Diversified Utility and Energy Trusts	Duquesne Light Holdings	17.4x	N/A
2/27/2006	National Grid USA	KeySpan Corporation	17.1x	8.4x
5/24/2005	Berkshire Hathaway Energy Company (f/k/a MidAmerican Energy Holdings Company)	PacifiCorp	N/A	N/A
5/9/2005	Duke Energy Corporation			