

Edgar Filing: ALLMERICA FINANCIAL CORP - Form 11-K

ALLMERICA FINANCIAL CORP  
Form 11-K  
June 27, 2002

FORM 11-K

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended: December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from: to \_\_\_\_\_  
Commission file number: 1-13754

THE ALLMERICA FINANCIAL EMPLOYEES'  
401(K) MATCHED SAVINGS PLAN  
(Full title of the plan)

ALLMERICA FINANCIAL CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

04-3263626  
(I.R.S. Employer  
Identification Number)

440 Lincoln Street, Worcester, Massachusetts 01653  
(Address of principal executive offices)  
(Zip Code)

(508) 855-1000  
(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed  
since last report)

The Allmerica Financial  
Employees' 401(k) Matched  
Savings Plan  
Financial Statements  
and Additional Information  
December 31, 2001 and 2000

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The Allmerica Financial Employees' 401(k) Matched Savings Plan

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December 31, 2001 and 2000

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\* Other schedules required by the Department of Labor Rules and Regulations on reporting and disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

Report of Independent Accountants

To the Participants and Administrator of  
The Allmerica Financial Employees'  
401(k) Matched Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of The Allmerica Financial Employees' 401(k) Matched Savings Plan (the "Plan") at December 31, 2001 and 2000, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes at end of year is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/PRICEWATERHOUSECOOPERS LLP

June 24, 2002

The Allmerica Financial Employees' 401(k) Matched Savings Plan  
Statements of Net Assets Available for Benefits  
At December 31,  
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	2001		2000
	-----		-----
Assets			
Investments, at fair value:			
Non-Affiliated Mutual Funds:			
Fidelity Advisor Income Fund	\$ 67,271,076 *	\$	-
SSGA S&P 500 Index Fund	50,277,278 *		-
Dreyfus Premier Core Bond Fund	34,526,769 *		-
Putnam Vista Fund	14,733,399		-
Dreyfus Cash Management Plus Fund	12,580,734		-
CRM Small Cap Value Fund	11,041,801		-
Alliance Premier Growth Fund	10,254,493		-
Berger International Fund	9,991,660		-
TCW Galileo Small Cap Fund	1,165,968		-
MFS High Yield Income Fund	289,620		-
Investments with First Allmerica Financial Life Insurance Company:			
Separate Investment Accounts:			
Growth Stock Fund	-		84,427,505
Indexed Stock Fund	-		61,161,170
Balanced Fund	-		25,873,125
Select Aggressive G	-		20,277,578
Select Growth Fund	-		13,378,929
Select Internationaund	-		12,412,865
Diversified Bond Fu	-		11,505,660
Money Market Fund	-		8,939,526
Select Capital Apprund	-		5,695,424
Government Securities Fund	-		2,984,907
	-----		-----
	212,132,798		246,656,689
Allmerica Financial Corporation			
Stock Fund, at fair value	33,581,727 *		56,533,224
Investment with First Allmerica Financial Life Insurance Company, at contract value:			
Fixed Interest Fund	134,192,821 *		120,704,810
Participant loans	9,406,238		10,456,611
Other assets	252,697		454,559
	-----		-----
Net assets available for	\$ 389,566,281		\$ 434,805,893
	=====		=====

\*Amount represents five percent or more of net assets available for benefits at December 31, 2001.

The accompanying notes are an integral part of these financial statements.

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The Allmerica Financial Employees' 401(k) Matched Savings Plan  
 Statements of Changes in Net Assets Available for Benefits  
 For the years ended December 31,

	2001	2000
Investment income:		
Net (depreciation) appreciation of:		
Non-Affiliated Mutual Funds	\$ (16,909,736)	\$ -
Separate Investment Accounts	(10,280,626)	(20,200,328)
Allmerica Financial Corporation		
Stock Fund	(20,795,007)	14,912,315
Interest and dividend income	10,801,931	8,012,551
	(37,183,438)	2,724,538
Contributions:		
Employer contributions	5,381,833	6,425,551
Employee contributions	19,741,144	19,777,780
	25,122,977	26,203,331
Total (deductions) additions	(12,060,461)	28,927,869
Benefit payments	(33,190,631)	(51,308,801)
Purchase of life insurance and annuity contracts	11,480	13,428
Total deductions	(33,179,151)	(51,295,373)
Net decrease during year	(45,239,612)	(22,367,504)
Transfers out of Plan	-	(4,167,536)
Net assets available for benefits, beginning of year	434,805,893	461,340,933
Net assets available for benefits, end of year	\$ 389,566,281	\$ 434,805,893

The accompanying notes are an integral part of these financial statements.

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The Allmerica Financial Employees' 401(k) Matched Savings Plan  
Notes to Financial Statements

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### NOTE 1 - Description of plan

The following description of The Allmerica Financial Employees' 401(k) Matched Savings Plan ("the Plan") is provided for general informational purposes only. More complete information is provided in the Summary Plan Description, which is available from the Plan Administrator.

#### General

The Plan is a defined contribution plan for eligible employees of First Allmerica Financial Life Insurance Company ("FAFLIC," "the Sponsor," or "Company"), a wholly-owned subsidiary of Allmerica Financial Corporation ("AFC").

The Plan is administered by the Sponsor ("the Plan Administrator") and is subject to the provisions of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In June 2001, the Board of Directors of the Company appointed State Street Bank and Trust Company the Trustee of the Plan and of the AFC Stock Fund. The Sponsor continues to hold those assets invested in its Fixed Interest Fund. The Plan's recordkeeper is Hewitt Associates LLC.

#### Eligibility

Active employees are eligible for participation in the Plan on the first day of employment with the Company, as defined by the Plan document.

#### Employer contributions

The Plan has a 401(k) match provision. Employees are eligible to receive matching contributions in the Plan on the first day of the calendar month following completion of one year of service, as defined by the Plan document. Under this provision, the amount of the match is determined by Company performance at the discretion of the Sponsor's Board of Directors and is announced at the beginning of each year. Employer contributions are 100% vested to the participant immediately upon receipt. In addition, the Board of Directors may require that all matching contributions be made to the AFC Stock Fund. However, this restriction was not imposed during the 2001 or 2000 plan year.

In 2001 and 2000, the matching contribution rate was 50 cents on every dollar up to the first 6% of compensation contributed to the Plan by a participant. These contributions were allocated to the same investment vehicles as the employee contributions.

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### NOTE 1 - Description of plan (continued)

#### Forfeitures

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Forfeitures of employer contributions related to nonvested terminated participants have been transferred to the Dreyfus Cash Management Plus Fund in 2001, and to either the Money Market Fund or the Fixed Interest Fund in 2000. Forfeited amounts are used to offset the employer contributions and are allocated to the Plan's investment vehicles based upon the investment elections of each eligible participant. Forfeitures in the amount of \$375,303 during 2000 and 2001 were used to reduce employer contributions in 2001.

Participant accounts

Active participants in the Plan are eligible to make 401(k) contributions through the use of a salary reduction plan up to a maximum of \$10,500 for 2001 and 2000.

Beginning June 12, 2001, participants were no longer able to direct their contributions to or maintain balances in the Separate Investment Accounts of the Sponsor. These investment options have been replaced with non-affiliated mutual funds.

As directed by participant election, contributions after June 12, 2001 may be invested in the Fixed Interest Fund, the non-affiliated mutual funds, or the Allmerica Financial Corporation Stock Fund. All investment income is reinvested in the same investment vehicle and is credited to the respective participant account.

Participant loans

Loans made to active participants are secured by the vested portion of the participant's account up to the limit as defined in the Plan document. Loans vary in duration, depending upon purpose, and are at an interest rate determined by the Plan Administrator. A participant is limited to a maximum of two loans outstanding at any one time from all plans of the Company combined. Loan fees are not charged to employees. Interest income on participant loans totaled \$842,106 and \$903,444 in 2001 and 2000, respectively.

Distributions and vesting provisions

Vested account balances become payable upon retirement, death, or separation from service (including disability) as defined in the Plan document.

A participant's account balance is immediately vested and includes the employer matching contribution, the employer profit sharing contribution equal to 2% of participant earnings (contributed for plan years 1994 and prior), the rollover account, the after-tax voluntary contribution account and the tax deductible voluntary contribution account.

NOTE 1 - Description of plan (continued)

The employer profit sharing contributions (contributed for the plan years 1994 and prior), other than the 2% allocated to the 401(k) account become vested as follows:

Completed Years of Service	Vested Percentage of Regular Account Balance
1	0%
2	25%

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3	50%
4	75%
5	100%

The amounts vested at December 31, 2001 and 2000 were \$378,763,927 and \$433,381,063, respectively.

Payments from the fund are subject to limitations and requirements specified in the Plan document.

NOTE 2 - Significant accounting policies

Significant accounting and reporting policies followed by the Plan are summarized as follows:

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Use of 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 disclosures 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.

Valuation of investments

The Fixed Interest Fund is held in the Sponsor's general account and provides for guaranteed rates of interest reset annually. The credited interest rate was 6.00% for monies invested in 2001 and 2000.

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NOTE 2 - Significant accounting policies (continued)

The investment contracts held by the Fixed Interest Fund of the Plan are fully benefit-responsive and are therefore exempt from fair value accounting for certain contracts under the provisions of Statement of Position 94-4, "Reporting Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Plans". Assuch, these investments are recorded at contract value, which approximates fair value at December 31, 2001 and 2000.

Investments in Non-Affiliated Mutual Funds are priced using the end of day fair market value of the underlying funds as recorded by State Street Bank and Trust Company. The Separate Investment Accounts are pooled investment accounts established as funding vehicles for qualified corporate retirement programs administered by the Sponsor. Separate Investment Account funds are segregated into accounts with specific investment objectives. Investments in Separate Investment Accounts are stated at current value based on the market value of the underlying securities as determined by the Sponsor, primarily through the use of quoted prices. The investment returns of the non-affiliated mutual funds and the Separate Investment Accounts of the Sponsor were as follows:

Period from



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Non-Affiliated Mutual Funds	July 1, 2001 to December 31, 2001	Year Ended December 31, 2000
Fidelity Advisor Income Fund	(3.45)%	n/a
SSGA S&P 500 Index Fund	(6.60)%	n/a
Putnam Vista Fund	(13.86)%	n/a
Berger International Fund	(9.31)%	n/a
Alliance Premier Growth Fund	(10.94)%	n/a
Dreyfus Premier Core Bond Fund	0.52 %	n/a
CRM Small Cap Value Fund	3.44 %	n/a
Dreyfus Cash Management Plus Fund	1.44 %	n/a
TCW Galileo Small Cap Fund	(21.32)%	n/a
MFS High Yield Income Fund	0.31 %	n/a

Separate Investment Accounts	Period from January 1, 2001 to June 30, 2001	Year Ended December 31, 2000
Growth Stock Fund	(8.97)%	(9.46)%
Indexed Stock Fund	(7.21)%	(8.75)%
Select Aggressive Growth Fund	(12.36)%	(23.89)%
Select International Equity Fund	(14.23)%	(8.08)%
Select Growth Fund	(14.84)%	(17.14)%
Balanced Fund	(0.88)%	12.53 %
Select Capital Appreciation Fund	(0.35)%	7.85 %
Money Market Fund	3.29 %	6.70 %
Diversified Bond Fund	3.41 %	11.11 %
Government Securities Fund	3.32 %	10.87 %

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NOTE 2 - Significant accounting policies (continued)

Due to participant-directed investment activity, actual investment returns experienced by the participants in the Plan may differ from those displayed in the above Fund returns.

The AFC Stock Fund is a collective trust established by Allmerica Trust Company, N.A. (a wholly-owned subsidiary of AFC). The AFC Stock Fund is stated at fair value as determined by quoted market prices of both AFC common stock and cash equivalents held in the Fund. Beginning June 12, 2001, State Street Bank and Trust Company became the Trustee of the Fund. The investment return for 2001 and 2000 was (37.46)% and 30.47%, respectively.

Purchases and sales of securities are accounted for as of the trade date.

Other assets

Other assets represent the value of individual annuities purchased from the Sponsor and the annual interest earned plus the cash surrender value of life insurance contracts held within the Plan.

Administrative expenses

Hewitt Associates LLC maintains agreements with certain of the non-affiliated mutual fund options and for such agreements receives a portion of 12b-1 fees. The reimbursement is calculated based on the value of each respective options' average daily net assets. These reimbursements are used to reduce fees charged by Hewitt Associates LLC to the Sponsor for certain administrative and professional services.

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Beginning June 12, 2001, State Street Bank and Trust Company began providing certain trustee services for the plan. These fees are voluntarily assumed and paid directly by the Sponsor. The Sponsor pays all other expenses incurred in the administration of the Plan.

NOTE 3 - Federal income taxes

The Internal Revenue Service has determined and informed the Sponsor by a letter dated February 21, 2002, that the Plan is qualified and the trust established under the Plan is tax exempt under the appropriate sections of the Internal Revenue Code. Therefore, no provision for income tax is required.

NOTE 4 - Plan termination

Although the Sponsor has not expressed any intent to terminate the Plan or discontinue contributions, it may do so at any time. Should the Plan terminate or discontinue contributions, the Plan provides that each participant's interest in the Plan's assets as of the termination date shall become 100% vested and non-forfeitable and be either payable to the participant or applied to purchase a non-forfeitable retirement annuity at the participant's option.

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NOTE 5 - Significant transactions and other matters

During the second quarter of 2000, the Sponsor adopted a formal company-wide restructuring plan. This plan consisted of various initiatives resulting in the elimination of approximately 360 positions, of which 240 employees were terminated as of December 31, 2001 and 120 vacant positions have been eliminated. Plan assets declined during 2001 and 2000 as a result of increased withdrawals related to these terminated employees.

On October 6, 1999, Allmerica Financial Corporation entered into an agreement with Great-West Life and Annuity Insurance Company of Denver (Great-West), which provided for the sale of the Company's group life and health business effective March 1, 2000. As a result of this sale, a certain number of Plan participants became employees of Great-West. The Plan assets of the affected participants totaled \$4,167,536 and were transferred to a Great-West 401(k) plan during 2000.

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The Allmerica Financial Employees' 401(k) Matched Savings Plan  
Schedule of Assets Held for Investment Purposes At End of Year  
Form 5500, Schedule H, Part IV, Line 4i  
At December 31, 2001  
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Identity of Issue	Description of Investments	Shares or Units	Cont Current
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Investment with First  
Allmerica Financial Life  
Insurance Company:\*\*

Fixed Interest Fund	Interest rates at 6.00%		134
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Investments with  
Non-Affiliated Mutual Funds:

Fidelity Advisor Income Fund	Diversified portfolio of mid- to large-cap value companies	2,743,519	67
SSGA S&P 500 Index Fund	Common stocks which comprise S&P 500 Composite Stock Index	2,657,361	50
Dreyfus Premier Core Bond Fund	Broad-based, intermediate-term bond fund designed to offer diversified exposure to the domestic fixed-income market	3,455,786	34
Putnam Vista Fund	Growth oriented, mid-cap fund with domestic focus	1,705,255	14
Alliance Premier Growth Fund	Large-cap growth fund investing in companies with above average earnings growth	969,234	10
Berger International Fund	Portfolio of value oriented, foreign mid- and large-cap multinational companies (sub-advised by Bank of Ireland Asset Management)	955,226	9
TCW Galileo Small Cap Fund	Small- to mid-cap aggressive growth fund	62,086	1

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The Allmerica Financial Employees' 401(k) Matched Savings Plan  
Schedule of Assets Held for Investment Purposes At End of Year (continued)  
Form 5500, Schedule H, Part IV, Line 4i  
At December 31, 2001

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Identity of Issue	Description of Investments	Shares or Units	Cont Curre
Investments with Non-Affiliated Mutual Funds (continued):			
Dreyfus Cash Management Plus Fund	Short-term money market fund that invests primarily in high-quality domestic and foreign U.S. Dollar	1,236,177	12

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	denominated money market instruments		
CRM Small Cap Value Fund	Small-cap fund focused on long-term capital appreciation by investing in value-oriented securities	531,879	11
MFS High Yield Income Fund	Portfolio that seeks high current income by investing in higher yielding, lower rated debt of financially weaker companies	29,738	
Allmerica Financial Corporation Stock Fund	Common stock traded on the New York Stock Exchange and cash equivalents	737,236	33
Participant loans	Interest rates from 6.0% to 10.5%		9
Other assets	Individual annuities and life insurance contracts purchased from First Allmerica Financial Life Insurance Company **		
Total Investments			\$389 =====

\* Amount represents five percent or more of net assets available for benefits.

\*\* Represents party-in-interest.

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SIGNATURES

"The Plan". Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

THE ALLMERICA FINANCIAL EMPLOYEES'  
401(K) MATCHED SAVINGS PLAN  
(Name of Plan)

/s/ Barbara Z. Rieck

Plan Administrator: First Allmerica Financial  
Life Insurance Company by Barbara Z. Rieck  
Manager of Retirement Services

June 25, 2002

Exhibit Index

Exhibit 23.1      Consent of Independent Accountants

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-576) of Allmerica Financial Corporation of our report dated June 24, 2002 relating to the financial statements of The Allmerica Financial Employees' 401(k) Matched Savings Plan, which appears in this Form 11-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP  
Boston, Massachusetts  
June 24, 2002

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Street, NW, Washington, D.C. 20006.

We have filed with the SEC a registration statement (of which this prospectus supplement and the accompanying prospectus is a part) on Form S-3 under the Securities Act of 1933 with respect to our securities. This prospectus supplement and the accompanying prospectus do not contain all of the information set forth in the registration statement, including the exhibits and schedules thereto, certain parts of which are omitted as permitted by the rules and regulations of the SEC.

We are incorporating by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is considered to be part of this prospectus supplement and the accompanying prospectus, except for any information superseded by information in this prospectus supplement. We incorporate by reference the documents listed below, which we have filed with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934:

Our Annual Report on Form 10-K for the year ended December 31, 2005;

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2006;

Our Definitive Proxy Statement, dated April 17, 2006, for the 2006 Annual Meeting of Shareholders; and

Our Current Reports on Form 8-K filed with the SEC on January 23, February 21, March 2, April 4 (3 filed), April 26, August 18, August 22, October 3, October 4, and November 9, 2006.

All documents that we file with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus supplement but before we terminate the offering of our common stock shall be deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus and will be part of this prospectus supplement and the accompanying prospectus from the date we file that document. Any information in that document that is meant to supersede or modify any existing statement in this prospectus supplement will so supersede or modify the statement as appropriate.

You may request a copy of any or all of the documents incorporated by reference in this prospectus supplement, except the exhibits to such documents (unless such exhibits are specifically incorporated by reference in such documents), at no cost, by writing, telephoning or emailing us at following address:

MGE Energy, Inc.  
Post Office Box 1231  
Madison, Wisconsin 53701-1231  
Attention: MGE Energy Shareholder Services  
Telephone: (800) 356-6423  
E-mail: investor@mgeenergy.com  
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**Prospectus**

**MGE ENERGY, INC.  
Common Stock \$1 Par Value**

We intend to offer from time to time, at prices and on terms to be determined at or prior to the time of sale, shares of our common stock, par value \$1 per share, having an aggregate public offering price not to exceed \$200,000,000, subject to reduction in the event we sell medium-term notes or other shares of common stock pursuant to separate prospectuses under the registration statement of which this prospectus is a part.

We will specify the number of shares of common stock being offered and the underwriters for the offering, together with the terms and conditions for such offer, the public offering price, the underwriting discounts and commissions and our net proceeds from the sale thereof, in supplements to this prospectus. You should read both the prospectus and the applicable prospectus supplements carefully before you invest.

Our common stock is quoted on the Nasdaq National Market under the symbol MGEE.

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

The date of this prospectus is August 18, 2003.

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### ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. Under this shelf registration process, we may, from time to time, sell shares of our common stock in one or more offerings with a total offering price not to exceed \$200,000,000, subject to reduction if we sell any medium-term notes or other shares of common stock which were registered in the same registration statement and described in separate prospectuses. This prospectus provides you with a general description of our common stock. Each time we sell shares of common stock, we will describe in a supplement to this prospectus the specific terms of that offering. The applicable prospectus supplement may also add, update or change information in this prospectus. Please carefully read both this prospectus and the applicable prospectus supplement, together with additional information referred to in *Where You Can Find More Information*, before investing in the notes.

We are not offering the common stock in any state where the offer is not permitted.

You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each of those documents.

**WHERE YOU CAN FIND MORE INFORMATION**

We file, and our wholly owned subsidiary, Madison Gas and Electric Company ( MGE ), has filed, annual, quarterly and special reports and other information with the SEC. Our SEC filings are available to the public over the Internet on the SEC's web site at [www.sec.gov](http://www.sec.gov). or on our website at [www.mgeenergy.com](http://www.mgeenergy.com). Our common stock is traded on the Nasdaq National Market under the symbol MGEE, and you may inspect copies of any documents we file with the SEC at the offices of The National Association of Securities Dealers, Inc. located at 1735 K Street, NW, Washington, DC 20006.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to previously filed documents. The information incorporated by reference is considered to be 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 following documents we and MGE have filed with the SEC and any future filings that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until all of the common stock registered hereby has been issued:

MGE Energy's and MGE's combined Annual Report on Form 10-K for the year ended December 31, 2002.

MGE Energy's and MGE's combined Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003.

You may request a copy of these filings at no cost, by writing, calling or e-mailing us at the following address:

MGE Energy, Inc.  
Post Office Box 1231  
Madison, Wisconsin 53701-1231  
Attention: MGE Energy Shareholder Services  
Telephone: (800) 356-6423  
Email: [investor@mgeenergy.com](mailto:investor@mgeenergy.com)

You should rely only on the information contained or incorporated by reference in this prospectus and the applicable prospectus supplement. We have not authorized anyone else to provide you with different information.

### **MGE ENERGY, INC.**

MGE Energy, Inc. (the Company), a Wisconsin corporation incorporated in 2001, is an exempt holding company under the Public Utility Holding Company Act of 1935. We are the parent holding company of Madison Gas and Electric Company (MGE), a regulated public utility, as well as of non-regulated subsidiaries.

MGE is a Wisconsin public utility that generates and distributes electricity to nearly 130,000 customers throughout 250 square miles of Dane County, Wisconsin. MGE also purchases, transports and distributes natural gas to more than 126,000 customers in 1,325 square miles of service territory in seven counties: Columbia, Crawford, Dane, Iowa, Juneau, Monroe and Vernon. MGE has served the Madison area since 1896.

MGE Power, LLC has been formed to develop, acquire and own real estate and electric generating facilities. Together with the University of Wisconsin-Madison, we expect MGE Power West Campus, LLC, a subsidiary of MGE Power, LLC, to develop and build a natural gas-fired cogeneration plant to help meet the future needs of the University and MGE customers. The facility will produce steam heat and chilled water air conditioning for the University and up to 150 MW of electricity to meet demand in the Madison area. Through MGE Power, LLC, we also have an option (subject to regulatory approvals and other contingencies) to obtain a 1/12th equity interest in up to three coal-fired base-load generating facilities that are a part of Wisconsin Energy Corporation's Power the Future proposal. The proposal includes three 600 MW coal-fired generating units, and our option permits us to obtain an ownership interest equivalent to no more than 150 MW of generating capacity.

Our other non-regulated subsidiaries include MGE Construct, LLC, which provides construction services for generating facilities, Central Wisconsin Development Corp., which provides property-related services and financing to promote development in the MGE service area, and MAGAEL LLC, which holds title to properties acquired for future utility plant expansion and non-utility property.

Our principal executive offices are located at 133 South Blair Street, Madison, Wisconsin 53703-1231, and our telephone number is (608) 252-7000. We also have a web site located at [www.mgeenergy.com](http://www.mgeenergy.com).

### **USE OF PROCEEDS**

Unless we indicate otherwise in the prospectus supplement, we expect to use the net proceeds from the sale of the common stock for financing capital expenditures and future acquisitions, to refund or redeem debt and for other general corporate purposes. We will describe in the applicable prospectus supplement any specific allocation of the proceeds to a particular purpose that we have made at the date of such prospectus supplement. We will temporarily invest any net proceeds that we do not immediately use in marketable securities.

### **DESCRIPTION OF COMMON STOCK**

#### **General**

Our authorized capital stock consists of 50,000,000 shares of common stock, par value \$1 per share, of which as of August 14, 2003, 17,912,933 shares were issued and outstanding. We have not redeemed any of our common stock nor do we hold any shares of common stock as treasury stock.

The following summarizes certain provisions of our Amended and Restated Articles of Incorporation and the Wisconsin Business Corporation Law that relate to our common stock and certain relevant provisions of the Indenture of Mortgage and Deed of Trust, dated as of January 1, 1946 between MGE and First Wisconsin Trust Company (now known as U.S. Bank, N.A.), as Trustee, and indentures supplemental thereto (collectively, the Bond Indenture).

## **Voting Rights**

Except as described below under Limitation of Voting Rights of Substantial Shareholders, each share of our common stock entitles its holder to one vote in all elections of directors and any other matter submitted to a vote at a meeting of shareholders. Since our common stock does not have cumulative voting rights, the holders of more than 50% of the shares, if they choose to do so, can elect all of the directors.

All corporate action to be taken by our shareholders may be authorized by a majority of votes cast by holders entitled to vote at a duly authorized meeting, although:

the affirmative vote of the holders of two-thirds of our outstanding stock is necessary to amend our Amended and Restated Articles of Incorporation and to approve various fundamental corporate changes, including a merger or share exchange or the sale of all or substantially all of our assets or the dissolution of our company; and

the approval of 80% of the votes cast by holders entitled to vote at a duly authorized meeting is required to amend the provisions of our Amended and Restated By-laws relating to the removal of directors only for cause.

## **Limitation of Voting Rights of Substantial Shareholders**

Our Amended and Restated Articles of Incorporation provide for limited voting rights by the record holders of our voting stock which is beneficially owned by a Substantial Shareholder (as defined below). These provisions may render more difficult or discourage (1) a merger involving our company, (2) an acquisition of our company, (3) the acquisition of control over our company by a Substantial Shareholder, and (4) the removal of incumbent management.

Voting stock is defined in our Amended and Restated Articles of Incorporation to include our common stock and any class or series of preferred or preference stock then outstanding entitling its holder to vote on any matter with respect to which a determination is being made, unless our shareholders or our board of directors expressly exempt a class or series of our preferred or preference stock from this provision of our Amended and Restated Articles of Incorporation. Our Amended and Restated Articles of Incorporation do not presently authorize any class of stock other than common stock.

A Substantial Shareholder is defined in our Amended and Restated Articles of Incorporation as any person or entity (other than us, any of our subsidiaries, our and our subsidiaries employee benefit plans and the trustees thereof), or any group formed for the purpose of acquiring, holding, voting, or disposing of shares of voting stock, that is the beneficial owner of voting stock representing 10% or more of the votes entitled to be cast by the holders of all the then outstanding shares of voting stock. For purposes of our Amended and Restated Articles of Incorporation, a person is deemed to be a beneficial owner of any shares of voting stock which that person (or any of its affiliates or associates) beneficially owns, directly or indirectly, or has the right to acquire or to vote, or which are beneficially owned, directly or indirectly, by any other person with which that person (or any of its affiliates or associates) has an agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of voting stock.

A Substantial Shareholder (including the shareholders of record of its beneficially owned shares) is entitled to cast one vote per share (or another number of votes per share as may be specified in or pursuant to our Amended and Restated Articles of Incorporation) with respect to the shares of voting stock which would entitle the Substantial Shareholder to cast up to 10% of the total number of votes entitled to be cast in respect of all the outstanding shares of voting stock. With respect to shares of voting stock that would entitle the Substantial Shareholder to cast more than 10% of the total number of votes, however, the Substantial Shareholder is entitled to only one one-hundredth (1/100th) of the votes per share which it would otherwise be entitled to cast. In addition, in no event may a Substantial Shareholder exercise more than 15% of the total voting power of the holders of voting stock (after giving effect to the foregoing limitations).

If the shares of voting stock beneficially owned by a Substantial Shareholder are held of record by more than one person, the aggregate voting power of all holders of record, as limited by the provisions described above, will be allocated in proportion to the number of shares held. In addition, our Amended and Restated Articles of Incorporation provide that a majority of the voting power of all the outstanding shares of voting

stock (after giving effect to the foregoing limitations on voting rights) constitutes a quorum at all meetings of shareholders.

The following is an example of how the votes available to a Substantial Shareholder would be limited by the provision in our Amended and Restated Articles of Incorporation. The example assumes we have a Substantial Shareholder who holds 600 of 1,000 outstanding shares of voting stock. In the absence of the provision, the Substantial Shareholder would be entitled to cast 600 out of 1,000 votes, or 60% *i.e.*, one vote for each share held. Under the provision, the Substantial Shareholder would be limited to 70 out of 470 votes, or just under 15%. The provision restricts the votes available to the Substantial Shareholder in two ways it limits the votes available for shares representing more than 10% of the outstanding voting stock and further limits the vote so calculated to no more than 15% of the total voting power of the holders of voting stock. Under the first limit, the Substantial Shareholder would have 105 votes one vote for each share up to 10% of the outstanding voting stock (100 shares representing 100 votes) and one-hundredth vote for each additional share (500 shares representing 5 votes). The second limit would further restrict the votes available since, prior to any further adjustment, the Substantial Shareholder would be entitled to cast 21% of the total voting power *i.e.*, 105 votes out of a total of 505 votes then entitled to be cast (that is, 105 votes by the Substantial Shareholder and 400 votes by all other shareholders). The second limit reduces those votes until the percentage does not exceed 15% *i.e.*, 70 votes out of a total of 470 entitled to be cast by all shareholders (that is, 70 votes by the Substantial Shareholder and 400 votes by all other shareholders).

Accordingly, beneficial owners of more than 10% of the outstanding shares of our voting stock will be unable to exercise voting rights proportionate to their equity interests.

Subject to specified expectations, Section 180.1150 of the Wisconsin Business Corporation Law, which is referred to as the Wisconsin control share statute, limits the voting power of shares of a Wisconsin corporation held by any person or persons acting as a group in excess of 20% of the voting power in the election of directors to 10% of the full voting power of those excess shares. In other words, a person holding 500 shares of a corporation subject to Section 180.1150 of the Wisconsin Business Corporation Law with 1,000 shares outstanding would be limited to 230 votes (that is, 200 votes (20% of the total voting power) plus 30 votes (10% of the excess 300 shares)) on any matter subjected to a shareholder vote. Full voting power may be restored if a majority of the voting power shares represented at a meeting are voted in favor of a restoration of full voting power. This provision may deter any shareholder from acquiring in excess of 20% of our outstanding voting stock.

#### **Possible Anti-Takeover Effects of Certain Provisions of our Amended and Restated Articles of Incorporation and Amended and Restated By-laws and Wisconsin State Law**

Provisions of our Amended and Restated Articles of Incorporation and Amended and Restated By-laws providing for a classified board of directors, limiting the rights of shareholders to remove directors, reducing the voting power of persons holding 10% or more of our common stock, requiring a two-thirds vote with respect to an amendment of the Articles and various fundamental corporate changes and permitting us to issue additional shares of common stock without further shareholder approval except as required under rules of the Nasdaq National Market could have the effect, among others, of discouraging takeover proposals for our company or impeding a business combination between us and a major shareholder.

The Wisconsin Holding Company Act provides that no person may take, hold or acquire, directly or indirectly, more than 10% of the outstanding voting securities of a holding company unless the Public Service Commission of Wisconsin ( PSCW ) determines that such action is in the best interest of utility consumers, investors and the public.

#### **Dividend Rights**

Holders of our common stock are entitled to receive dividends on their shares when, as and if declared by our board of directors out of funds legally available for distribution. As a practical matter, our ability to pay dividends on our common stock will be determined by the ability of our operating subsidiaries, principally MGE, to pay dividends to us.

MGE's ability to pay dividends to us will be subject to its earnings and the needs of its business and, to a degree, the provisions of the Wisconsin Holding Company Act. The PSCW has the authority under that Act to restrict the payment of dividends by MGE if it finds that MGE's capital will be impaired by payment of those dividends. Also, as part of the approval we received from the PSCW to become the holding company for MGE, the PSCW limited MGE from paying dividends in excess of its traditional dividend policy so long as its common equity ratio is below 55 percent. As of June 30, 2003, MGE's common equity ratio was 55.2%.

Also, under the terms of the Seventeenth Supplemental Indenture to the Bond Indenture, so long as any of the bonds authorized thereunder are outstanding, dividends on MGE's common stock cannot exceed an amount equal to MGE's retained income, less dividends, in each case accumulated since December 31, 1945. No portion of MGE's retained income is so restricted at this time. At present, there is one series of bonds outstanding under the Seventeenth Supplement to the Bond Indenture, representing indebtedness in the amount of \$21,200,000.

#### **Liquidation Rights**

In the event we liquidate or dissolve, holders of our then outstanding common stock are entitled to receive ratably all of our assets remaining after all of our liabilities have been paid. In addition, because our operations are currently conducted primarily through MGE, the rights of the holders of our common stock to participate in the distribution of assets of MGE upon the liquidation or reorganization of that subsidiary or otherwise will be subject to the prior claims of any holders of preferred stock of MGE. Currently, there is no outstanding preferred stock of MGE.

#### **Preemptive and Subscription Rights**

Holders of our common stock, solely by virtue of their holdings, do not have any preemptive rights to subscribe for or purchase any shares of our capital stock which we may issue in the future.

#### **Liability to Further Calls or to Assessment**

All of our outstanding shares of common stock have been fully paid and are nonassessable. However, in accordance with Section 180.0622(2)(b) of the Wisconsin Business Corporation Law, shareholders may be personally liable for an amount equal to the par value of their stock for all debts owing to our employees for services performed, but not exceeding six months' service in any one case.

#### **Miscellaneous**

We reserve the right to increase, decrease, or reclassify our authorized capital stock and to amend or repeal any provisions in our Amended and Restated Articles of Incorporation or in any amendment thereto in the manner now or hereafter prescribed by law, subject to the limitations in our Amended and Restated Articles of Incorporation. All rights conferred on the holders of our common stock in our Amended and Restated Articles of Incorporation or any amendment thereto are subject to this reservation. Our common stock does not have any conversion rights.

#### **COMMON STOCK DIVIDENDS AND MARKET**

We have paid four dividends on common stock since the share exchange in which we became the parent holding company of MGE.

Our practice of paying dividends quarterly (in March, June, September, and December), the time of payment, and the amount of future dividends are necessarily dependent upon our earnings, financial requirements, and other factors.

Our common stock is traded in the over-the-counter market and is quoted on the Nasdaq National Market under the symbol MGEE.

### **PLAN OF DISTRIBUTION**

We may sell shares of our common stock, in or outside of the United States, to underwriters or dealers, through agents, directly to purchasers or through a combination of these methods. The applicable prospectus supplement will contain specific information relating to the terms of the offering, including:

the name or names of any underwriters or agents;

the purchase price of the common stock;

our net proceeds from the sale of the common stock;

any underwriting discounts and other items constituting underwriters' compensation; and

the initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers.

#### **By Underwriters**

If underwriters are used in the sale, the shares of common stock will be acquired by the underwriters for their own account. Underwriters may offer the common stock directly or through underwriting syndicates represented by one or more managing underwriters. The underwriters may resell the common stock in one or more transactions, including negotiated transactions, at a fixed public offering price, which may be changed, or at varying prices determined at the time of sale. The obligations of the underwriters to purchase the shares of common stock will be subject to certain conditions. The initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

#### **By Dealers**

If dealers are used in the sale, unless otherwise specified in the applicable prospectus supplement, we will sell the shares of common stock to the dealers as principals. The dealers may then resell the common stock to the public at varying prices to be determined by the dealers at the time of resale. The applicable prospectus supplement will contain more information about the dealers, including the names of the dealers and the terms of our agreement with them.

#### **By Agents and Direct Sales**

We may sell the shares of common stock directly to the public, without the use of underwriters, dealers or agents. We may also sell the common stock through agents we designate from time to time. The applicable prospectus supplement will contain more information about the agents, including the names of the agents and any commission we agree to pay the agents.

We also may engage Banc One Capital Markets, Inc. ( Banc One ) from time to time to act as agent or principal for the offer of our common stock in one or more placements pursuant to a distribution agreement. If we and Banc One agree, we will sell to Banc One, as agent or as principal, and Banc One will seek to solicit offers to purchase on an agency basis and/or will purchase on a principal basis, our common stock. The number and purchase price (less an underwriting discount) of the shares we sell to Banc One will be mutually agreed on the relevant trading day. The common stock sold under the distribution agreement will be sold at prices related to the prevailing market price for such securities, and therefore exact figures regarding the share price, proceeds that will be raised or commissions to be paid will be described in a prospectus supplement to this prospectus or in other filings made in accordance with and as permitted by the Securities Act of 1933 and the Securities Exchange Act of 1934. Banc One may make sales of our common stock pursuant to the distribution agreement in privately negotiated transactions and/or any other method permitted by law deemed to be an at-the-market offering as defined in Rule 415 promulgated under the Securities Act of 1933 including sales made on the NASDAQ National Market, the current trading market for our common stock. At-the-market offerings may not exceed 10% of the aggregate market value of our outstanding voting securities held by non-affiliates calculated as of a date within 60 days prior to the filing of the registration statement of which this prospectus is a part.

**General Information**

Underwriters, dealers and agents that participate in the distribution of the common stock may be deemed underwriters as defined in the Securities Act of 1933, and any discounts or commissions we pay to them and any profit made by them on the resale of the common stock may be treated as underwriting discounts and commissions under the Securities Act. Any underwriters or agents will be identified and their compensation from us will be described in the applicable prospectus supplement.

We may agree with the underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act, or to contribute with respect to payments which the underwriters, dealers or agents may be required to make.

Underwriters, dealers and agents may be customers of, engage in transactions with or perform services for, us in the ordinary course of their businesses.

**LEGAL MATTERS**

Legal matters with respect to the common stock offered by this prospectus will be passed upon for us by Stafford Rosenbaum LLP, Madison, Wisconsin. Underwriters counsel will render an opinion as to the validity of the common stock for any underwriters, dealers, purchasers or agents.

**EXPERTS**

The financial statements incorporated in this Prospectus by reference to the combined Annual Report on Form 10-K of MGE Energy, Inc. and Madison Gas and Electric Company 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.



