

**Report of Organizational Actions
 Affecting Basis of Securities**

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
BLACK HILLS CORPORATION		46-0458824	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
CHRISTIANNE CURRAN	(605) 721-1700	INVESTORRELATIONS@BLACKHILLSCORP.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
7001 MOUNT RUSHMORE ROAD		RAPID CITY, SOUTH DAKOTA 57702	
8 Date of action		9 Classification and description	
OCTOBER 29, 2018		EQUITY UNITS; CONVERSION RATE ADJUSTMENT	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
092113125		BKH	

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶

DURING THE PERIOD THE EQUITY UNITS WERE OUTSTANDING, BLACK HILLS CORPORATION DECLARED AND PAID CASH DIVIDENDS ON ITS COMMON STOCK.

PURSUANT TO THE TERMS OF THE PURCHASE CONTRACT AGREEMENT (WHICH IS PART OF THE EQUITY UNITS), THE SETTLEMENT RATE OF THE PURCHASE CONTRACT WAS ADJUSTED (PURSUANT TO A FORMULA THEREIN) AS A RESULT OF CASH DIVIDENDS DECLARED AND PAID ON BLACK HILLS COMMON STOCK DURING THE PERIOD THE EQUITY UNITS WERE OUTSTANDING.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶

AS A RESULT OF THE ADJUSTMENT REFERENCED ABOVE, THE SETTLEMENT RATE WAS ADJUSTED AS SET FORTH ON EXHIBIT A.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **THE VALUATION PROVIDED IN SECTION 15, ABOVE, IS CALCULATED AS THE INCREASED SETTLEMENT RATIO FOR EACH PURCHASE CONTRACT.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC 301(c), IRC 305(b), IRC 305(c)

18 Can any resulting loss be recognized? ▶ NO

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ 2018

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ Richard W. Kinzley Date ▶ 12/8/18

Print your name ▶ Richard W. Kinzley Title ▶ SVP and CFO

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Exhibit A: Method of Calculation

Adjustments to Fixed Settlement Rates per Section 5.05(a)(v):

Relevant Record Date	Trading Day Preceding Ex Date	Actual Dividend Rate	Current Market Price ⁽¹⁾	Excess over Reference Dividend ⁽²⁾	Fixed Settlement Rate Adjustment ⁽³⁾	Minimum Settlement Rate Before Adjustment	Maximum Settlement Rate Before Adjustment	Adjusted Minimum Settlement Rate ⁽⁴⁾	Adjusted Maximum Settlement Rate ⁽⁵⁾
2/16/2016	2/10/2016	\$0.420	\$53.10	\$0.015	99.9718%	\$1.0572	\$1.2422	1.0575	1.2426
5/18/2016	5/13/2016	\$0.420	\$60.44	\$0.015	99.9752%	\$1.0575	\$1.2426	1.0578	1.2429
8/18/2016	8/15/2016	\$0.420	\$58.87	\$0.015	99.9745%	\$1.0578	\$1.2429	1.0581	1.2432
11/17/2016	11/14/2016	\$0.420	\$58.38	\$0.015	99.9743%	\$1.0581	\$1.2432	1.0584	1.2435
2/15/2017	2/10/2017	\$0.445	\$61.55	\$0.040	99.9350%	\$1.0584	\$1.2435	1.0591	1.2443
5/18/2017	5/15/2017	\$0.445	\$68.79	\$0.040	99.9419%	\$1.0591	\$1.2443	1.0597	1.2450
8/18/2017	8/15/2017	\$0.445	\$70.09	\$0.040	99.9429%	\$1.0597	\$1.2450	1.0603	1.2457
11/17/2017	11/15/2017	\$0.475	\$58.35	\$0.070	99.8800%	\$1.0603	\$1.2457	1.0616	1.2472
2/15/2018	2/13/2018	\$0.475	\$52.30	\$0.070	99.8662%	\$1.0616	\$1.2472	1.0630	1.2489
5/18/2018	5/16/2018	\$0.475	\$56.76	\$0.070	99.8767%	\$1.0630	\$1.2489	1.0643	1.2504
8/20/2018	8/16/2018	\$0.475	\$61.06	\$0.070	99.8854%	\$1.0643	\$1.2504	1.0655	1.2518

(1) In accordance with clause (c) of the definition thereof, Current Market Price is the Closing Price of the Common Stock on the Trading Day immediately preceding the Ex Date for the relevant dividend.

(2) Reference Dividend is \$0.405.

(3) The Fixed Settlement Rate adjustment shown for each dividend was calculated as a fraction, the numerator of which is the Current Market Price less the Excess over Reference Dividend, and the denominator of which is the Current Market Price. The figures shown in the table above are rounded, but unrounded figures were used in the actual calculation.

(4) The adjustment to each Fixed Settlement Rate was calculated by *dividing* the Fixed Settlement Rate then in effect by the Fixed Settlement Rate adjustment shown above. Pursuant to Section 5.05(a)(viii), Fixed Settlement Rates were rounded to the nearest 1/10,000th of a share of Common Stock.

Adjustment to Reference Price and Threshold Appreciation Price per Section 5.05(a)(vii):

The adjusted Reference Price (\$39.9413) was calculated by multiplying the original Reference Price (\$40.25) by a fraction, the numerator of which was the original Maximum Settlement Rate and the denominator of which was the adjusted Maximum Settlement Rate (1.2422/1.2518), and rounding to the nearest \$0.0001. The adjusted Threshold Appreciation Price (\$46.9254) was calculated by multiplying the original Threshold Appreciation Price (\$47.2938) by a fraction, the numerator of which was the original Minimum Settlement Rate and the denominator of which was the adjusted Minimum Settlement Rate (1.0572/1.0655), and rounding to the nearest \$0.0001.