

Otter Tail Corp
Form 424B2
December 02, 2009

Table of Contents

**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-159137-99**

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)
Notes	\$100,000,000	\$5,580

- (1) The registration fee was calculated in accordance with Rule 457(o) and 457(r) of the Securities Act of 1933, as amended (the Securities Act) and is being paid in accordance with Rule 456(b) of the Securities Act.
- (2) Pursuant to Rule 457(p) of the Securities Act, the registrant is applying \$12,858 of unutilized filing fees, which were included on Registration Statement No. 333-159137 (the Registration Statement) in accordance with Rules 456(b) and 457(r) of the Securities Act, to the full payment of the registration fee. \$7,278 of unutilized filing fees remain available and shall be applied to the next \$7,278 of filing fees payable pursuant to the Registration Statement. Any additional registration fees will be paid subsequently on a pay-as-you-go basis.

PROSPECTUS SUPPLEMENT

(To prospectus dated July 1, 2009)

\$100,000,000

9.00% Notes due 2016

We are offering \$100 million aggregate principal amount of 9.00% Notes due 2016. We will pay interest on the notes on June 15 and December 15 of each year, beginning June 15, 2010. The notes will mature on December 15, 2016. We may redeem some or all of the notes at any time or from time to time at the redemption price described in this prospectus supplement under the heading Description of the Notes Optional Redemption. If a change of control triggering event as described in this prospectus supplement under the heading Description of the Notes Change of Control Offer occurs, we may be required to offer to purchase the notes from the holders.

The notes will be general unsecured obligations and will rank equally with our other unsecured senior indebtedness from time to time outstanding. The notes will be issued only in registered form in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-6 of this prospectus supplement.

	Per Note	Total
Public offering price(1)	99.994%	\$ 99,994,000
Underwriting discount	1.250%	\$ 1,250,000
Proceeds, before expenses, to us(1)	98.744%	\$ 98,744,000

(1) Plus accrued interest from December 4, 2009, if settlement occurs after that date.

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

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants on or about December 4, 2009.

BofA Merrill Lynch	<i>Joint Book-Running Managers</i>	J.P. Morgan
	<i>Lead Manager</i>	
	U.S. Bancorp Investments, Inc.	
	<i>Co-Managers</i>	
BNP PARIBAS	KeyBanc Capital Markets	Wells Fargo Securities

The date of this prospectus supplement is December 1, 2009.

TABLE OF CONTENTS

Prospectus Supplement

<u>About this Prospectus Supplement</u>	S-ii
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	S-ii
<u>Summary Information</u>	S-1
<u>Risk Factors</u>	S-6
<u>Use of Proceeds</u>	S-15
<u>Ratio of Earnings to Fixed Charges</u>	S-15
<u>Description of the Notes</u>	S-16
<u>Material United States Federal Tax Consequences</u>	S-22
<u>Underwriting</u>	S-26
<u>Conflicts of Interest</u>	S-27
<u>Legal Matters</u>	S-28
<u>Experts</u>	S-28

Prospectus

About this Prospectus	1
Risk Factors	2
Cautionary Statement Regarding Forward-Looking Statements	10
Otter Tail Corporation	11
Use of Proceeds	12
Ratio of Earnings to Fixed Charges and to Fixed Charges and Preferred Dividend Requirements	12
Description of Common Shares	12
Description of Cumulative Preferred Shares	16
Description of Depositary Shares	20
Description of Debt Securities	24
Description of Securities Warrants	35
Description of Units	36
Plan of Distribution	37
Validity of Securities	38
Experts	38
Where You Can Find More Information	38

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. Under the shelf registration process, from time to time, we may sell any combination of the securities described in the accompanying prospectus in one or more offerings, subject in certain cases to the receipt of regulatory approval. This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the offering of the notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which does not apply to the notes. If the description of the offering of the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, in the accompanying prospectus and in any related free writing prospectus issued by us. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer of the notes in any state where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and any such free writing prospectus is accurate only as of the date on their respective covers and that the information contained in documents incorporated by reference is accurate only as of the respective dates of those documents. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless we state otherwise or the context otherwise requires, references appearing in this prospectus supplement to we, us and our should be read to refer to Otter Tail Corporation and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, the documents they incorporate by reference and any related free writing prospectus issued by us may contain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Otter Tail Corporation and its subsidiaries. Statements preceded by, followed by or that include words such as may, will, expect, anticipate, continue, estimate, project, believes or similar expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of that Act. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among other factors, the risks and uncertainties described in this prospectus supplement, including under Risk Factors, the accompanying prospectus and the documents incorporated by reference herein. We undertake no obligation to update publicly or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise.

Table of Contents

SUMMARY INFORMATION

The following information supplements, and should be read together with, the information contained in the accompanying prospectus. You should carefully read this prospectus supplement and the accompanying prospectus, as well as the documents they incorporate by reference and any related free writing prospectus issued by us, before making an investment decision.

Otter Tail Corporation

Otter Tail Corporation and its subsidiaries conduct business in all 50 states and in international markets. We had approximately 3,765 full-time employees at September 30, 2009. Our businesses have been classified into six segments: Electric, Plastics, Manufacturing, Health Services, Food Ingredient Processing and Other Business Operations.

Electric includes the production, transmission, distribution and sale of electric energy in Minnesota, North Dakota and South Dakota by Otter Tail Power Company (the electric utility). In addition, the electric utility is an active wholesale participant in the Midwest Independent Transmission System Operator (MISO) markets. The electric utility operations have been our primary business since 1907.

Plastics consists of businesses producing polyvinyl chloride (PVC) pipe in the Upper Midwest and Southwest regions of the United States.

Manufacturing consists of businesses in the following manufacturing activities: production of wind towers, contract machining, metal parts stamping and fabrication, and production of waterfront equipment, material and handling trays and horticultural containers. These businesses have manufacturing facilities in Florida, Illinois, Minnesota, Missouri, North Dakota, Oklahoma and Ontario, Canada and sell products primarily in the United States.

Health Services consists of businesses involved in the sale of diagnostic medical equipment, patient monitoring equipment and related supplies and accessories. These businesses also provide equipment maintenance, diagnostic imaging services and rental of diagnostic medical imaging equipment to various medical institutions located throughout the United States.

Food Ingredient Processing consists of Idaho Pacific Holdings, Inc. (IPH), which owns and operates potato dehydration plants in Ririe, Idaho; Center, Colorado; and Souris, Prince Edward Island, Canada. IPH produces dehydrated potato products that are sold in the United States, Canada and other countries.

Other Business Operations consists of businesses in residential, commercial and industrial electric contracting industries, fiber optic and electric distribution systems, wastewater and HVAC systems construction, transportation and energy services. These businesses operate primarily in the Central United States, except for the transportation company which operates in 48 states and four Canadian provinces.

Our electric operations, including wholesale power sales, are operated by our wholly-owned subsidiary, Otter Tail Power Company, and our energy services operation is operated by a separate wholly-owned subsidiary of Otter Tail Corporation. All of our other businesses are owned by our wholly-owned subsidiary, Varistar Corporation.

Table of Contents

Our operating platforms are set forth below:

Otter Tail Corporation was incorporated in June 2009 under the laws of the State of Minnesota in connection with our holding company reorganization on July 1, 2009. As a result of the reorganization, Otter Tail Power Company, which had previously been operated as a division of Otter Tail Corporation, became a wholly-owned subsidiary of the new parent holding company named Otter Tail Corporation. Our executive offices are located at 215 South Cascade Street, P.O. Box 496, Fergus Falls, Minnesota 56538-0496 and 4334 18th Avenue SW, Suite 200, P.O. Box 9156, Fargo, North Dakota 58106-9156. Our telephone number is (866) 410-8780.

S-2

Table of Contents**Consolidated Short-Term and Long-Term Debt**

The following table provides a breakdown of our consolidated short-term and long-term debt outstanding as of September 30, 2009.

	Otter Tail Power Company	Varistar Corporation	Otter Tail Corporation (In thousands)	Otter Tail Corporation Consolidated
Lines of Credit	\$ 14,500		\$ 108,000	\$ 122,500
Term Loan, Variable, 3.79% at September 30, 2009, due May 20, 2011	\$ 75,000			\$ 75,000
Senior Unsecured Notes 6.63%, due December 1, 2011	90,000			90,000
Pollution Control Refunding Revenue Bonds, Variable, 3.25% at September 30, 2009, due December 1, 2012	10,400			10,400
Senior Unsecured Notes 5.95%, Series A, due August 20, 2017	33,000			33,000
Grant County, South Dakota Pollution Control Refunding Revenue Bonds 4.65%, due September 1, 2017	5,125			5,125
Senior Unsecured Note 8.89%, due November 30, 2017			\$ 50,000	50,000
Senior Unsecured Notes 6.15%, Series B, due August 20, 2022	30,000			30,000
Mercer County, North Dakota Pollution Control Refunding Revenue Bonds 4.85%, due September 1, 2022	20,400			20,400
Senior Unsecured Notes 6.37%, Series C, due August 20, 2027	42,000			42,000
Senior Unsecured Notes 6.47%, Series D, due August 20, 2037	50,000			50,000
Obligations of Varistar Corporation Various up to 8.25% at September 30, 2009		\$ 7,040		7,040
Total	\$ 355,925	\$ 7,040	\$ 50,000	\$ 412,965
Less:				
Current Maturities		1,275		1,275
Unamortized Debt Discount		381		381
Total Long-Term Debt	\$ 355,925	\$ 5,384	\$ 50,000	\$ 411,309
Total Short-Term and Long-Term Debt (with current Maturities)	\$ 370,425	\$ 6,659	\$ 158,000	\$ 535,084

Table of Contents

The Offering

Issuer	Otter Tail Corporation.
Securities Offered	\$100,000,000 aggregate principal amount of 9.00% Notes due 2016.
Maturity Date	December 15, 2016.
Interest Rate	9.00% per annum, accruing from December 4, 2009.
Interest Payment Dates	June 15 and December 15 of each year, beginning June 15, 2010.
Ranking	The notes are our general unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated debt from time to time outstanding. The notes will rank junior to any secured indebtedness to the extent of the assets securing such indebtedness and will be structurally subordinated to all liabilities of our subsidiaries.
Use of Proceeds	We expect to receive net proceeds from this offering of approximately \$98.3 million, after expenses and the underwriting discount. We intend to use the net proceeds from this offering to repay our revolving credit facility, with any balance used for general corporate purposes. See Use of Proceeds.
Ratings	Standard & Poor's: BB+ (stable outlook) Moody's: Ba1 (stable outlook) Fitch: BBB- (stable outlook) A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.
Further Issuances of Notes	We may, at any time, create and issue additional notes having the same terms as the notes.
Optional Redemption	We may redeem some or all of the notes at any time or from time to time at the redemption price described in this prospectus supplement under the heading Description of the Notes Optional Redemption.
Change of Control Offer	If a Change of Control Triggering Event as described in this prospectus supplement under the heading Description of the Notes Change of Control Offer occurs, each holder of the notes may require us to purchase all or a portion of such holder's notes at a price equal to 101% of the principal amount, plus accrued interest, if any, to the date of purchase.
Denomination and Form	We will issue the notes in the form of one or more fully registered global notes registered in the name of The Depository Trust Company (DTC) or its nominee. Beneficial interests in the notes will be represented through

book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Except in limited circumstances described in this prospectus supplement, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under

Table of Contents

the indenture. The notes will be issued in minimum denominations of \$1,000 and integral multiples of \$1,000.

Risk Factors

See Risk Factors on page S-6 of this prospectus supplement, in the accompanying prospectus and the documents incorporated by reference herein or therein for a discussion of certain risks you should consider in connection with an investment in the notes.

Trustee

U.S. Bank National Association.

Governing Law

State of New York.

Conflicts of Interest

Affiliates of certain of the underwriters are lenders under our revolving credit facility and will receive a portion of the net proceeds from this offering. For more information, see Conflicts of Interest.

Table of Contents

RISK FACTORS

You should carefully consider the risks and uncertainties described below and any risk factors in our reports to the SEC incorporated by reference herein, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before deciding whether to purchase any of the notes offered hereby.

Risks Related to our Business

General

Federal and state environmental regulation could require us to incur substantial capital expenditures and increased operating costs.

We are subject to federal, state and local environmental laws and regulations relating to air quality, water quality, waste management, natural resources and health safety. These laws and regulations regulate the modification and operation of existing facilities, the construction and operation of new facilities and the proper storage, handling, cleanup and disposal of hazardous waste and toxic substances. Compliance with these legal requirements requires us to commit significant resources and funds toward environmental monitoring, installation and operation of pollution control equipment, payment of emission fees and securing environmental permits. Obtaining environmental permits can entail significant expense and cause substantial construction delays. Failure to comply with environmental laws and regulations, even if caused by factors beyond our control, may result in civil or criminal liabilities, penalties and fines.

Existing environmental laws or regulations may be revised and new laws or regulations may be adopted or become applicable to us. Revised or additional regulations, which result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from customers, could have a material effect on our results of operations.

Volatile financial markets and changes in our debt ratings could restrict our ability to access capital and increase borrowing costs and pension plan expenses.

We rely on access to both short- and long-term capital markets as a source of liquidity for capital requirements not satisfied by cash flows from operations. If we are not able to access capital at competitive rates, our ability to implement our business plans may be adversely affected. Market disruptions or a downgrade of our credit ratings may increase the cost of borrowing or adversely affect our ability to access one or more financial markets.

Disruptions, uncertainty or volatility in the financial markets can also adversely impact our results of operations, the ability of customers to finance purchases of goods and services, and our financial condition, as well as exert downward pressure on stock prices and/or limit our ability to sustain our current common stock dividend level.

Changes in the U.S. capital markets could also have significant effects on our pension plan. Our pension income or expense is affected by factors including the market performance of the assets in the master pension trust maintained for the pension plan for some of our employees, the weighted average asset allocation and long-term rate of return of our pension plan assets, the discount rate used to determine the service and interest cost components of our net periodic pension cost and assumed rates of increase in our employees' future compensation. If our pension plan assets do not achieve positive rates of return, or if our estimates and assumed rates are not accurate, our earnings may

decrease because net periodic pension costs would rise and we could be required to provide additional funds to cover our obligations to employees under the pension plan.

As of December 31, 2008, our defined benefit pension plan assets had declined significantly since December 31, 2007. We made a \$4 million discretionary contribution to the pension plan in 2009. If the market value of pension plan assets declines or does not increase as projected and relief under the Pension Protection Act is no longer granted, we could be required to contribute additional capital to the pension plan in future years.

S-6

Table of Contents

Any significant impairment of our goodwill would cause a decrease in our assets and a reduction in our net operating performance.

We had approximately \$106.8 million of goodwill recorded on our consolidated balance sheet as of September 30, 2009. We have recorded goodwill for businesses in each of our business segments, except for our electric utility. If we make changes in our business strategy or if market or other conditions adversely affect operations in any of these businesses, we may be forced to record an impairment charge, which would lead to decreased assets and a reduction in net operating performance. Goodwill is tested for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value of the goodwill and the implied fair value of the goodwill in the period the determination is made. The testing of goodwill for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, future business operating performance, changes in competition or changes in technologies. Any changes in key assumptions, or actual performance compared with key assumptions, about our business and its future prospects or other assumptions could affect the fair value of one or more business segments, which may result in an impairment charge.

We currently have \$12.2 million of goodwill and \$4.9 million in nonamortizable trade names recorded on our balance sheet related to the acquisition of ShoreMaster, Inc. (ShoreMaster) and its subsidiary companies. ShoreMaster produces and markets residential and commercial waterfront equipment, ranging from boatlifts and docks for lakefront property to full commercial marina projects. If current economic conditions continue to impact the amount of sales of waterfront products and ShoreMaster is not successful with reorganizing and streamlining its business to improve operating margins according to our projections, the reductions in anticipated cash flows from this business may indicate, in a future period, that its fair value is less than its book value resulting in an impairment of some or all of the goodwill and nonamortizable intangible assets associated with ShoreMaster and a corresponding charge against earnings.

A sustained decline in our common stock price below book value may result in goodwill impairments that could adversely affect our results of operations and financial position, as well as our credit facility covenants.

Economic conditions could negatively impact our businesses.

Our businesses are affected by local, national and worldwide economic conditions. The current tightening of credit in financial markets could continue to adversely affect the ability of customers to finance purchases of our goods and services, resulting in decreased orders, cancelled or deferred orders, slower payment cycles, and increased bad debt and customer bankruptcies. Our businesses may also be adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending. A decline in the level of economic activity and uncertainty regarding energy and commodity prices could adversely affect our results of operations and our future growth.

If we are unable to achieve the organic growth we expect, our financial performance may be adversely affected.

We expect much of our growth in the next few years will come from major capital investment at existing companies. To achieve the organic growth we expect, we will have to have access to the capital markets, be successful with capital expansion programs related to organic growth, develop new products and services, expand our markets and increase efficiencies in our businesses. Competitive and economic factors could adversely affect our ability to do this. If we are unable to achieve and sustain consistent organic growth, we will be less likely to meet our revenue growth targets, which, together with any resulting impact on our net income growth, may adversely affect the market price of

our common shares.

S-7

Table of Contents

Our plans to grow and diversify through acquisitions may not be successful, which could result in poor financial performance.

As part of our business strategy, we intend to acquire new businesses. We may not be able to identify appropriate acquisition candidates or successfully negotiate, finance or integrate acquisitions. If we are unable to make acquisitions, we may be unable to realize the growth we anticipate. Future acquisitions could involve numerous risks including: difficulties in integrating the operations, services, products and personnel of the acquired business; and the potential loss of key employees, customers and suppliers of the acquired business. If we are unable to successfully manage these risks of an acquisition, we could face reductions in net income in future periods.

Our plans to acquire, grow and operate our nonelectric businesses could be limited by state law.

Our plans to acquire, grow and operate our nonelectric businesses could be adversely affected by legislation in one or more states that may attempt to limit the amount of diversification permitted in a holding company structure that includes a regulated utility company or affiliated nonelectric companies.

The terms of some of our contracts could expose us to unforeseen costs and costs not within our control, which may not be recoverable and could adversely affect our results of operations and financial condition.

DMI Industries, Inc. and ShoreMaster, two businesses in our manufacturing segment, and our construction companies frequently provide products and services pursuant to fixed-price contracts. Revenues recognized on jobs in progress under fixed-price contracts were \$467 million at September 30, 2009 and \$425 million at December 31, 2008. Under those contracts, we agree to perform the contract for a fixed price and, as a result, can improve our expected profit by superior contract performance, productivity, worker safety and other factors resulting in cost savings. However, we could incur cost overruns above the approved contract price, which may not be recoverable.

Fixed-price contract prices are established based largely upon estimates and assumptions relating to project scope and specifications, personnel and material needs. These estimates and assumptions may prove inaccurate or conditions may change due to factors out of our control, resulting in cost overruns, which we may be required to absorb and that could have a material adverse effect on our business, financial condition and results of our operations. In addition, our profits from these contracts could decrease and we could experience losses if we incur difficulties in performing the contracts or are unable to secure fixed-pricing commitments from our manufacturers, suppliers and subcontractors at the time we enter into fixed-price contracts with our customers.

We are subject to risks associated with energy markets.

Our businesses are subject to the risks associated with energy markets, including market supply and increasing energy prices. If we are faced with shortages in market supply, we may be unable to fulfill our contractual obligations to our retail, wholesale and other customers at previously anticipated costs. This could force us to obtain alternative energy or fuel supplies at higher costs or suffer increased liability for unfulfilled contractual obligations. Any significantly higher than expected energy or fuel costs would negatively affect our financial performance.

Certain of our operating companies sell products to consumers that could be subject to recall.

Certain of our operating companies sell products to consumers that could be subject to recall due to product defect or other safety concerns. If such a recall were to occur, it could have a negative impact on our consolidated results of operations and financial position.

Table of Contents

Electric

We may experience fluctuations in revenues and expenses related to our electric operations, which may cause our financial results to fluctuate and could impair our ability to make distributions to shareholders or scheduled payments on our debt obligations.

A number of factors, many of which are beyond our control, may contribute to fluctuations in our revenues and expenses from electric operations, causing our net income to fluctuate from period to period. These risks include fluctuations in the volume and price of sales of electricity to customers or other utilities, which may be affected by factors such as mergers and acquisitions of other utilities, geographic location of other utilities, transmission costs (including increased costs related to operations of regional transmission organizations), changes in the manner in which wholesale power is sold and purchased, unplanned interruptions at the electric utility's generating plants, the effects of regulation and legislation, demographic changes in the electric utility's customer base and changes in the electric utility's customer demand or load growth. Electric wholesale margins have been significantly and adversely affected by increased efficiencies in the MISO market. Electric wholesale trading margins could also be adversely affected by losses due to trading activities. Other risks include weather conditions or changes in weather patterns (including severe weather that could result in damage to the electric utility's assets), fuel and purchased power costs and the rate of economic growth or decline in the electric utility's service areas. A decrease in revenues or an increase in expenses related to our electric operations may reduce the amount of funds available for our existing and future businesses, which could result in increased financing requirements, impair our ability to make expected distributions to shareholders or impair our ability to make scheduled payments on our debt obligations.

In September 2009, the electric utility announced its withdrawal as a participating utility and the lead developer for the planned construction of a second electric generating unit at the electric utility's Big Stone Plant site. As of September 30, 2009 the electric utility had incurred \$13.6 million in costs related to the project. The electric utility has deferred recognition of these costs as operating expenses pending determination of recoverability by the state and federal regulatory commissions that approve its rates. If the electric utility is denied recovery of all or any portion of these deferred costs, such costs would be subject to expense in the period they are deemed to be unrecoverable. Additionally, if the electric utility is unable to find alternatives to the project to meet generation needs, it may be forced to purchase power in order to meet customer needs. There is no guarantee that in such a case the electric utility would be able to obtain sufficient supplies of power at reasonable costs. If the electric utility is forced to pay higher than normal prices for power, the increase in costs could reduce our earnings if the electric utility is not able to recover the increased costs from its electric customers through the fuel clause adjustment.

Actions by the regulators of our electric operations could result in rate reductions, lower revenues and earnings or delays in recovering capital expenditures.

We are subject to federal and state legislation, government regulations and regulatory actions that may have a negative impact on our business and results of operations. The electric rates that the electric utility is allowed to charge for its electric services are one of the most important items influencing our financial position, results of operations and liquidity. The rates that the electric utility charges its electric customers are subject to review and determination by state public utility commissions in Minnesota, North Dakota and South Dakota. The electric utility is also regulated by the Federal Energy Regulatory Commission. An adverse decision by one or more regulatory commissions concerning the level or method of determining electric utility rates, the authorized returns on equity, implementation of enforceable federal reliability standards or other regulatory matters, permitted business activities (such as ownership or operation of nonelectric businesses) or any prolonged delay in rendering a decision in a rate or other proceeding (including with respect to the recovery of capital expenditures in rates) could result in lower revenues and net income.

The electric utility could be required to absorb a disproportionate share of costs for investments in transmission infrastructure required to provide independent power producers access to the transmission grid. These costs may not be recoverable through a transmission tariff and could result in reduced returns on invested capital and/or increased rates to the electric utility's retail electric customers.

S-9

Table of Contents

The electric utility's electric generating facilities are subject to operational risks that could result in unscheduled plant outages, unanticipated operation and maintenance expenses and increased power purchase costs.

Operation of electric generating facilities involves risks which can adversely affect energy output and efficiency levels. Most of the electric utility's generating capacity is coal-fired. The electric utility relies on a limited number of suppliers of coal, making it vulnerable to increased prices for fuel as existing contracts expire or in the event of unanticipated interruptions in fuel supply. The electric utility is a captive rail shipper of the BNSF Railway for shipments of coal to its Big Stone and Hoot Lake plants, making it vulnerable to increased prices for coal transportation from a sole supplier. Higher fuel prices result in higher electric rates for the electric utility's retail customers through fuel clause adjustments and could make it less competitive in wholesale electric markets. Operational risks also include facility shutdowns due to breakdown or failure of equipment or processes, labor disputes, operator error and catastrophic events such as fires, explosions, floods, intentional acts of destruction or other similar occurrences affecting the electric utility's electric generating facilities. The loss of a major generating facility would require the electric utility to find other sources of supply, if available, and expose it to higher purchased power costs.

Changes to regulation of generating plant emissions, including but not limited to carbon dioxide (CO₂) emissions, could affect our operating costs and the costs of supplying electricity to our customers.

Existing or new laws or regulations passed or issued by federal or state authorities addressing climate change or reductions of greenhouse gas emissions, such as mandated levels of renewable generation, mandatory reductions in CO₂ emission levels, taxes on CO₂ emissions or cap and trade regimes, could require us to incur significant new costs, which could negatively impact our net income, financial position and operating cash flows if such costs cannot be recovered through rates granted by ratemaking authorities in the states where the electric utility provides service or through increased market prices for electricity. The U.S. House of Representatives has passed a comprehensive greenhouse gas reduction bill, and bills covering similar areas are under active consideration by committees in the U.S. Senate at this time. The U.S. Environmental Protection Agency is also moving forward with proposed greenhouse gas regulations.

Plastics

Our plastics operations are highly dependent on a limited number of vendors for PVC resin and a limited supply of PVC resin. The loss of a key vendor, or any interruption or delay in the supply of PVC resin, could result in reduced sales or increased costs for our plastics business.

We rely on a limited number of vendors to supply the PVC resin used in our plastics business. Two vendors accounted for approximately 96% of our total purchases of PVC resin for the nine months ended September 30, 2009 and approximately 94% of our total purchases of PVC resin in 2008. In addition, the supply of PVC resin may be limited primarily due to manufacturing capacity and the limited availability of raw material components. A majority of U.S. resin production plants are located in the Gulf Coast region, which may increase the risk of a shortage of resin in the event of a hurricane or other natural disaster in that region. The loss of a key vendor or any interruption or delay in the availability or supply of PVC resin could disrupt our ability to deliver our plastic products, cause customers to cancel orders or require us to incur additional expenses to obtain PVC resin from alternative sources, if such sources are available.

We compete against a large number of other manufacturers of PVC pipe and manufacturers of alternative products. Customers may not distinguish our products from those of our competitors.

The plastic pipe industry is highly fragmented and competitive due to the large number of producers and the fungible nature of the product. We compete not only against other PVC pipe manufacturers, but also against ductile iron, steel, concrete and clay pipe manufacturers. Due to shipping costs, competition is usually regional instead of national in scope, and the principal areas of competition are a combination of price, service, warranty and product performance. Our inability to compete effectively in each of these areas and to

S-10

Table of Contents

distinguish our plastic pipe products from competing products may adversely affect the financial performance of our plastics business.

Reductions in PVC resin prices can negatively affect our plastics business.

The PVC pipe industry is highly sensitive to commodity raw material pricing volatility. Historically, when resin prices are rising or stable, margins and sales volume have been higher and when resin prices are falling, sales volumes and margins have been lower. Reductions in PVC resin prices could negatively affect PVC pipe prices, profit margins on PVC pipe sales and the value of our finished goods inventory.

Manufacturing

Competition from foreign and domestic manufacturers, the price and availability of raw materials, fluctuations in foreign currency exchange rates and general economic conditions could affect the revenues and earnings of our manufacturing businesses.

Our manufacturing businesses are subject to intense risks associated with competition from foreign and domestic manufacturers, many of whom have broader product lines, greater distribution capabilities, greater capital resources, larger marketing, research and development staffs and facilities and other capabilities that may place downward pressure on margins and profitability. The companies in our manufacturing segment use a variety of raw materials in the products they manufacture, including steel, lumber, concrete, aluminum and resin. Costs for these items have increased significantly and may continue to increase. If our manufacturing businesses are not able to pass on cost increases to their customers, it could have a negative effect on profit margins in our manufacturing segment.

Each of our manufacturing companies has significant customers and concentrated sales to such customers. If our relationships with significant customers should change materially, it would be difficult to immediately and profitably replace lost sales. Fluctuations in foreign currency exchange rates could have a negative impact on the net income and competitive position of our wind tower manufacturing operations in Ft. Erie, Ontario because the plant pays its operating expenses in Canadian dollars.

Health Services

Changes in the rates or methods of third-party reimbursements for our diagnostic imaging services could result in reduced demand for those services or create downward pricing pressure, which would decrease our revenues and earnings.

Our health services businesses derive significant revenue from direct billings to customers and third-party payors such as Medicare, Medicaid, managed care and private health insurance companies for our diagnostic imaging services. Moreover, customers who use our diagnostic imaging services generally rely on reimbursement from third-party payors. Adverse changes in the rates or methods of third-party reimbursements could reduce the number of procedures for which we or our customers can obtain reimbursement or the amounts reimbursed to us or our customers.

Our health services businesses may be unable to continue to maintain agreements with Philips Medical from which we derive significant revenues from the sale and service of Philips Medical diagnostic imaging equipment.

Our health services business agreement with Philips Medical expires on December 31, 2013. This agreement can be terminated on 180 days written notice by either party for any reason. It also includes other compliance requirements. If this agreement is terminated under the existing termination provisions or we were not able to comply with the agreement, the financial results of our health services operations would be adversely affected.

Table of Contents

Technological change in the diagnostic imaging industry could reduce the demand for diagnostic imaging services and require our health services operations to incur significant costs to upgrade its equipment.

Although we believe substantially all of our diagnostic imaging systems can be upgraded to maintain their state-of-the-art character, the development of new technologies or refinements of existing technologies might make our existing systems technologically or economically obsolete, or cause a reduction in the value of, or reduce the need for, our systems.

Actions by regulators of our health services operations could result in monetary penalties or restrictions in our health services operations.

Our health services operations are subject to federal and state regulations relating to licensure, conduct of operations, ownership of facilities, addition of facilities and services and payment of services. Our failure to comply with these regulations, including new regulations released October 30, 2008 by the Center for Medicare & Medical Services, or our inability to obtain and maintain necessary regulatory approvals, may result in adverse actions by regulators with respect to our health services operations, which may include civil and criminal penalties, damages, fines, injunctions, operating restrictions or suspension of operations. Any such action could adversely affect our financial results. Courts and regulatory authorities have not fully interpreted a significant number of these laws and regulations, and this uncertainty in interpretation increases the risk that we may be found to be in violation. Any action brought against us for violation of these laws or regulations, even if successfully defended, may result in significant legal expenses and divert management's attention from the operation of our businesses.