

WISCONSIN ENERGY CORP

Form 424B3

July 25, 2003

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Registration No. 333-34854

PROSPECTUS

Wisconsin Energy Corporation
Stock Plus Investment Plan

Wisconsin Energy Corporation is pleased to offer you the opportunity to participate in the Stock Plus Investment Plan (**Stock Plus**), a convenient and low cost stock purchase and dividend reinvestment plan available to new investors for making initial investments in Wisconsin Energy common stock and to current stockholders for increasing their holdings of Wisconsin Energy common stock.

The plan offers:

A simple, cost-efficient method for purchasing Wisconsin Energy common stock

A convenient way to increase your ownership over time by reinvesting dividends

The opportunity to buy additional shares through optional cash investments

A way to make automatic monthly investments electronically

Safekeeping of stock certificates

Low cost sale of plan shares

Easy account access

All of your investment is used to purchase both whole and partial shares. There are no fees for purchases. You do not have to be a current Wisconsin Energy stockholder to begin to participate.

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This prospectus relates to the 3,173,509 shares remaining unsold of the 7,000,000 shares of Wisconsin Energy common stock, par value \$.01 per share, to be offered for purchase under the plan registered by our registration statement that became effective April 21, 2000. Wisconsin Energy common stock is listed under the trading symbol WEC on the New York Stock Exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should read this prospectus carefully and retain it for future reference.

The date of this prospectus is July 25, 2003.

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The section of this prospectus titled "Information About Stock Plus" sets forth the terms and conditions of the plan, as amended, presented in question-and-answer format. Please read this prospectus, including Appendix A, carefully and keep it and any account statements for future reference. If you have any questions about Stock Plus, please call the plan administrator, The Bank of New York, toll-free at **1-800-558-9663**. Customer service representatives are available between the hours of 8 a.m. and 8 p.m. Eastern Time (7 a.m. and 7 p.m. Central Time), Monday through Friday.

The administrator will purchase shares of Wisconsin Energy common stock for the plan either directly from Wisconsin Energy or in the open market, as we determine from time to time. Your purchase price for shares purchased under the plan will be the average price paid by the administrator for all shares purchased for all investors with respect to the relevant investment date.

To the extent required by applicable law in any jurisdiction, shares offered through Stock Plus are offered only through a registered broker-dealer in that jurisdiction.

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THE COMPANY

Wisconsin Energy Corporation is a diversified holding company headquartered in Milwaukee, Wisconsin, with subsidiaries in utility businesses, including electric, natural gas and steam operations, and in non-utility businesses.

Wisconsin Energy is an exempt holding company by order of the Securities and Exchange Commission under Section 3(a)(1) of the Public Utility Holding Company Act of 1935, as amended. Accordingly, it is exempt from the provisions of that Act other than with respect to certain acquisitions of securities of a public utility.

Our headquarters are at 231 West Michigan Street, P. O. Box 2949, Milwaukee, Wisconsin 53201, and our telephone number is (414) 221-2345. Stockholders may call our Stockholder Hotline, 1-800-558-9663, to speak with a Customer Services Representative about their account.

FORWARD-LOOKING STATEMENTS AND CAUTIONARY FACTORS

Certain statements we make in this prospectus, including the documents incorporated by reference, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology such as may, intends, anticipates, believes, estimates, expects, forecasts, objectives, plans, possible, potential, project or similar terms or variations of these terms. Actual results may differ materially from those set forth in forward-looking statements as a result of certain risks and uncertainties, including but not limited to, changes in political and economic conditions, equity and bond market fluctuations, varying weather conditions, and governmental regulation and supervision. In addition to any factors referred to specifically in connection with any forward-looking statements, factors that could cause our actual results to differ materially from those contemplated include factors described under Cautionary Factors, Factors Affecting Results, Liquidity and Capital Resources or similar captions in our filings with the Securities and Exchange Commission. To

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access or obtain a copy of our SEC filings, see [Where You Can Find More Information](#) in this prospectus.

Because of their inherent uncertainty, you should not place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

INFORMATION ABOUT STOCK PLUS

The following questions and answers explain and constitute the Stock Plus plan.

1. What is the Stock Plus Investment Plan?

The plan is a convenient and cost-effective stock purchase plan available to new investors for making an initial investment in Wisconsin Energy common stock and to existing investors for increasing their holdings of Wisconsin Energy common stock by reinvesting dividends or making optional cash investments from time to time.

2. Who is eligible to participate in Stock Plus?

Any person or entity, whether or not a current registered stockholder of Wisconsin Energy, is eligible to participate in the plan by meeting the enrollment requirements. Holders of Wisconsin Electric preferred stock may also participate in the plan, including having their cash dividends on Wisconsin Electric preferred stock reinvested in shares of Wisconsin Energy common stock. Persons or entities that reside outside the U.S. may participate if their participation does not violate local laws or regulations applicable to Wisconsin Energy or the participant or that would affect the terms of the plan. We reserve the right to terminate the participation of any participant if we deem it advisable. All investments must be submitted in U.S. funds and drawn on a U.S. bank.

3. How do I enroll in the plan?

An enrollment form must be completed and returned to the plan administrator. If you do not currently hold Wisconsin Energy

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common stock, include your initial investment (in U.S. funds) in the form of a check. The enrollment form is attached to the back of the prospectus.

If your shares of Wisconsin Energy common stock are registered in the name of a bank, broker or other nominee, you may enroll in the plan under the same terms as a new investor, or arrange for the registered holder to register at least one share directly in your name in order to reinvest dividends or make optional cash investments.

4. What are my investment options?

Your participation options are as follows. You may make optional cash investments from time to time under any of the other investment options.

Full Dividend Reinvestment. If you select this option, all dividends on shares registered in your name or held in your plan account will be applied toward the purchase of more shares of Wisconsin Energy common stock.

Partial Dividend Reinvestment. Under this option, you may elect to reinvest between 10% and 100% of the dividends on shares registered in your name or held in your plan account, in increments of 10%. You may not specify a dollar amount to be invested. Any uninvested dividends will be sent to you in the form of a check.

Optional Cash Investments Only. By electing this option, dividends will be paid to you in cash, but you may make optional cash investments from time to time, up to the maximum specified in Appendix A, to purchase additional shares of Wisconsin Energy common stock.

Automatic Investment Option. This election may be used in combination with any of the investment options. Under this option, you may deduct payments from your checking or savings account automatically once each month by electronic means for investment in the plan as optional cash investments. You must allow 30 days to initiate this feature or to make any changes in the amount to be invested or bank account from which the funds are withdrawn.

If no option is specified on the enrollment form, Full Dividend Reinvestment will apply. You can change your

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investment election by either submitting a new enrollment form or by calling the Stockholder Hotline, **1-800-558-9663**.

See Appendix A for investment minimums and maximums applicable to optional cash investments made through the automatic investment option or otherwise. See Question 5 for further information about optional cash investments.

5. How do I make optional cash investments? How much can I invest?

You may make optional cash investments by the following means:

Investment by Check. You may make optional cash investments in Wisconsin Energy common stock by sending to The Bank of New York, the plan administrator, a check for the purchase of additional shares. The check must be made payable to The Bank of New York in U.S. dollars and drawn on a U.S. bank. If you are not in the United States, contact your bank to verify that they can provide you with a check that clears through a U.S. bank and can print the dollar amount in U.S. funds. Due to the longer clearance period, we are unable to accept checks clearing through non-U.S. banks. The plan administrator will not accept third party checks, money orders or travelers checks. All checks should be sent to the plan administrator at the address listed on the Optional Cash Investment tear-off form attached to each statement you receive, or if making an investment when enrolling, should be sent with the enrollment form.

Automatic Investment Option. As an alternative to sending checks for optional cash investments, you may elect to have funds automatically withdrawn every month from your checking or savings account at a qualified financial institution. You may elect the automatic cash withdrawal option by simply completing and signing an automatic investment option authorization form, providing the necessary bank account and monthly withdrawal amount information, and submitting it, together with a voided blank check or checking or savings account deposit slip, to the plan administrator. You may change the amount of money authorized for withdrawal or terminate an automatic monthly withdrawal of funds by either completing and submitting to the plan administrator a new automatic debit enrollment form or writing a letter to the administrator. To be effective, the new

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automatic investment option form must be received by the plan administrator not less than 30 days before the effective date of the withdrawal. It is your responsibility to immediately notify the administrator of any changes in bank account or other information as it relates to your automatic investment option authorization. You may call **1-800-558-9663** and request a new Automatic Investment Option authorization form.

Minimum and Maximum Amounts for Optional Cash Investments. See Appendix A for the minimum and maximum permitted amounts for voluntary cash investments.

Payments with Insufficient Funds. There is a service charge, as listed in Appendix A, imposed for any check or other deposit for an optional cash investment returned unpaid. If the deposit is returned, or the bank account designated under the Automatic Investment Option does not have sufficient funds for the authorized monthly deduction, the investment will be considered void and any shares credited to your account in anticipation of receiving the payment will be sold to cover the transaction cost and the service charge. If the net proceeds of the sale of such shares are insufficient to recover in full the uncollected amounts, additional shares as may be necessary to recover in full the uncollected balance may be sold.

6. What is the source of the Wisconsin Energy stock offered under the Plan?

The administrator will purchase shares of Wisconsin Energy common stock for the plan in the open market or, if we so determine, the administrator will purchase original issue shares or treasury shares from Wisconsin Energy. We will decide whether shares are to be purchased from Wisconsin Energy or in the open market based on Wisconsin Energy's need for common equity and any other factors we consider to be relevant from time to time. Any determination we make to alter the manner in which shares will be purchased for the plan, and implementation of any such change, will comply with applicable SEC regulations and interpretations then in effect.

All dividend funds to be reinvested and optional cash payments from all participants in the plan are commingled to purchase shares.

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Open market purchases will be made on the NYSE or any other securities exchange where Wisconsin Energy common stock may be traded, in the over-the-counter market or by negotiated transactions. Purchases are usually made through BNY ESI & Co., a wholly-owned subsidiary of The Bank of New York Company, Inc. The plan administrator makes all decisions as to price, delivery and any other matters related to purchases in the open market.

Original issue shares or treasury shares will be purchased directly from Wisconsin Energy.

You should be aware that the share price may fluctuate between the time your purchase instruction is received by the administrator and the time the purchase is made.

7. When are shares purchased under the plan?

Optional Cash Investments. Purchases for optional cash investments are made twice each month, beginning on the first and the fifteenth day of each month, or the next business day if the first or the fifteenth falls on a weekend or holiday. Depending on the number of shares being purchased and current trading volume in the shares, purchases may be executed in multiple transactions and may be made over more than one day. Your cash investment must reach the plan administrator at least two business days before an investment date. If your investment is received too late to be invested on a particular investment date, it will be held until the next investment date, without interest. You may cancel your investment up to five business days before an investment date by calling the plan administrator. After that time, the administrator may, at its own discretion, accept requests to revoke purchase instructions.

Automatic Investment Option. If you participate in the automatic investment option, your investment will be deducted from your bank account on the 25th day of the month, or if such date is not a business day, on the preceding business day, and invested on the first business day of the following month.

Dividend Reinvestments. Dividends reinvested under the plan are invested on the dividend payment dates, generally March 1, June 1, September 1 and December 1, or the first business day following a payment date.

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All funds to be invested on each investment date, whether through reinvested dividends or optional cash investments (including optional cash investments through the automatic investment option), will be aggregated to purchase Wisconsin Energy shares for that investment date and all investors will be charged the same purchase price per share. If the shares are purchased on the open market, the plan administrator, at its discretion, may purchase the shares over a period of several days in order to minimize price fluctuations.

The administrator will make every effort to invest funds in common stock as soon as practicable on or after each investment date. In the event that any portion of any cash dividends or initial or optional cash investments paid to the administrator under the plan is not invested within 30 days after the dividend payment date or within 35 days after receipt of cash investments, that portion will be returned to the participants affected.

Upon notification by Wisconsin Energy of a pending dividend payment date, the administrator may, at its discretion, purchase common stock beginning three business days in advance of the dividend payment date.

8. Are there fees associated with participation?

As the plan is currently administered, you will not incur any brokerage commissions, service charges or other direct expenses in connection with purchases of Wisconsin Energy common stock for your account under the plan. We will pay these expenses, as well as all costs of administering the plan. However, the Internal Revenue Service considers the brokerage commissions paid by Wisconsin Energy to be additional dividend income to you. This will be reflected on your annual Form 1099 statement.

For each sale of whole shares from your plan account, you will be charged a brokerage commission and a service charge, as set forth in Appendix A, which will be deducted from the proceeds of the sale. The administrator will aggregate sales from various participants, when possible, so that participants may benefit from any lower brokerage commissions applicable to larger volume sales.

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9. How is my purchase price determined?

All funds to be invested on each investment date will be aggregated, each investor will be charged the same purchase price, and shares purchased under the plan may either be original issue shares or treasury shares purchased directly from Wisconsin Energy or outstanding shares purchased in the open market. If shares are purchased directly from us, your price is the average of the high and low sales prices as reported on the New York Stock Exchange for the investment date.

Share purchases in the open market may be made on any stock exchange where Wisconsin Energy common stock is traded, in the over-the-counter market, or by negotiated transactions on such terms as the plan administrator may reasonably determine. Neither Wisconsin Energy nor any participant will have any authority or power to direct the date, time or price at which shares may be purchased by the plan administrator. If shares are purchased on the open market, each investor's purchase price will be the average price paid for all shares purchased by the plan administrator for all investors for the particular investment date.

10. How many shares of Wisconsin Energy stock will be purchased for my account?

The number of whole shares and any fractional share credited to your plan account will be based on the amount you invest divided by the purchase price of the shares. This applies to shares purchased with either optional cash investments or reinvested dividends. Future dividends will be calculated on your total holdings of both whole and fractional shares of Wisconsin Energy stock.

11. Will I receive any confirmation of the purchase?

You will receive an account statement which will show details of the investment, including investment date, investment amount, shares purchased, purchase price and ending account balance. Please retain these statements to assist you in establishing the tax basis of your stock. The statement also includes a stub which you may use for future optional cash investments or to sell or withdraw shares. Statements are mailed within five business days after an investment.

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12. Will I receive stock certificates? Can I deposit stock certificates I currently hold for safekeeping?

Book-Entry Shares; Certificates Upon Request. Your shares will be held for your benefit by the plan administrator in book-entry form. You may request that a stock certificate for some or all of your whole shares be issued to you without withdrawing from the plan, or upon withdrawal from the plan. You may make such a request by:

using the tear-off form attached to the account statement

calling the plan administrator at **1-800-558-9663**

writing to the plan administrator at the first address listed in Question 18

via the Internet at www.stockbny.com

Certificates are normally issued to participants within five business days after receipt of the request. Withdrawing shares from your Stock Plus account does not affect your dividend option. For example, if you elected to participate under the Full Dividend Reinvestment option, dividends on all shares will continue to be reinvested, regardless of whether the shares are held in your Stock Plus account or by you in the form of a stock certificate. No certificates will be issued for fractional shares of common stock. Instead, fractional shares will be sold and you will receive the net proceeds from the sale of your fractional share upon complete withdrawal from the plan.

Safekeeping of Stock Certificates. If you wish, you may send any Wisconsin Energy stock certificates you currently hold to the plan administrator for safekeeping. This is also referred to as a custodial service. Your certificated shares of Wisconsin Energy stock will be credited to your plan account and reflected in your account statement. Safekeeping is beneficial to you because you no longer bear the risk and cost associated with loss, theft or destruction of stock certificates.

If you elect this optional service, please use registered or insured mail to send your stock certificates to the plan administrator at the general correspondence address indicated on the tear-off form attached to your account statement. You must include written instructions indicating that these shares are to be placed in your plan account. Do not endorse the stock certificates. You bear the risk of loss in transit, and we urge you

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to use a delivery system with a tracking mechanism to protect your investment.

13. Can shares of Wisconsin Energy stock held in my plan account be used as collateral for a loan?

You may not use shares of Wisconsin Energy stock held in your plan account as collateral for a loan. If you wish to use the shares as collateral, you must request the plan administrator to issue you a stock certificate for the shares in your name. Stock certificates for a fractional share will not be issued under any circumstances.

14. How can I sell my shares held in the plan?

You may request the plan administrator to sell all or a portion of the shares in your Stock Plus account. This may be done by completing the stub to your account statement, sending a letter, calling the Stockholder Hotline, or via the Internet. The plan administrator will combine your shares with other shares to be sold and arrange to sell them on the open market through a registered securities broker-dealer within five business days of receiving your request. The plan administrator will compute the value of any fractional share based on the price at which the whole shares were sold.

All sale requests having an anticipated market value of \$100,000 or more must be submitted in written form. In addition, all sale requests within thirty (30) days of an address change must be submitted in written form.

Sale Orders via Stockholder Hotline. Call **1-800-558-9663**. Simply enter your social security number or taxpayer ID at the prompt, select the menu option for sales and follow the instructions provided. For security purposes, you will be asked to enter your account number.

Sale Orders via Internet. Access your account via the Internet at www.stockbny.com. If you have not previously set up web access to your account, you will first need to request a temporary PIN (see Question 18, "Who is the plan administrator and how do I contact them?").

Sale Orders via Mail. Complete and sign the tear-off portion of your account statement and mail the instructions to the

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plan administrator or send a letter with your account number, social security number or taxpayer ID and instructions to the plan administrator (see Question 18, Who is the plan administrator and how do I contact them?).

The plan administrator will determine the net proceeds to be paid to you approximately three business days after the sale and send you a check shortly thereafter. Brokerage commissions and other expenses of the sale, including any service charge, and any transfer tax, if applicable, will be deducted from the check. Please see Appendix A for charges that apply.

If your participation option includes dividend reinvestment and you request that all of your shares be sold and your request is received after the record date for a dividend payment, your shares will be sold and any dividend payable on those shares will be sent to you in the form of a separate dividend check.

The price of Wisconsin Energy's stock may rise or fall during the period between requesting a sale and the actual sale. Instructions to the plan administrator to sell shares are binding and may not be revoked.

As noted above, if you are selling your plan shares of Wisconsin Energy stock, you should be aware that prices for Wisconsin Energy stock may fall during the period between your request for sale, its receipt by the plan administrator, and the ultimate sale of your shares on the open market. This risk is borne solely by you and should be carefully evaluated.

The plan administrator is not a broker and, therefore, cannot accept your instructions to sell on a particular day or at a specific price. The plan is designed for the long-term investor and does not afford you the same flexibility as an account with a stockbroker in this respect. If you prefer to have control over the exact price and timing of your sale, you will need to request a stock certificate from the plan administrator for the number of whole shares you wish to sell and conduct that transaction through your stockbroker. Once you have the stock certificate in your possession, you can sell the Wisconsin Energy stock represented thereby through a broker at a price and on the date you select. The plan administrator will mail your certificate to you by insured, first-class mail within five business days of your request. If you choose to sell through a broker after obtaining your stock certificate, all brokerage fees are your responsibility.

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15. Can I transfer shares that I hold in the plan to someone else?

Yes, you may transfer ownership of some or all of your shares held through Stock Plus. Call the plan administrator for complete transfer instructions. You will be asked to send the plan administrator written transfer instructions. Your signature must be Medallion Guaranteed by a financial institution. Most banks and brokers participate in the Medallion Guarantee plan. The Medallion Guarantee plan ensures that the individual signing is in fact the owner of the participant's account. A notary is not sufficient.

You may transfer shares to new or existing Wisconsin Energy stockholders. However, a new Stock Plus account will not be opened for a transferee as a result of a transfer of less than one full share. If you open a new Stock Plus account for a transferee, you must include an enrollment form with the gift/transfer instructions.

16. I've just moved. How can I request a change of address or update other personal data?

It is important that our records contain your most up-to-date personal data. If you need to request a change of address or update other personal data, please write or call the plan administrator or visit the plan administrator's web site. If you are an electric service or gas customer of one of Wisconsin Energy's subsidiaries, changing your billing address is not sufficient to change your stockholder account address.

17. How do I change or terminate my participation in the plan?

You may withdraw or sell a portion of your shares in the plan without terminating participation. To change your method of participation, or to terminate participation, you may use the stub on your account statement, write a letter, call the Stockholder Hotline, or visit the plan administrator's web site. You may request a stock certificate for the shares held in the plan or request that the shares be sold.

If your participation option includes dividend reinvestment and you request that all of your shares be sold and your request is received after the record date for a dividend payment, your

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shares will be sold and any dividend payable on those shares will be sent to you in the form of a separate dividend check.

18. Who is the plan administrator and how do I contact them?

Correspondence and enrollment forms should be sent to the plan administrator, The Bank of New York, at this address:

The Bank of New York

Church Street Station

P.O. Box 11258

New York, NY 10286-1258

For optional cash investments, sales, transfer requests, liquidations, share deposits and withdrawals, mail the tear-off portion of your account statement to:

The Bank of New York

Dividend Reinvestment Department

P.O. Box 1958

Newark, NJ 07101-9774

Make your check payable to The Bank of New York in U.S. dollars.

You may telephone the plan administrator at **1-800-558-9663** at any time and use the automated telephone system to obtain the closing price of Wisconsin Energy common stock or to request a duplicate Stock Plus account statement, transfer instructions and other information. To talk with a Customer Services Representative, please call between the hours of 8 a.m. and 8 p.m. Eastern Time (7 a.m. and 7 p.m. Central Time), Monday through Friday.

To access The Bank of New York's web site, log onto www.stockbny.com. First-time users will have to enter their social security number or taxpayer ID when prompted in

order to establish a temporary Personal Identification Number (PIN).

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NOTE: Your temporary PIN will be sent to the address currently listed on your account within 10 business days of its request. You cannot access your account prior to receiving the PIN. Upon receiving and entering your temporary PIN, you will be prompted to change it for security reasons. Please keep your new PIN in a safe place for future account access.

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19. What reports will I receive?

You will receive easy-to-read statements of your account activity after each investment or other transaction. You should retain these statements in your records. In addition, you will receive the same communications sent to all other holders of Wisconsin Energy common stock, such as annual reports and proxy statements. You will also receive any Internal Revenue Service forms that may be required for income tax purposes.

20. What if Wisconsin Energy issues a stock dividend or declares a stock split?

Your plan account will be credited with the appropriate number of shares of Wisconsin Energy common stock on the payment date. If you prefer to receive a stock certificate, you may do so by notifying the plan administrator after the payment date.

A stock dividend payable in other than Wisconsin Energy stock will be paid to you and not credited to your plan account.

21. How do I vote my Stock Plus shares at stockholders meetings?

Shares of Wisconsin Energy common stock held for you by the plan administrator will be voted as you direct. If you hold shares in Stock Plus on the record date for any Wisconsin Energy annual or special meeting of shareholders, you will receive proxy materials, including a proxy card which you may use to vote all shares held in your Stock Plus account and any shares for which you hold a stock certificate.

You may vote your shares by mail, telephone or on the Internet as directed in the proxy statement or on the proxy card. If you do not return your proxy card, or vote by telephone or Internet, none of your shares will be voted.

22. Can the plan be changed or discontinued?

Wisconsin Energy may amend, modify, suspend or terminate the plan at any time, including the period between a record date and a dividend payment date. As appropriate,

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participants will receive notice of any material amendment or modification, or of any suspension or termination.

Upon termination of the plan, you will be mailed any optional cash investments received and not invested, a stock certificate for whole shares credited to your plan account and a check for any fractional share. However, if Wisconsin Energy terminates the plan to establish a new plan, you will automatically be enrolled in the successor plan, and shares of Wisconsin Energy stock credited to your plan account will automatically be transferred to the successor plan.

The plan administrator may terminate your Stock Plus account if you do not maintain at least one whole share in your account. In the event your Stock Plus account is terminated for this reason, a check for the cash value of the fractional share will be sent to you and your account will be closed.

23. Who interprets the plan?

Wisconsin Energy will determine any question of interpretation arising under the plan, and our determination will be final. Wisconsin Energy and/or the plan administrator may adopt rules or practices to facilitate the administration of the plan.

24. What law governs the plan?

The terms and conditions of the plan and its operations will be governed by the laws of the State of Wisconsin.

25. What are the responsibilities of Wisconsin Energy and the plan administrator under Stock Plus?

Neither Wisconsin Energy nor the plan administrator will be liable for any act done in good faith or for any good faith omission to act, including, without limitation, any claim or liability:

with respect to the prices at which shares of Wisconsin Energy stock are purchased or sold for your plan account and the times when such purchases or sales are made;

for any fluctuation in the market value after purchases or sales of shares of Wisconsin Energy stock; or

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for continuation of your plan participation until the plan administrator receives written notice of your death accompanied by your estate's request to discontinue participation.

Wisconsin Energy and the plan administrator provide no advice and make no recommendation with respect to your purchases and sales of Wisconsin Energy stock. Your decision to purchase or sell Wisconsin Energy stock must be made by you based upon your own research and judgment.

You should recognize that neither Wisconsin Energy nor the plan administrator can assure you of a profit or protect you against a loss on shares purchased through the plan.

FEDERAL INCOME TAX CONSEQUENCES OF PARTICIPATING IN THE PLAN

Wisconsin Energy believes that the following is an accurate summary of the principal U.S. federal income tax consequences if you are a U.S. resident participating in the plan:

Your dividends reinvested under the plan are treated for federal income tax purposes as cash received by you on the dividend payment date even though the dividends are used to purchase additional shares. Brokerage commissions paid by Wisconsin Energy on share purchases under the plan are treated as additional dividend income to you.

Your holding period for shares acquired pursuant to the plan will begin on the day after shares are allocated to your account.

The tax basis of shares purchased on the open market through the plan will be the amount you paid for the shares through the reinvestment of dividends or by optional cash investments plus the amount of brokerage commission paid by Wisconsin Energy that is attributable to those shares. The tax basis of shares purchased directly from Wisconsin Energy will be the amount you paid for the shares through the reinvestment of dividends or by optional cash investments. *You should retain your account statements in your records so that you are able to*

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determine the tax basis for shares purchased under the plan.

Upon a sale of either a portion or all of your shares purchased through the plan, you will realize a gain or loss based on the difference between the net sale proceeds you receive and your tax basis in the shares sold, including any fractional share.

The above is only a brief summary based upon current tax regulations, which are subject to change from time to time, and does not reflect every possible situation that could result from your participation in the plan. The above rules may not apply to certain participants in the plan, such as tax-exempt entities and foreign stockholders. You are urged to consult your own tax advisor to determine the particular federal, state and local tax consequences which may result from your participation in the plan and the subsequent disposition of shares of Wisconsin Energy stock purchased within the plan.

If you fail to provide a taxpayer identification number, the plan administrator must withhold tax from the amount of any dividends paid on your shares of Wisconsin Energy stock and from any proceeds arising from your sale of Wisconsin Energy stock held in your plan account. The amount of the tax withheld is determined under the Internal Revenue Code and/or applicable state tax laws. You may be exempt from this withholding requirement if appropriate documentation regarding your tax situation has been received by the plan administrator.

If you do not reside in the United States, income tax consequences may vary from jurisdiction to jurisdiction. If you are a foreign stockholder whose dividends are subject to U.S. income tax withholding, the appropriate amount will be withheld. Any balance of your earned dividend after applicable tax withholding will be used to purchase additional shares.

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (the Act), enacted on May 28, 2003, reduces the maximum rate of tax imposed on most dividends received by individuals from the higher marginal income tax rates to 15% (5% for individuals in the lower tax brackets and 0% for these taxpayers in 2008) (the Reduced Rate). This provision applies to dividends received in

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taxable years beginning after December 31, 2002 and before January 1, 2009. In order to be eligible for the Reduced Rate, an individual shareholder must own our common stock for more than 60 days during the 120 day period beginning 60 days before the ex-dividend date. Furthermore, if an individual receives an extraordinary dividend within the meaning of Section 1059 of the Internal Revenue Code (a dividend which equals or exceeds 10% of the individual's tax basis in our common stock) which is eligible for the Reduced Rate, any loss on a subsequent sale of the stock with respect to which that dividend is made is treated as a long-term capital loss to the extent of that dividend. For purposes of determining the amount of deductible investment interest, a dividend is treated as investment income only if the individual elects to treat the dividend as not eligible for the Reduced Rate. For sales and exchanges of capital assets on or after May 6, 2003 and before January 1, 2009, the Act also reduces the top individual tax rate on adjusted net capital gains from 20% (10% for individuals in the lower tax brackets) to 15% (5% for individuals in the lower tax brackets and 0% for these taxpayers in 2008). You should consult your tax advisor regarding the specific tax consequences to you that may result from the Act.

IMPORTANT CONSIDERATIONS

The purpose of the plan is to provide a useful service for Wisconsin Energy stockholders. We are not recommending that you buy or sell Wisconsin Energy stock. You should use the plan only after you have independently researched your investment decision.

The value of Wisconsin Energy stock may go up or down from time to time. Plan accounts are not insured by the Securities Investor Protection Corporation, the Federal Deposit Insurance Corporation, or anyone else.

The plan does not have any effect on the dividend policy of Wisconsin Energy, which is subject to the discretion of Wisconsin Energy's board of directors. There can be no assurance as to the declaration of future dividends, or the rate at which dividends may be paid, since they necessarily depend upon Wisconsin Energy's future earnings, financial requirements and other factors.

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USE OF PROCEEDS

We intend to use for general corporate purposes the net proceeds we receive from purchases of shares for the plan by the administrator directly from Wisconsin Energy. We will not receive any proceeds from shares acquired by the administrator in the open market.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and through our own web site at www.wisconsinenergy.com. Other information on our web site is not incorporated by reference in this prospectus. You may also read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can call the SEC at 1-800-732-0330 for information on the operation of the Public Reference Room.

The SEC allows us to incorporate by reference the information we file with them, which means we are assumed to have disclosed important information to you when we refer you to documents that are on file with the SEC. The information we have incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future documents we file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities covered by this prospectus.

Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

Current Reports on Form 8-K filed February 11, 2003, March 7, 2003, March 21, 2003, April 28, 2003, April 29, 2003, May 22, 2003 and June 20, 2003.

The description of Wisconsin Energy common stock contained in Item 5 of our Current Report on Form 8-K

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dated September 1, 1999 (which updates and supersedes the description in our Registration Statement on Form 8-B dated January 7, 1987, as previously updated), including any amendment or report filed for the purpose of updating that description.

You may request a copy of these documents at no cost by writing or telephoning:

Wisconsin Energy Corporation
Shareholder Services
231 West Michigan Street
P. O. Box 2949
Milwaukee, Wisconsin 53201-2949
Telephone: 1-800-881-5882

You should rely only on the information provided in or incorporated by reference (and not later changed) in this prospectus. We have not authorized anyone else to provide you with additional or different information. We are not making an offer of any securities in any state or country where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document.

EXPERTS

The consolidated financial statements and the related financial statement schedule for the year ended December 31, 2002 incorporated in this prospectus by reference from Wisconsin Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report (which report expresses an unqualified opinion and includes explanatory paragraphs relating to (a) the adoption of a new accounting principle and (b) the application of procedures relating to certain disclosures related to the 2001 consolidated financial statements that were audited by other auditors who have ceased operations and for which Deloitte & Touche LLP have expressed no opinion or other form of assurance other than with respect to such disclosures), and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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The consolidated financial statements and related financial statement schedule for the year ended December 31, 2001 incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2002 have been so incorporated in reliance on the report of Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto and have been so incorporated upon the authority of that firm as experts in giving said report.

Because they have ceased operations, we have been unable to obtain Arthur Andersen LLP's written consent to the incorporation by reference in this prospectus of their report on the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2002. Accordingly, we have omitted Arthur Andersen LLP's consent in reliance upon Rule 437a under the Securities Act of 1933, which permits us to dispense with the requirements to file the written consent of Arthur Andersen LLP under the circumstances.

Because Arthur Andersen LLP has not consented to the incorporation of their report in this prospectus, you will not be able to recover against Arthur Andersen LLP under Section 11 of the Securities Act of 1933 for any untrue statements of a material fact contained in our financial statements audited by Arthur Andersen LLP or for any omission to state a material fact required to be stated in those financial statements.

The consolidated financial statements and related financial statement schedule for the year ended December 31, 2000 incorporated in this prospectus by reference to the Annual Report on Form 10-K of Wisconsin Energy Corporation for the year ended December 31, 2002 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

Table of Contents**APPENDIX A****Minimum and Maximum Investment Amounts**

Initial Enrollment in Plan new investors	\$250
Initial Enrollment in Plan registered stockholders	\$0
Additional Investments optional payments	\$25 per investment
Additional Investments Automatic Monthly Investments	\$25 per month
Maximum Investments	\$10,000 per transaction; \$100,000 per calendar year
Number of Automatic Monthly Investments in lieu of Minimum Initial Enrollment Amount	Not applicable

Participant Fees	Service Charge	Brokerage Commission
One-time account setup fee		
Reinvestment of dividends		
Optional cash investments		
Automatic Monthly Investments (electronic debits)		
Issuance of stock certificates		
Safekeeping of stock certificates		
Sale of Plan Shares	\$ 15	\$.05 per share*
Returned Funds (Insufficient funds or closed bank accounts)	\$ 20	
Replacement statements (more than 2 years old)	\$ 20	

*Actual brokerage commissions and fees will be charged, which approximate \$.05 per share.

The company reserves the right to change minimum or maximum investment amounts or to add or modify fees upon proper notice to plan participants.

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**WISCONSIN ENERGY CORPORATION
Stock Plus Investment Plan
Enrollment Application**

IMPORTANT: Before completing this enrollment application, please be sure to carefully review the information contained in the Stock Plus Investment Plan Prospectus.

Questions? Call 1-800-558-9663

q I am a new stockholder. Enclosed is a check for \$_____ (see Appendix A of prospectus for minimum and maximum amounts) payable to The Bank of New York to open a Stock Plus Investment Plan Account.

q I am currently a stockholder. I wish to reinvest my dividends or make a change in investment options as indicated below.

Account Registration Information: (Please print)

Account Number: _____

Name of Registered Owner/or Name of Custodian/or Name(s) of Trustee

Example of a Custodian Account:

Name of Joint Owner/or Name of Minor/or Name and Date of Trust

John R. Smith Custodian for

Anne B. Smith UTMA Wisconsin

*UTMA Uniform Transfers to Minor Act

Mailing Address

City, State, Zip

Social Security Number/Taxpayer Identification Number

I (we) understand and agree to the terms and conditions of the Wisconsin Energy Corporation Stock Plus Investment Plan.

Under penalties of perjury, I certify that the Social Security Number/Taxpayer Identification Number listed above is true, correct and complete and that I am NOT subject to backup withholding under the Internal Revenue Code. If you are subject to backup withholding, cross out the word NOT in the previous sentence.) If a Social Security Number/Taxpayer Identification Number is not provided, dividends and sales proceeds will be subject to backup withholding.

Edgar Filing: WISCONSIN ENERGY CORP - Form 424B3

Signature(s)

Daytime Telephone Number

Date

Investment Options. Please read the prospectus for a complete description. Where no investment option is selected, full dividend reinvestment will apply. You may make Optional Cash Investments under any of the options below:

q **Full Dividend Reinvestment.** I wish to reinvest 100% of dividends on shares registered in my name or held in my Stock Plus Account.

q **Partial Dividend Reinvestment.** I wish to reinvest only part of my dividends on shares registered in my name or held in my Stock Plus Account. Dividends not reinvested will be paid to me in cash.

____% (must be in increments of 10%) of my dividends are to be reinvested in WEC common stock.

____% of my dividends are to be paid to me in cash. (Total of two percentages must equal 100%.)

q **Optional Cash Investments Only.** I do not wish to reinvest my dividends. I wish to make cash investments to purchase WEC common stock. (See Appendix A of prospectus for minimum and maximum amounts.)

q **Automatic Investment Option.** In addition to one of the investment options above, I hereby authorize Wisconsin Energy or its agent to make monthly automatic transfers of funds from my checking/savings account to purchase WEC common stock. I have completed the application form on the reverse side.

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Automatic Investment Application

The Automatic Investment Option allows you to authorize the automatic transfer of a specific dollar amount from your checking or savings account to your Stock Plus Investment Plan account on a regular basis. Please read the prospectus for more information. You should allow at least one month for your authorization to become effective. To discontinue the Automatic Investment Option, you must provide written instructions to Wisconsin Energy or its agent at least one month in advance.

Stock Plus Account Number: _____

Name on Stock Plus Account: (Please print)

I hereby authorize Wisconsin Energy Corporation and its agent to make monthly automatic transfers of funds from my checking/savings account in the amount stated on this form for the purchase of WEC common stock for my Stock Plus Investment Plan account.

ABA Routing Transit Number: _____

(The ABA Routing Transit Number is 9 digits long and is usually found in the lower left-hand corner of your check.)

Checking/Savings Account Number: _____

Type of Account:

Checking Savings

IMPORTANT:

Attach a voided blank check or deposit slip to this application

Amount authorized each month:

\$_____ (see Appendix A)

Signature of Owner

Date

Daytime Telephone Number

Signature of Joint Owner, if any

Date

FINANCIAL INSTITUTION AUTHORIZATION: (Please have your financial institution complete this part.)

I confirm the identity of the above-named payee(s) and the account number. This stands to authorize that the financial institution agrees to charge the account for the amount indicated until revoked in writing.

Printed Name of Representative

Signature of Representative

Date

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Cash expended for operations decreased by \$13,000 to \$117,000 during 2012 from \$130,000 in 2011, reflecting a \$1,000 decrease in cost of real estate sales, a \$1,000 decrease in payments for consulting fees, and an \$11,000 decrease in general and administrative expenses primarily due to a \$4,000 decrease in insurance premiums paid resulting from changes in the package policy portfolio allocations and a \$4,000 decrease in audit fees paid in 2012 compared to 2011 due to a timing differences and the payment of payables from 2010. In addition, in 2012 there was a \$2,000 decrease in cash expenditures for the cost of XBRL filing services as compared to 2011 due to prepaid services for XBRL filings through June 30, 2012 in 2011. No similar prepayments were made in 2012.

[Back to Table of Contents](#)ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
7. OPERATIONS (CONTINUED)

During 2012 and 2011, investing activities provided \$88,000 and \$74,000, respectively, of cash, which consisted of the receipt of net principal repayments of the Company's short-term note with LIC. As a result, the amount of receivables-related party decreased by \$88,000 as of December 31, 2012 compared to December 31, 2011.

The \$6,000 decrease in other assets at December 31, 2012 compared to year-end 2011 primarily represents a timing difference in the payment of deferred charges relating to the contract for services to comply with the XBRL filing requirements with the SEC.

Liabilities were \$71,086,000 at December 31, 2012 compared to \$64,934,000 at December 31, 2011, reflecting the following changes:

	2012	2011	Increase (Decrease)
	(\$ in thousands)		
Accounts payable and accrued expenses	\$ 211	\$ 118	\$ 93
Accrued real estate taxes	8	8	-
Accrued interest	22,688	21,440	1,248
Accrued interest-related party	35,922	31,111	4,811
Credit agreements – primary lender related party	500	500	-
Notes payable	1,198	1,198	-
Convertible subordinated debentures payable	9,059	9,059	-
Convertible debentures payable-related party	1,500	1,500	-
	\$ 71,086	\$ 64,934	\$ 6,152

Accrued expenses increased by \$94,000 at December 31, 2012 compared to December 31, 2011 due to the accrual of cumulative annual administration fees for prior years relating to the 6% subordinated convertible debentures.

The increase in accrued interest at December 31, 2012 compared to year-end 2011 reflects changes in the following accrued interest categories:

	2012	2011	Increase (Decrease)
	(\$ in thousands)		
Primary lender-related party	\$ 324	\$ 282	\$ 42
Debentures	19,792	18,605	1,187
Debentures-related party	35,598	30,829	4,769
Other	2,896	2,835	61
	\$ 58,610	\$ 52,551	\$ 6,059

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF 7. OPERATIONS (CONTINUED)

Accrued interest increased due to the nonpayment of interest expense during the year ended December 31, 2012. The accrued interest relating to debentures also increased due to the additional accrual of interest on the nonpayment of previously accrued interest on the Company's debentures (see Notes 8 and 9 to the consolidated financial statements under Item 8).

The Company's stockholders' deficiency increased to \$69,711,000 at December 31, 2012 from a \$63,465,000 stockholders' deficiency at December 31, 2011, reflecting the 2012 operating loss of \$6,246,000.

New Accounting Standards

There were no accounting standards issued during 2012 or 2011 that management believes will have a material impact on the Company's financial statements.

Forward Looking Statements

The discussion set forth in this Item 7, as well as other portions of this Form 10-K, may contain forward-looking statements. Such statements are based upon the information currently available to management of the Company and management's perception thereof as of the date of the Form 10-K. When used in this Form 10-K, words such as "anticipates," "estimates," "believes," "expects," and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Such statements are subject to risks and uncertainties. Actual results of the Company's operations could materially differ from those forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to: changes in the real estate market in Florida and the counties in which the Company owns any property; the overall national economy and financial markets; institution of legal action by the bondholders for collection of any amounts due under the subordinated convertible debentures (notwithstanding the Company's belief that at least a portion of such actions might be barred under applicable statute of limitations); continued failure by governmental authorities to make a decision with respect to the Suncoast Expressway as described under Item 1; changes in management strategy; and other factors set forth in reports and other documents filed by the Company with the Securities and Exchange Commission from time to time.

ITEM QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK.

7A.

Not Applicable

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ITEM FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

8.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders

PGI Incorporated

St. Louis, Missouri

We have audited the accompanying consolidated statements of financial position of PGI Incorporated and Subsidiaries (“Company”) as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders’ deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PGI Incorporated and Subsidiaries at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has a significant accumulated deficit, and is in default on its primary debt (Note 7), certain sinking fund and interest payments on its convertible subordinated debentures (Note 8) and its convertible debentures (Note 9). These matters raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in this regard are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BKD, LLP

St. Louis, Missouri

March 29, 2013

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PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	ASSETS		LIABILITIES		
	2012	2011	2012	2011	
Cash and cash equivalents	\$1,000	\$1,000	Accounts payable and accrued expenses (Note 6)	\$211,000	\$118,000
Restricted cash (Note 3)	5,000	5,000	Accrued real estate taxes (Note 6)	8,000	8,000
Receivables-related party (Note 14)	543,000	631,000	Accrued Interest:		
Land and improvement inventories (Note 4)	639,000	639,000	Primary lender-related party (Note 7)	324,000	282,000
Other assets (Note 5)	187,000	193,000	Subordinated convertible debentures (Note 8)	19,792,000	18,605,000
			Convertible debentures-related party (Note 9)	35,598,000	30,829,000
			Other (Note 7)	2,896,000	2,835,000
			Credit Agreements (Note 7):		
			Primary lender-related party	500,000	500,000
			Notes payable	1,198,000	1,198,000
			Subordinated convertible debentures payable (Note 8)	9,059,000	9,059,000
			Convertible debentures payable-related party (Note 9)	1,500,000	1,500,000
				71,086,000	64,934,000
			Commitments and Contingencies (Note 13)		
			STOCKHOLDERS' DEFICIENCY		
			Preferred stock, par value \$1.00 per share; authorized 5,000,000 shares; 2,000,000 Class A cumulative convertible Shares issued and outstanding; (liquidation preference of \$8,000,000)	2,000,000	2,000,000

and cumulative dividends) (Note 11)			
Common stock, par value \$.10 per share; authorized 25,000,000 shares; 5,317,758 shares issued and outstanding (Note 11)			
		532,000	532,000
Paid-in capital			
		13,498,000	13,498,000
Accumulated deficit			
		(85,741,000)	(79,495,000)
		(69,711,000)	(63,465,000)
\$1,375,000	\$1,469,000	\$1,375,000	\$1,469,000

See accompanying notes to consolidated financial statements.

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PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2012 and 2011

	2012	2011
Revenues:		
Real estate sales (Note 2)	\$-	\$16,000
Interest income-related party (Note 2)	29,000	40,000
	29,000	56,000
Costs and expenses:		
Cost of real estate sales	-	1,000
Interest	1,248,000	1,219,000
Interest-related party	4,811,000	4,198,000
Taxes and assessments	9,000	9,000
Consulting and accounting- related party	39,000	40,000
Legal and professional	9,000	9,000
General and administrative	159,000	63,000
	6,275,000	5,539,000
Net Loss	\$(6,246,000)	\$(5,483,000)
Loss Per Share Available to Common Stockholders – Basic and Diluted (Note 16)	\$(1.29)	\$(1.15)

See accompanying notes to consolidated financial statements.

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PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash received from operations:		
Real estate sales	\$-	\$ 16,000
Interest received-related party	29,000	40,000
	29,000	56,000
Cash expended for operations:		
Payments for real estate sales	-	1,000
Taxes and assessments	9,000	9,000
Consulting and accounting-related party	39,000	40,000
Legal and professional	9,000	9,000
General and administrative	60,000	71,000
	117,000	130,000
Net cash flow used in operating activities	(88,000)	(74,000)
Cash flows from investing activities:		
Net repayments of notes receivable-related party	88,000	74,000
Net cash flow provided by investing activities	88,000	74,000
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	1,000	1,000
Cash and cash equivalents at end of year	\$ 1,000	\$ 1,000

See accompanying notes to consolidated financial statements.

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PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended December 31, 2012 and 2011

	2012	2011
Reconciliation of net loss to net cash used in operating activities:		
Net loss	\$(6,246,000)	\$(5,483,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Increase) decrease in assets:		
Prepaid expenses	2,000	-
Deferred charges	4,000	(4,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	93,000	(3,000)
Accrued real estate taxes	-	(1,000)
Accrued interest	1,248,000	1,219,000
Accrued interest-related party	4,811,000	4,198,000
Net cash flow used in operating activities	\$(88,000)	\$(74,000)

See accompanying notes to consolidated financial statements.

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PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
Years ended December 31, 2012 and 2011

	Preferred Stock		Common Stock		Paid-In Capital	Accumulated Deficit
	Shares	Par Value	Shares	Par Value		
Balances at 1/1/11	2,000,000	\$2,000,000	5,317,758	\$532,000	\$13,498,000	\$(74,012,000)
Net Loss	-	-	-	-	-	(5,483,000)
Balances at 12/31/11	2,000,000	2,000,000	5,317,758	532,000	13,498,000	(79,495,000)
Net Loss	-	-	-	-	-	(6,246,000)
Balances at 12/31/12	2,000,000	\$2,000,000	5,317,758	\$532,000	\$13,498,000	\$(85,741,000)

See accompanying notes to consolidated financial statements.

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PGI INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after eliminating all significant inter-company transactions.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Profit Recognition

Homesites

The Company follows the installment method of profit recognition in accordance with Accounting Standard Codification (ASC) Topic 360-20, "Real Estate Sales".

Acreage

Sales of undeveloped and developed acreage tracts are recognized, net of any deferred revenue and valuation discount, when minimum down payment and other requirements are met.

Land and Improvement Inventories

Land held for sale to customers and land held for bulk sale are stated at cost, which is not in excess of estimated net realizable value. Homesite costs are allocated to projects based on area methods, which consider footage, future improvements costs and frontage.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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PGI INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

2. Revenues:

Revenues for the years ended December 31, 2012 and 2011 included interest income from a short-term note receivable with Love Investment Company ("LIC"), an affiliate of L-PGI, the Company's primary preferred stock shareholder.

There were no real estate sales in 2012. In the first quarter of 2011, the Company completed the sale of a single family lot at the price of \$16,000. As of December 31, 2012 the Company owned six lots in Citrus County, Florida. The Company continues to be effected by a depressed real estate market in Citrus County, Florida.

3. Restricted Cash:

Restricted cash includes restricted proceeds held by PGIP, LLC ("PGIP"), the Primary Lender, as collateral for debt repayment (see Note 14).

The restricted escrow funds balance was \$5,000 at December 31, 2012 and December 31, 2011.

4. Land and Improvements:

Land and improvement inventories consisted of:

	2012	2011
Unimproved land	\$ 625,000	\$ 625,000
Fully improved land	14,000	14,000
	\$ 639,000	\$ 639,000

5. Other Assets:

Other assets consisted of:

	2012	2011
Deposit with Trustee of 6 ½% debentures	\$ 184,000	\$ 184,000
Prepaid expenses	2,000	4,000
Deferred charges	1,000	5,000
	\$ 187,000	\$ 193,000

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PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

6. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consisted of:

	2012	2011
Accounts payable	\$ -	\$ 1,000
Accrued audit/tax expense	36,000	36,000
Accrued consulting fees-related party	1,000	1,000
Environmental remediation obligations	70,000	70,000
Accrued debenture fees	103,000	8,000
Accrued miscellaneous	1,000	2,000
	\$ 211,000	\$ 118,000
Accrued Real Estate Taxes:		
Accrued real estate taxes consisted of:		
Current	\$ 8,000	\$ 8,000

7. Credit Agreements – Primary Lender and Notes Payable:

Credit agreements with the Company's primary lender and notes payable consisted of the following:

	2012	2011
Credit agreements –		
Primary lender (PGIP-related party), at prime plus 5%, due June 1, 1997	\$ 500,000	\$ 500,000
Notes payable –		
At prime plus 2%, due October 1, 1984	176,000	176,000
At prime plus 2%, due October 1, 1987	1,000,000	1,000,000
Non-interest bearing, due August 1, 1993	22,000	22,000
	\$ 1,698,000	\$ 1,698,000

The prime rate at December 31, 2012 and 2011, was 3.25%.

At December 31, 2012 assets collateralizing the Company's credit agreements with its primary lender totaled \$644,000, of which \$5,000 represented escrow held by the primary lender, and \$639,000 represented land and improvement inventories.

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PGI INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

7. Credit Agreements – Primary Lender and Notes Payable (continued):

The overall weighted-average interest rate for the Company's credit agreements with its primary lender and all remaining notes and mortgages was approximately 6.1% as of both December 31, 2012 and 2011.

Although substantially all of the Company's real and personal property including all of the stock of the Company's wholly-owned subsidiaries remains pledged as collateral, the Company negotiated agreements with its mortgage holders to allow the Company to sell part of its land holdings without requiring full payment of the secured debt.

Accrued interest due to the primary lender was \$324,000 and \$282,000 at December 31, 2012 and 2011, respectively. Accrued interest on other notes payable was \$2,896,000 and \$2,835,000 at December 31, 2012 and 2011, respectively.

All of the primary lender debt and notes payable including accrued interest are past due.

8. Subordinated Convertible Debentures Payable:

Subordinated debentures payable consisted of:

	2012	2011
6 ½%, due June 1991	\$ 1,034,000	\$ 1,034,000
6%, due May 1992	8,025,000	8,025,000
	\$ 9,059,000	\$ 9,059,000

Since issuance, \$650,000 and \$152,000 of the 6½% and 6% debentures, respectively, have been converted into common stock. This conversion feature is no longer in effect.

The Company is in default of certain sinking fund and interest payments on both subordinated debentures totaling \$9,059,000 in principal plus accrued and unpaid interest of \$19,792,000 at December 31, 2012 and \$18,605,000 as of December 31, 2011.

The debentures are not collateralized and are not subordinate to each other, but are subordinate to senior indebtedness (\$3,198,000 at December 31, 2012). Payment of dividends on the Company's common stock is restricted under the terms of the two indentures pursuant to which the outstanding debentures are issued.

In order to meet liquidity needs for future periods, the Company has been and intends to continue to actively seek buyers for the remaining portion of the underdeveloped acreage, when appropriate.

No assurances can be made that the Company can achieve this objective.

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PGI INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

9. Convertible Debentures Payable:

In May 2008, LIC, an affiliate of L-PGI, the Company's preferred shareholder, purchased \$703,050 in principal amount of the Company's convertible debentures from the previous debenture holder. The balance of the outstanding convertible debentures in the amount of \$796,950, are held by Love-1989. The debentures held by Love-1989 are secured by a second mortgage behind PGIP on the 366 acres retained by the Company and a security interest behind that held by PGIP in the restricted proceeds escrow. The total debentures balance of \$1,500,000 carry a maturity date of July 8, 1997 and are in default. Interest on the debentures accrues at the rate of fourteen percent compounded quarterly. The Company's primary lender credit agreements prohibit the payment of interest until such time as the primary lender loans are repaid.

Accrued interest was \$35,598,000 and \$30,829,000 at December 31, 2012 and 2011 respectively.

10. Income Taxes:

Reconciliation of the statutory federal income tax rates, 34% for the years ended December 31, 2012 and 2011, to the Company's effective income tax rates follows:

	2012 (\$ in thousands)		2011	
	Amount of tax	Percent of Pre-tax Loss	Amount of Tax	Percent of Pre-tax loss
Expected tax (credit)	\$ (2,124)	(34.0 %)	\$ (1,864)	(34.0 %)
State income taxes, net of federal tax benefits	(250)	(4.0 %)	(219)	(4.0 %)
Expiration of net operating loss carryovers	1,247	20.0 %	1,068	19.5 %
Increase in valuation allowance	1,127	18.0 %	1,015	18.5 %
	\$ -	-	\$ -	-

At December 31, 2012, the Company had an operating loss carryforward of approximately \$ 47,445,000 which are expiring and will expire at various dates through 2032.

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PGI INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

10. Income Taxes (continued):

	2012	2011
	(\$ in thousands)	
Deferred tax asset:		
Net operating loss carryover	\$ 18,029	\$ 16,902
Adjustments to reduce land to net realizable value	12	12
Expenses capitalized under IRC 263(a)	56	56
Environmental liability	27	27
Valuation allowance	(17,952)	(16,825)
	172	172
Deferred tax liability:		
Basis difference of land and improvement inventories	172	172
Net deferred tax asset	\$ -	\$ -

The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2009.

11. Capital Stock:

In March 1987, the Company sold, in a private placement, 1,875,000 shares of its Class A cumulative convertible preferred stock to L-PGI for a purchase price of \$7,500,000 cash (\$4.00 per share). The Company also converted \$500,000 of indebtedness owed to a corporation owned by the Company's former Chairman of the Board of Directors and members of his family into 125,000 shares of the cumulative convertible preferred stock.

The holders of the preferred stock are entitled to one vote per share and, except as provided by law, will vote as one class with the holders of the common stock. Class A preferred stockholders are also entitled to receive cumulative dividends at the annual rate of \$.32 per share, an effective yield of 8%. Dividends accrued for an initial two year period and, at the expiration of this period, preferred stockholders had the option of receiving accumulated dividends, when and if declared by the Board of Directors, in cash (unless prohibited by law or contract) or common stock. At December 31, 2012 cumulative preferred dividends in arrears totaled \$11,315,000 (\$640,000 of which related to the year ended December 31, 2012). On May 15, 1997 preferred dividends accrued through April 25, 1995 totaling \$4,260,433 were paid in the form of 2,000,203 shares of common stock.

As of December 31, 2012, the preferred stock is callable or redeemable at the option of the Company at \$4.00 per share plus accrued and unpaid dividends. In addition, the preferred stock will be entitled to preference of \$4.00 per share plus accrued and unpaid dividends in the event of liquidation of the Company.

At December 31, 2012 the Company had reserved 6,319,540 common shares for the conversion of preferred stock and debentures.

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PGI INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

12. Quarterly Results:

There were no significant transactions in the fourth quarter of 2012.

13. Commitments and Contingencies:

The Company is currently not a party in any legal proceedings.

14. Related Party Transactions:

The Company's primary preferred shareholder is L-PGI, with LIC being its general partner. The Company's convertible debentures (Note 9) are held by L-1989 and LIC. LIC is also the controlling general partner of L-1989. LIC is primarily owned and managed by Andrew S. Love and Laurence A. Schiffer. Messrs. Love and Schiffer serve as the executive officers and directors of the Company.

As of December 31, 2012 the Company was in default of its primary credit agreements with PGIP, its Primary Lender (Note 7).

PGIP is owned and managed by Love Savings Holding Company ("LSHC"). Messrs. Love and Schiffer are directors and executive officers of LSHC and own 90% of all the issued and outstanding voting stock of LSHC.

The Company maintains its administration and accounting offices with Love Real Estate Company ("LREC"). LREC, which is owned by Mr. Love and Mr. Schiffer, is paid a monthly fee for the following:

1. Maintain books of original entry;
2. Prepare quarterly and annual SEC filings;
3. Coordinate the annual audit;
4. Assemble information for tax filing, review reports as prepared by tax accountants and file same;
5. Track shareholder records through transfer agent;
6. Maintain policies of insurance against property and liability exposure;
7. Handle day-to-day accounting requirements

In addition, the Company receives office space, telephone service and computer service from LREC. A fee of \$2,800 per month was accrued in 2012 and 2011. The Company made payments of \$33,600 to LREC in 2012 and 2011 respectively for accounting service fees. There were no accrued accounting service fees as of December 31, 2012 and 2011.

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PGI INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

14. Related Party Transactions (continued):

Effective March 25, 1987, the Company entered into a Management Consulting Agreement with LREC. As a consultant to the Company and in addition to the above services, LREC provides other services including, but not limited to, strategic planning, marketing and financing as requested by the Company. In consideration for these consulting services, the Company pays LREC a quarterly consulting fee of one-tenth of one percent of the carrying value of the Company's assets, plus reasonable out-of-pocket expenses. As of December 31, 2012, the carrying value of the Company's assets was approximately \$1,375,000. Consulting fees were \$6,000 in both 2012 and 2011, respectively. As of both December 31, 2012 and 2011, a total of \$1,000 of unpaid fees had accrued under this agreement.

In 1985 a corporation owned by the former Chairman of the Board and his family made an uncollateralized loan to the Company, which at December 31, 2012 had an outstanding balance, including accrued interest, of \$579,000. Interest accrued on this loan was \$9,000 in both 2012 and 2011, respectively.

From time to time, the Company invests in short-term debt obligations of an affiliate of L-PGI, the Company's preferred shareholder, Love Investment Company (Note 2). The balance of this receivable including accrued interest at December 31, 2012 and 2011 was \$543,000 and \$631,000, respectively. Interest on the loans was \$29,000 and \$40,000 for 2012 and 2011, respectively.

15. Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Cash and Restricted Cash:

The carrying amount approximates fair value because of the short maturity of those instruments.

Receivables:

The carrying amount approximates fair value because of the short-term maturity of those receivables.

Accounts Payable:

The carrying amount approximates fair value because of the short-term maturity of those debts.

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PGI INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

15. Fair Value of Financial Instruments (continued):

Debt:

It was not practicable to estimate the fair value of the Company's debt with its primary lender, its notes payable and its convertible debentures because these debts are in default causing no basis for estimating value by reference to quoted market prices or current rates offered to the Company for debt of the same remaining maturities.

The estimated fair values of the Company's financial instruments are as follows:

	2012 Carrying Amount	Fair Value	2011 Carrying Amount	Fair Value
Cash and Restricted Cash	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Receivables	543,000	543,000	631,000	631,000
Accounts Payable	-	-	1,000	1,000
Debt	12,257,000	-	12,257,000	-

16. Loss Per Share:

The following is a summary of the calculations used in computing basic and diluted loss per share:

	2012	2011
Numerator:		
Net Loss	\$ (6,246,000)	\$ (5,483,000)
Preferred Dividends	(640,000)	(640,000)
Loss Available to Common Shareholders	\$ (6,886,000)	\$ (6,123,000)
Denominator:		
BASIC		
Weighted average amount of shares outstanding	5,317,758	5,317,758
DILUTED		
Weighted average amount of shares outstanding	5,317,758	5,317,758
Dilutive effect of assumed conversion of Preferred Stock	-	-
Dilutive common shares	5,317,758	5,317,758
Loss per share		
Basic	\$ (1.29)	\$ (1.15)
Diluted	(1.29)	(1.15)

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ITEMCHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL 9. DISCLOSURE

Not Applicable.

ITEMCONTROLS AND PROCEDURES

9A.

The Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) under the supervision and with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company. Based on this evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2012. There have been no changes in the Company's internal control over financial reporting during the Company's fourth fiscal quarter ending December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of PGI Incorporated (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even an effective system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

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ITEMCONTROLS AND PROCEDURES (CONTINUED)

9A.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that assessment, management concludes that, as of December 31, 2012, the Company's internal control over financial reporting is effective.

ITEMOTHER INFORMATION

9B.

Not Applicable

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PART III

ITEM DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

10.

The following information, regarding executive officers and directors of the Company, is as of March 29, 2013.

Name and Age	Position with Company and Business Experience During the Last Five Years
Laurence A. Schiffer (age 73)	Director of the Company since April 1987; President, Chief Executive Officer and Chief Financial Officer of the Company since February 1994; Vice Chairman of the Board since May 1987; President and Chief Executive Officer of Love Real Estate Company and Love Investment Company since 1973; Chairman of Heartland Bank and President of LSHC, the parent company of Heartland Bank since December 1985; Manager of PGIP since 1995; member of the Real Estate Board of Metropolitan St. Louis and the National Association of Real Estate Boards.
Andrew S. Love Jr. (age 69)	Director and Chairman of the Company's Board of Directors since May 1987; Secretary since February 1994; Chairman of the Board of Love Real Estate Company and Secretary of Love Investment Company since 1973; Partner in St. Louis based law firm of Bryan, Cave, McPheeters & McRoberts until 1991; Director of Heartland Bank and Chairman of LSHC, the parent company of Heartland Bank since December 1985; Manager of PGIP since 1995.

Executive officers of the Company are appointed annually by the Board of Directors to hold office until their successors are appointed and qualify.

The directors of the Company have determined that the Company does not have an audit committee financial expert serving on its board of directors (which acts as the Company's audit committee). In addition, the Company has not adopted a code of ethics that applies to its principal executive officer and principal financial officer (principal accounting officer). The Company's decision not to adopt a code of ethics or to have an audit committee financial expert are primarily attributable to the following reasons: (i) as a result of its continuing financial difficulties due to amounts owed on its debt, the Company is focused almost exclusively on the disposition of its remaining real estate; (ii) as described in Item 5, there have been no reported transactions in the Company's Common Stock since January 29, 1991, other than the odd lot tender offer in 2003; (iii) the board of directors of the Company consists of only two directors and these two directors are also the only executive officers of the Company; and (iv) the same person serves as the Company's chief executive officer and chief financial officer.

Section 16(a) Beneficial Ownership Reporting Compliance

The Company was not furnished any Forms 3, 4 or 5, or any amendments thereto, during our most recent fiscal year. Accordingly, the Company is not aware of any officer, director or beneficial owner of more than 10 percent of the Company's registered securities that failed to file on a timely basis Forms 3, 4 and 5 required under Section 16(a) of the Securities Exchange Act of 1934, as amended, during fiscal year ended 2012.

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ITEMEXECUTIVE COMPENSATION

11.

The Company's Chief Executive Officer and Chief Financial Officer is Mr. Laurence A. Schiffer. Because of the Company's impaired financial condition, it does not compensate in any manner Mr. Schiffer or Mr. Love, the Company's only other executive officer, for the services they perform for the Company in that capacity or in their capacity as directors of the Company. Management services are provided to the Company by Love Real Estate Company ("LREC"), which is an affiliate of L-PGI, pursuant to that certain Management Consulting Agreement by and between the Company and LREC dated March 25, 1987 (the "Management Agreement"). Mr. Schiffer is an employee of, and receives an annual salary from LREC. Mr. Love receives only a nominal salary from LREC. Neither the Company nor LREC maintains records, which would allow either of them to attribute any portion of the remuneration Mr. Schiffer receives from LREC to the management services he performs for the Company. See Item 13. "Certain Relationships and Related Party Transactions, and Director Independence" for additional information about the Management Agreement.

Neither Mr. Schiffer nor Mr. Love received fees from any source directly attributable to their services as directors of the Company during 2012.

ITEMSECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED
12.STOCKHOLDER MATTERS

The table below provides certain information as of March 29, 2013 regarding the beneficial ownership of the Common Stock and the Class A cumulative convertible preferred stock (the "Preferred Stock") by each person known by the Company to be the beneficial owner of more than five percent of either the Common Stock or the Preferred Stock, each director of the Company (which persons are also the Company's only executive officers), and by virtue of the foregoing, the directors and executive officers of the Company as a group.

Name(9)	Common Stock		Preferred Stock		Percent of Total Common Stock (1)		Percent of Total Preferred Stock		Percent of Total Voting Power (1)	
	Shares	Percentage	Shares	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
Estate of Harold Vernon	998,777	(2)(3)	-	-	18.8	%	-	-	13.7	%
Mary Anne Johns Trust	-	(4)	125,000	(4)	-	(4)	6.3	%	5.0	%
Love-PGI Partners, L.P.("L-PGI")	2,260,706	(5)	1,875,000	(5)	42.5	%	93.8	%	56.5	%
Andrew S. Love, Jr.	2,263,215	(6)	1,875,000	(6)	42.5	%	93.8	%	56.5	%
Laurence A. Schiffer	2,263,215	(7)	1,875,000	(7)	42.5	%	93.8	%	56.5	%
All executive officers and directors as a group (2 persons)	2,263,215	(8)	1,875,000	(8)	42.5	%	93.8	%	56.5	%

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1. The above table does not include 2,595,356 shares that may be received upon conversion of the Company’s secured convertible debentures.
2. The shares of Common Stock owned by the Estate of Mr. Vernon are currently in the possession of the Federal Deposit Insurance Corporation (“FDIC”) which is the receiver for First American Bank and Trust, Lake Worth, Florida (“First American”). First American previously made a loan to Mr. Vernon, which was secured by these shares. The loan is in default and the Company understands that the FDIC has the right, pursuant to a pledge agreement, to vote the shares at any annual or special meeting of shareholders.
 3. Information obtained from filings made with the Securities and Exchange Commission.
4. Includes the beneficial ownership of shares of Common Stock which represent less than 5% of the outstanding shares of Common Stock; sole voting and investment power over 125,000 shares of Preferred Stock, which shares are held in the name of Mary Anne Johns, as Trustee of the Mary Anne Johns Declaration of Trust.
5. The controlling general partner of L-PGI is Love Investment Company, a Missouri Corporation owned by Mr. Love, Love family members and trusts and Mr. Schiffer. Messrs. Love and Schiffer serve as the executive officers and directors of Love Investment Company.
6. These shares are the same shares owned by L-PGI and PGIP, LLC (2,509 shares of Common Stock). Mr. Love is an indirect owner of L-PGI and PGIP, LLC. See Footnote 5 above and Item 13. “Certain Relationships and Related Transactions, and Director Independence” for more information. Accordingly, Mr. Love has shared voting and investment power over all of these shares.
7. These shares are the same shares owned by L-PGI and PGIP, LLC (2,509 shares of Common Stock). Mr. Schiffer is an indirect owner of L-PGI and PGIP, LLC. See Footnote 5 above and Item 13. “Certain Relationships and Related Transactions, and Director Independence” for more information. Accordingly, Mr. Schiffer has shared voting and investment power over all of these shares.
8. These shares are the same shares reflected in Footnotes 5, 6 and 7. See Footnote 5 above and Item 13. “Certain Relationships and Related Transactions, and Director Independence” for more information.
 9. Addresses for beneficial owners are as follows:

Estate of Harold Vernon	Love-PGI Partners, L.P.	Laurence A. Schiffer
3201 W. Rolling Hills Circle	212 So. Central, Suite 100	212 So. Central, Suite 201
Davie, FL 33328	St. Louis, MO 63105	St. Louis, MO 63105

Mary Anne Johns	Andrew S. Love, Jr.
One Woodland Drive	212 So. Central, Suite 201
Punta Gorda, FL 33982	St. Louis, MO 63105

As of December 31, 2012, the Company did not have a compensation plan or individual compensation arrangement under which its equity securities may be issued.

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ITEM CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE
13.

The Company's primary lender debt of \$500,000 as of December 31, 2012, and which remained at this amount during all of fiscal year 2012, is with PGIP, LLC, an affiliate of the Company ("PGIP") and is secured by substantially all of the Company's real estate. PGIP became the primary lender in March 1996, with the assignment by First Union, the Company's former primary bank lender, of all its right, title and interest in and to the loan documents. PGIP is 100% owned by Love Savings Holding Company ("LSHC"). Messrs. Love and Schiffer own approximately 90% of all of the issued and outstanding voting stock of LSHC and serve as the directors and officers of LSHC. LSHC along with Messrs. Love and Schiffer are the managers of PGIP. There were no principal or interest payments made during fiscal year 2012 to PGIP with respect to this debt. See also Note 7 to the Notes to Consolidated Financial Statements.

As further security to the primary lender indebtedness with PGIP, a restricted proceeds escrow was established in connection with the closing of the bulk acreage sale in May 1998. The escrow agreement permits funds to be paid (i) as requested by PGI and agreed to by PGIP, or (ii) as deemed necessary and appropriate by PGIP to protect its interest in the remaining real estate, including its right to receive principal and interest payments on the indebtedness, or (iii) to PGIP to pay any other obligations owed to PGIP by the Company. The restricted escrow balance was \$ 5,000 at both December 31, 2012 and 2011.

The Company maintains its administration and accounting offices with the offices of LREC in St. Louis, Missouri. LREC, a Missouri Corporation, is owned by Mr. Love and Mr. Schiffer, and is located at 212 South Central Avenue, St. Louis, Missouri 63105. A fee of \$2,800 per month was accrued in 2012 and 2011 and the Company made payments of \$33,600 to LREC in 2012 and 2011 respectively, for the services described in the next paragraph. There were no accrued accounting service fees as of December 31, 2012 and 2011, respectively.

The following is a list of services provided:

1. Maintain books of original entry;
2. Prepare quarterly and annual SEC filings;
3. Coordinate the annual audit;
4. Assemble information for tax filing, review reports as prepared by tax accountants and file same;
5. Track shareholder records through transfer agent;
6. Maintain policies of insurance against property and liability exposure;
7. Handle day-to-day accounting requirements; and
8. Provide telephone and computer service.

Although an amount is paid to LREC as reimbursement for expenses and as a fee for providing management services to the Company, neither the Company nor LREC maintain records which would allow them to attribute any portion of the aforementioned monthly fee to reimbursement of particular expenses or to payment for the management services performed for the Company by individual employees of LREC, including Messrs. Love and Schiffer.

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Effective as of March 25, 1987, the Company entered into the Management Agreement with LREC. As a consultant to the Company and in addition to the above services, LREC provides other services including, but not limited to, strategic planning, marketing, and financing as requested by the Company. In consideration for these consulting services, the Company pays LREC a quarterly consulting fee of one-tenth of one percent of the book value of the Company's assets, plus reasonable out-of-pocket expenses. As of December 31, 2012, the book value of the Company's assets was approximately \$1.4 million. Consulting fees accrued and paid were \$6,000 in both 2012 and 2011, respectively. As of December 31, 2012 and 2011, a total of \$1,000 and \$1,000, respectively, of unpaid fees had accrued under the Management Agreement. The Management Agreement will continue in effect until terminated upon 90 days prior written notice by a majority vote of the Company's directors.

Mr. Love receives a nominal salary from LREC. Although Mr. Schiffer receives a salary from LREC, such salary compensates him for his services to LREC, which provides consulting services for numerous other entities affiliated with the Company, and none of the amount earned by LREC under the Management Agreement is intended to be allocated or attributable to any officer or employee, including Mr. Schiffer, of LREC. No part of Mr. Schiffer's annual salary from LREC is directly attributable to the management services he performs for the Company as an employee of LREC pursuant to the Management Agreement.

In 1989, the Company sold an aggregate \$2,282,451 principal amount of the Convertible Debentures ("Debentures") in a private placement to Love-1989 Florida Partners, L.P. ("Love-1989"). The controlling general partner of Love-1989 is Love Investment Company ("LIC"), which is owned by Mr. Love, Love family members and trusts and Mr. Schiffer. The above purchase by Love-1989 of the Debentures was funded in part with a loan from L-PGI. Love-1989 repaid the debt to L-PGI in full, in part by transferring a portion of the Debentures held by Love-1989 to L-PGI. In July 1992, as partial consideration for the Company's conveyance of 350 acres of property to L-PGI, the Company retired \$782,000 in principal amount of the Debentures held by L-PGI together with \$389,000 in accrued interest. The maturity date on all of the remaining Debentures was extended to July 8, 1997. The Debentures are past due and in default.

The Debentures were in part collateralized by a second mortgage in favor of Love-1989 on 650 acres of the property owned by the Company, which was sold in May 1998. The 350 acres transferred to L-PGI as described above were also included in the property sold. Messrs. Love and Schiffer caused the Company to grant a second mortgage on the remaining 366 acre parcel of property located in Hernando County, Florida to Love-1989 and in their capacities as control persons of Love-1989, they caused Love-1989 to release its second mortgage on the 650 acres of the property sold and they caused the Company to grant a security interest to Love-1989 behind that held by PGIP in the restricted proceeds escrow which is under the control of Messrs. Love and Schiffer since they and a company they control are the managers of PGIP.

As of and during December 31, 2012, Love-1989 held \$796,950 in principal amount of the Debentures with respect to which there was as of December 31, 2012 accrued and unpaid interest in the amount of \$19,059,000. In May 2008, LIC, an affiliate of L-PGI, the Company's preferred shareholder, purchased \$703,050 in principal amount of Debentures from the previous debenture holder for which there was as of December 31, 2012 accrued and unpaid interest in the amount of \$16,540,000. The total debentures balance of \$1,500,000 carry a maturity date of July 8, 1997 and are in default. Interest on the Debentures accrues at the rate of fourteen percent compounded quarterly, and no interest payments were made during December 31, 2012.

From time to time, the Company invests in short term debt obligations with LIC. The balance of this receivable at December 31, 2012 and 2011 was \$542,000 and \$630,000, respectively. Interest on such receivables was \$29,000 and \$40,000 for 2012 and 2011, respectively.

The Company believes that the affiliated transactions are on terms comparable to those which would be obtained from unaffiliated persons.

Neither of the two directors of the Company is independent pursuant to the definition of “independent director” set forth in the NYSE Amex Equities’ Company Guide because both of them are executive officers of the Company. The Company does not have a separate designated audit, compensation or nominating committee or committee performing similar functions.

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ITEM PRINCIPAL ACCOUNTANT FEES AND SERVICES

14.

Audit and tax fees rendered by BKD, LLP, the principal accountant of the Company, for the fiscal years ended December 31, 2012 and December 31, 2011 were:

	2012	2011
Audit Fees	\$ 32,600	\$ 32,800
Audit Related Fees	0	0
Tax Fees	4,000	4,500
All Other Fees	0	0
	\$ 36,600	\$ 37,300

Tax fees are comprised of fees for tax compliance, tax planning, and tax advice. Corporate tax services encompass a variety of permissible services, including technical tax advice related to U.S. tax matters as well as preparation of applicable tax returns.

The Board of Directors of the Company pre-approves all audit and other permissible services to be provided by BKD, LLP and the estimated fees for these services.

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PART IV

ITEM EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

15.

1. The following financial statements and the report of independent registered public accounting firm are filed as part of this Report:

- a. Report of Independent Registered Public Accounting Firm
- b. Consolidated Statements of Financial Position as of December 31, 2012 and 2011
- c. Consolidated Statements of Operations for the Years Ended December 31, 2012 and 2011
- d. Consolidated Statements of Cash Flows for the Years Ended December 31, 2012 and 2011
- e. Consolidated Statements of Stockholders' Deficiency for the Years Ended December 31, 2012 and 2011
- f. Notes to Consolidated Financial Statements

2. Financial statement schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Reference is made to the Exhibit Index contained on page 36 herein for a list of exhibits required to be filed or furnished under this Item.

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PGI INCORPORATED AND SUBSIDIARIES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PGI INCORPORATED
(Registrant)

Date: March 29, 2013

By: /s/Laurence A. Schiffer
Laurence A. Schiffer, President
(Duly Authorized Officer and Principal
Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/Andrew S. Love Andrew S. Love	Chairman of the Board Secretary	March 29, 2013
/s/Laurence A. Schiffer Laurence A. Schiffer	Vice Chairman of the Board, President, Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer	March 29, 2013

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EXHIBIT INDEX

2. Inapplicable.
- 3.1 Restated Articles of Incorporation of PGI Incorporated executed September 4, 1998 with certificate from the State of Florida dated October 27, 1998 (filed as Exhibit 3.1 to Registrant’s September 30, 1998 Form 10-QSB and incorporated herein by reference).
- 3.2 Certificate of the Designation, Powers, Preferences and Relative Rights, and the Qualifications, Limitations or Restrictions Thereof, which have not been set forth in the Articles of Incorporation, of the Class A Cumulative Convertible Preferred Stock, effective as of March 24, 1987 (filed as Exhibit 3.2 to Registrant’s Form 10-K Annual Report for the year ended December 31, 1986 (“1986 Form 10-K”) and incorporated herein by reference).
- 3.3 Bylaws of Registrant, as amended September 1987 (filed as Exhibit 3.3 to Registrant’s original Form 10-K Annual Report for the year ended December 31, 1987 (“Original 1987 Form 10-K”) dated as of March 29, 1987 and incorporated herein by reference).
- 3.4 Amendments to the Bylaws of the Registrant by the Board of Directors of PGI Incorporated by the Unanimous Written Consent, dated as of March 17, 1995 (filed as Exhibit 3.5 to the December 31, 1995 Form 10-KSB and incorporated herein by reference).
- 4.1 Extension and Forbearance Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida (formerly Naples Federal Savings and Loan Association), dated as of March 25, 1987 (filed as Exhibit 4.4 to the 1986 Form 10-K and incorporated herein by reference).
- 4.2 Seventh Mortgage and Loan Modification Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida, dated as of March 25, 1987 (filed as Exhibit 4.5 to the 1986 Form 10-K and incorporated herein by reference).

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EXHIBIT INDEX (continued)

- 4.3 Eighth Mortgage and Loan Modification Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida, dated as of March 25, 1987 (filed as Exhibit 4.6 to the 1986 Form 10-K and incorporated herein by reference).
- 4.4 Restated Loan and Security Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida, as well as Restated Consolidating Substituted Renewal Note and Future Advance Mortgage Note related thereto, dated as of March 25, 1987 (filed as Exhibit 4.7 to the 1986 Form 10-K and incorporated herein by reference).
- 4.5 Forbearance Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida (Restated Loan Agreement No.1), dated as of October 19, 1985 (filed as Exhibit 4.1 to the Registrant's Form 10-Q Quarterly Report for the quarter ended September 30, 1985 and incorporated herein by reference).
- 4.6 Amendment to Restated Loan Agreement No. 1 (Receivables Loan), as well as Restated Consolidating Substituted Renewal Note relating thereto, dated as of March 25, 1987 (filed as Exhibit 4.9 to the 1986 Form 10-K and incorporated herein by reference).
- 4.7 Extension, Forbearance and Modification Agreement between PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation, and BancFlorida, dated as of May 20, 1988 (filed as Exhibit 4.1 to the Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1988 and incorporated herein by reference).
- 4.8 Ninth Mortgage and Loan Modification Agreement between PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation, and BancFlorida, dated as of May 20, 1988 (filed as Exhibit 4.2 to Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1988 and incorporated herein by reference).
- 4.9 Purchase Agreement among Finova Financial Services, PGI Incorporated and Punta Gorda Developers, Inc., as well as certain Exhibits and the Mortgage related thereto, dated March 15, 1988 (filed as Exhibit 1 to Registrant's Form 8-K dated as of March 28, 1988 and incorporated herein by reference).
- 4.10 Tenth Mortgage and Loan Modification Agreement between PGI Incorporated, Punta Gorda Developers, Inc., as well as certain Exhibits and the Mortgage related thereto, dated May 30, 1989 (filed as Exhibit 1 to Registrant's Form 8-K dated as of June 8, 1989 and incorporated herein by reference).

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EXHIBIT INDEX (continued)

- 4.11 Eleventh Mortgage and Loan Modification Agreement among PGI Incorporated (formerly Punta Gorda Isles, Inc.), Sugarmill Woods, Inc. (formerly Punta Gorda Developers, Inc.), Burnt Store Marina, Inc. and Gulf Coast Credit Corporation and BancFlorida (formerly Naples Federal Savings and Loan Association), dated as of June 1, 1990 (filed as Exhibit 4.2 to Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1990 and incorporated herein by reference).
- 4.12 Loan Forbearance Agreement among PGI Incorporated (formerly Punta Gorda Isles, Inc.), Sugarmill Woods, Inc. (formerly Punta Gorda Developers, Inc.), Burnt Store Marina, Inc. and Gulf Coast Credit Corporation and BancFlorida (formerly Naples Federal Savings and Loan Association), dated as of October 17, 1991 (filed as Exhibit 4.12 to Registrant's Form 10-K dated March 30, 1994 and incorporated herein by reference).
- 4.13 Twelfth Mortgage and Loan Modification Agreement among PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc. and Gulf Coast Credit Corporation and BancFlorida, dated as of July 8, 1992 (filed as Exhibit 4.1 to Registrant's Form 8-K dated as of July 24, 1992, and incorporated herein by reference).
- 4.14 Thirteenth Mortgage and Loan Modification Agreement among PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc., Gulf Coast Credit Corporation and First Union, dated as of May 13, 1994 (filed as Exhibit 4.1 to Registrant's Form 8-K dated May 27, 1994 and incorporated herein by reference).
- 4.15 Forbearance Agreement dated as of October 12, 1995 by First Union National Bank of Florida, PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc., Gulf Coast Credit Corporation, Southern Woods, Incorporated, Punta Gorda Isles, Inc., Deep Creek Utilities, Inc., Burnt Store Utilities, Inc., and Sugarmill Woods Sales, Inc. (filed as Exhibit 4(i) to Registrant's Form 8-K on November 1, 1995 and incorporated herein by reference).
- 4.16 Note and Loan Document Purchase Agreement dated as of October 12, 1995 by First Union National Bank of Florida, PGIP, L.L.C., PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation (filed as Exhibit 4 (ii) to Registrant's Form 8-K on November 1, 1995 and incorporated herein by reference).
- 4.17 Note Purchase and Loan Transaction dated as of March 28, 1996, by First Union National Bank of Florida, PGIP, LLC, PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc. and Gulf Coast Credit Corporation (filed as Exhibit 4.17 to Registrant's Form 10-KSB/A dated August 27, 1997, and incorporated herein by reference).

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EXHIBIT INDEX (continued)

9.	Inapplicable.
10.3	Preferred Stock Purchase Agreement by and between PGI Incorporated and Love Development and Investment Company, dated as of February 16, 1987 (filed as Exhibit (i) to the Registrant's Form 8-K Current Report dated February 25, 1987 and incorporated herein by reference).
10.4	Form of Convertible Debenture Agreement due April 30, 1992 between PGI Incorporated and Love-1989 Florida Partners, L.P. and Mortgage and Security Agreement dated July 28, 1989 between Sugarmill Woods, Inc. and Love-1989 Florida Partners, L.P. (filed as Exhibit 10.9 to the Registrant's Form 10-K Annual Report for the year ended December 31, 1989 and incorporated herein by reference).
10.5	Consulting Agreement between PGI Incorporated and Love Real Estate Company, dated as of March 25, 1987 (filed as Exhibit 10.7 to the 1986 Form 10-K and incorporated herein by reference).
11.	See Note 16 to the consolidated financial statements.
13.	Inapplicable.
14.	Inapplicable (See discussion regarding code of ethics under Item 10. of this Form 10-K).
16.	Inapplicable.
18.	Inapplicable.
<u>21.</u>	Subsidiaries of the Registrant, filed herein.
22.	Inapplicable.

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EXHIBIT INDEX (continued)

23.	Inapplicable.
24.	Inapplicable.
<u>31(i).1</u>	Principal Executive Officer certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, filed herein.
<u>31(i).2</u>	Principal Financial Officer certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, filed herein.
<u>32.1</u>	Principal Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herein.
<u>32.2</u>	Principal Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herein.
95.	Not applicable.
99.	Not applicable.
100.	Not applicable.
101.	Instance Document, Schema Document, Calculation Linkbase Document, Labels Linkbase Document, Presentation Linkbase Document and Definition Linkbase Document.*

* Furnished with this report.