OBSIDIAN ENTERPRISES INC
Form SC 13E3
July 07, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13E-3

Rule 13e-3 TRANSACTION STATEMENT
(Pursuant to Section 13(e) of the Securities Exchange Act of 1934)

OBSIDIAN ENTERPRISES, INC.

(Name of the Issuer)

Mr. Timothy S. Durham; Obsidian Capital Partners, LP;
Mr. Terry G. Whitesell; Mr. Jeffrey W. Osler;
Diamond Investments, LLC;
Durham Whitesell & Associates, LLC; Fair Holdings, Inc.;
Black Rock Acquisition Corporation
(Name of Person(s) Filing Statement)

Common Stock, $0.0001 par value
(Title of Class of Securities)

674483201
(CUSIP Number of Class of Securities)

Timothy S. Durham
111 Monument Circle, Suite 4800
Indianapolis, Indiana 46204
(317) 237-4122
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications on Behalf of Person(s) Filing Statement)

Copies to:

Stephen J. Hackman, Ice Miller
One American Square, Box 82001
Indianapolis, Indiana 46282-0002
(317) 236-2289

This statement is filed in connection with (check the appropriate box):

(a)
o The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.

(b)
o The filing of a registration statement under the Securities Act of 1933.

(c)
o A tender offer.

(d)
ý None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies: o

Check the following box if the filing is a final amendment reporting the results of the transaction: o

CALCULATION OF FILING FEE

Transaction valuation*	$1,306,187.00	Amount of Filing Fee**	$870.79

*
The transaction valuation was determined by multiplying the total number of shares which may be purchased by Black Rock Acquisition Corporation (other than shares owned by Filing Persons) multiplied by $1.85, the price being paid in this transaction.

**

Determined pursuant to Rule 0-11(b)(1) under the Securities Exchange Act of 1934, as amended, by multiplying the transaction valuation by one fiftieth of one percent.

o

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount previously paid: ____________________

Form or Registration No.: ____________________

Filing Party: ____________________

Date Filed: ____________________

, 2005

To the stockholders of Obsidian Enterprises, Inc.,

This letter and the enclosed transaction statement are being sent to you by a group of stockholders of Obsidian Enterprises, Inc., some of whom are also officers and directors of Obsidian, who are named in the attached transaction statement. We beneficially own approximately 77.29% of the outstanding shares of the common stock, $0.0001 par value of Obsidian Enterprises, Inc. The remaining 22.71% of the outstanding shares of Obsidian common stock is owned by members of the public, including you. Shares of Obsidian common stock currently trade on the Over-the-Counter Bulletin Board under the symbol "OBDE.OB." In recent years it has become increasingly expensive and complex to manage a company that has public stockholders. In light of these concerns, and considering the very limited public ownership and trading of Obsidian's shares, we have decided to attempt to take Obsidian private.

In order to achieve this goal, we have formed Black Rock Acquisition Corporation, an Indiana corporation formed solely for the purpose of consummating the transactions described in the enclosed transaction statement. We have agreed to contribute to Black Rock Acquisition all of the shares of Obsidian common stock that we hold on the day prior to the merger described below in exchange for a like number of shares of the common stock of Black Rock Acquisition. Black Rock Acquisition will thereby become the 77.29% parent of Obsidian. Black Rock Acquisition will also seek to purchase at least an additional 12.71% of the outstanding shares of Obsidian common stock in privately negotiated transactions to bring its total holdings of Obsidian common stock to at least 90% of all outstanding shares. Stockholders who are approached with a proposal to sell their shares of Obsidian common stock to Black Rock Acquisition and who agree to so sell their shares, may choose a payment of $1.85 per share or may choose to receive a like number of shares of the common stock of Black Rock Acquisition in exchange for their shares of Obsidian common stock. Once Black Rock Acquisition has acquired at least 90% of the outstanding shares of Obsidian common stock, we intend to effect a "short-form" merger, whereby Black Rock Acquisition, the then 90% parent, will be merged with and into its subsidiary, Obsidian. We will be entitled to consummate this merger without any approval or other action by Obsidian's public stockholders or its Board of Directors. As a result of the merger, the stockholders of Black Rock Acquisition (which will include the Filing Persons and any other stockholder who elects to sell his or her shares of Obsidian common stock to Black Rock Acquisition in a privately negotiated transaction in exchange for shares of Black Rock Acquisition rather than cash) will own 100% of the outstanding shares of Obsidian common stock. Shares of Obsidian common stock which are held by you and by Obsidian's other public stockholders will be cancelled at the effective time of the merger and will represent only the right to receive a cash payment of $1.85 per share.

Included with this letter is our transaction statement on Schedule 13E-3, which we have filed with the Securities and Exchange Commission. The transaction statement gives detailed information about this transaction, including how it affects you, our reasons for doing it, our views as to the fairness of the $1.85 per share price and the transaction, and your rights if you believe the price is unfairly low. Please read this document carefully.

If you believe that the $1.85 per share price is unfairly low, you will have the right to have a court in Delaware determine the value of your shares of Obsidian common stock this is called an appraisal right and be paid the appraised value determined by the court, which could be more or less than $1.85 per share. The procedures to exercise this right are described in the enclosed document and need to be followed carefully, so we recommend that you consult a lawyer if you consider taking this step.

After the merger is completed, we will mail you instructions on how to surrender your shares of Obsidian common stock for payment or, if you so choose, to exercise your appraisal rights. You should not deliver your Obsidian stock certificate(s) to us or otherwise respond to this notice until after you have received those instructions.

If you have questions about this process, you should contact Mr. Timothy S. Durham at (317) 237-4122.

Timothy S. Durham,
On behalf of the Filing Persons named in the enclosed Transaction Statement

RULE 13E-3 TRANSACTION STATEMENT

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THIS TRANSACTION, PASSED UPON THE MERITS OF THIS TRANSACTION, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE DISCLOSURE IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SUMMARY TERM SHEET

This summary term sheet and the remainder of this transaction statement on Schedule 13E-3 provide information describing the plans and intentions of Timothy S. Durham; Obsidian Capital Partners, LP, a Delaware limited partnership; Terry G. Whitesell; Jeffrey W. Osler; Diamond Investments, LLC, an Indiana limited liability company; Durham Whitesell & Associates, LLC, an Indiana limited liability company; Fair Holdings, Inc., an Ohio corporation; and Black Rock Acquisition Corporation, an Indiana corporation, to acquire at least 90% of the outstanding shares of the common stock, $0.0001 par value, of Obsidian Enterprises, Inc. and to cause Obsidian to become a private company through a reverse merger with Black Rock Acquisition. These persons are sometimes referred to in this Transaction Statement as the "Filing Persons" or "us" or "we." Obsidian Enterprises, Inc. is sometimes referred to in this transaction statement as "the Company" or "Obsidian." This summary term sheet is not intended to be complete, and is qualified in its entirety by reference to the additional information presented elsewhere in this Transaction Statement, which we encourage you to read carefully.

Overview and Purpose of Transaction

Obsidian Enterprises, Inc. is a Delaware corporation headquartered in Indianapolis, Indiana. The Company is a holding company which has historically invested in and acquired small and mid-sized companies in industries such as manufacturing and transportation. The Company aims to maximize the profits of its current subsidiaries and to acquire additional manufacturing companies of similar size. The Company currently conducts business through six subsidiaries. The principal executive offices of Obsidian are located at 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204, and its telephone number is (317) 237-4122. As of June 30, 2005, there were 3,109,333 shares of Obsidian's common stock outstanding. Shares of Obsidian common stock are traded in the over-the-counter market and prices are posted on the "OTC Bulletin Board" under the symbol "OBDE.OB." For additional information regarding Obsidian, please see "Information About the Company" on page 21.

The Filing Persons are certain significant stockholders, directors, and officers of Obsidian, including Timothy S. Durham, the Chairman of the Board and Chief Executive Officer. Currently, the Filing Persons have beneficial ownership of approximately 77.29% of the outstanding shares of Obsidian common stock. For additional information regarding the Filing Persons, please see "Information About Us" on page 23.

Based on Obsidian's size, financial resources and human capital, we do not believe the costs associated with remaining a public company are justified. Additionally, we believe that Obsidian could significantly reduce its general and administrative costs if it is no longer a listed or reporting company, as the substantial administrative costs for regulatory compliance would no longer be required. For additional information, please see "Special Factors Purposes" on page 6 and "Special Factors Reason for Taking Obsidian Private" on page 7.

We have formed Black Rock Acquisition and have orally agreed to contribute all of our shares of Obsidian common stock to Black Rock Acquisition in exchange for a like number of shares of Black Rock Acquisition common stock. Through Mr. Durham, we also intend to solicit other stockholders of Obsidian, including certain officers and directors of Obsidian, to determine if they will sell any or all of their shares in privately negotiated transactions to Black Rock Acquisition. The consideration to be paid in such transactions may be either cash equal to $1.85 per share or a like number of shares of the common stock of Black Rock Acquisition.

At such time as Black Rock Acquisition holds at least 90% of the outstanding shares of the common stock of Obsidian, the Board of Directors of Black Rock Acquisition will approve a merger whereby Black Rock Acquisition will be merged with and into Obsidian. As a result of the merger, the stockholders of Black Rock Acquisition (which will include the Filing Persons and any other stockholder who elects to sell his or her shares of Obsidian common stock to Black Rock Acquisition in a privately negotiated transaction in exchange for shares of Black Rock Acquisition rather than cash) will own 100% of the outstanding shares of Obsidian common stock and there will be fewer than 300 holders of Obsidian common stock. Shares of Obsidian common stock which are held by you and by Obsidian's other public stockholders will be cancelled at the effective time of the merger and will represent only the right to receive a cash payment of $1.85 per share. The purpose of the merger will be for Black Rock Acquisition to acquire all of the shares of Obsidian common stock which it does not already own, thus making Obsidian a private company and enabling it to save the costs associated with being a public company. For additional information please see "Special Factors Purposes" on page 6.

Black Rock Acquisition will not be able to consummate a merger with Obsidian until such time as it owns at least 90% of the outstanding shares of Obsidian common stock. Upon achieving 90% ownership, Black Rock Acquisition will be entitled under Delaware and Indiana law to effect the merger by action of its Board of Directors, without any action on the part of the Board of Directors or public stockholders of Obsidian. For additional information, please see "Description of Transaction" on page 5.

The merger will also provide a source of liquidity to Obsidian's public stockholders and enable them to receive cash for their shares without having to pay brokerage commissions. If you are a public stockholder of Obsidian (unless you object to the merger and properly exercise your statutory appraisal rights), you will be paid cash in an amount equal to $1.85 for each share of Obsidian common stock which you hold at the time of the merger. Instructions for surrendering your stock certificates for payment will be set forth in a Notice of Merger and Letter of Transmittal, which will be mailed to each of Obsidian's stockholders promptly after the effective date of the merger. For additional information, please see "Description of the Transaction" on page 5, and "Appraisal Rights of Dissenting Stockholders" on page 19.

The total amount of funds necessary to make the cash payments that Obsidian's public stockholders will be entitled to receive as a result of the merger and related expenses is estimated to be approximately $1,306,187. All of such funds will be provided by a loan made by Diamond Investments, LLC, an entity controlled by Timothy S. Durham, to Black Rock Acquisition and through Diamond Investment's subscription to purchase shares of Black Rock Acquisition for $1.85 per share. For additional information, please see "Fees and Expenses; Financing of the Transactions" on page 27.

Timing of the Transaction

The Filing Persons intend to effect the merger of Obsidian and Black Rock Acquisition as soon as Black Rock Acquisition has acquired at least 90% of the outstanding shares of common stock of Obsidian. It is not possible to predict at this time how long it will take for Black Rock Acquisition to acquire such percentage ownership since these acquisitions will occur through privately negotiated transactions, but we intend to consummate the merger as soon as possible.

Fairness of the Transaction and Fairness Opinion

The Filing Persons reasonably believe that the going private transaction, including both the purchases of Obsidian common stock by Black Rock Acquisition and the merger, is substantively and procedurally fair to unaffiliated stockholders of Obsidian. As discussed in further detail in "Special Factors Fairness of the Transaction" on page 8, the Filing Persons considered the following factors in reaching this conclusion:

- The Filing Persons will not use any coercive measures in seeking to purchase shares in privately negotiated transactions. All privately negotiated sales of Obsidian common stock to Black Rock Acquisition will be at the discretion of the selling stockholder. Any such selling stockholder will have no obligation to proceed with a sale unless he or she believes that the price and terms of the transaction are fair.

- All privately negotiated purchases of shares of Obsidian common stock made by Black Rock Acquisition will either be in exchange for shares of the common stock of Black Rock Acquisition or for a cash payment of $1.85 per share, the same price as will be paid to the remaining public stockholders of Obsidian in the merger.

- When the merger occurs, Black Rock Acquisition will be the holder of at least 90% of the outstanding shares of Obsidian common stock and will be entitled pursuant to Indiana and Delaware corporate law to merge with the Company without the approval of the Company's Board of Directors or unaffiliated stockholders. Although the unaffiliated stockholders will not be asked to vote on the transactions, Delaware law provides such stockholders who object to the merger with the statutory right to have the fair value of their shares determined by a court. For additional information regarding these appraisal rights, see "Appraisal Rights of Dissenting Stockholders" on page 19.

- The price of $1.85 per share to be paid in the privately negotiated purchases and in the merger represents a premium to the recent and historical range of trading prices of Obsidian's common stock in the over-the-counter market, including an 39% premium over the average trading price for the 30 days ending June 13, 2005.

- The trading market for shares of the common stock of Obsidian is highly illiquid, with an average weekly trading volume of approximately 600 shares during the twelve months ended April 30, 2005. The merger, therefore, represents an opportunity for the public stockholders to realize cash for their shares, at a premium price, which would otherwise be extremely difficult or impossible given such illiquidity. The price of $1.85 per share also represents a premium of approximately 1.7% over the price of $1.82 per share determined to be the fair value of Obsidian common stock by Goelzer Investment Banking, in their fairness opinion dated June 30, 2005 (described below). In addition, $1.85 per share represents a premium over the book value per share of Obsidian, which was $(4.66) as of April 30, 2005.

- Black Rock Acquisition has also received a fairness opinion from Goelzer Investment Banking, its financial adviser, that the proposed cash consideration of $1.85 per share to be received by the unaffiliated stockholders of Obsidian in the merger is fair from a financial point of view. Goelzer considered a number of factors in its analysis and used several methodologies in reaching its conclusion. A more thorough discussion of these factors and methods is included under "Special Factors Reports, Opinions and Appraisals," below. The fairness opinion is attached as Annex A to this disclosure document and we encourage you to read the opinion carefully in its entirety. For additional information, see "Special Factors Reports, Opinions and Appraisals" on page 10. The full text of the fairness opinion is available for inspection and copying at the principal executive offices of Obsidian at 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204, during regular business hours by any holder of shares of Obsidian common stock or any representative of any such holder who has been so designated in writing.

For additional information, please see "Special Factors Fairness of the Transaction" on page 8.

Effects of the Merger

The merger will result in Obsidian having fewer than 300 stockholders, and will allow Obsidian to deregister its shares with the Securities and Exchange Commission and terminate its reporting obligations under the Securities Exchange Act of 1934, as amended.

Each public stockholder of Obsidian at the time of the merger will no longer hold shares of the common stock of Obsidian and will be entitled only to a cash payment of $1.85 per share.

Each stockholder of Black Rock Acquisition at the time of the merger (which will include the Filing Persons and any other stockholder who elects to sell his shares of Obsidian common stock to Black Rock Acquisition in a privately negotiated transaction with Black Rock Acquisition in exchange for shares of Black Rock Acquisition rather than for cash) will be entitled to receive newly issued shares of Obsidian common stock.

Only stockholders of Black Rock Acquisition will have the opportunity to participate in the future earnings and growth, if any, of Obsidian. Similarly, only stockholders of Black Rock Acquisition will face the risk of any losses from Obsidian's operations or any decline in the value of Obsidian after the merger.

We expect that shares of Obsidian common stock will cease to be quoted on the OTC Bulletin Board.

For additional information, please see "Special Factors Purposes, Alternatives, Reasons and Effects Effects of the Transaction" on page 6.

Appraisal Rights of Dissenting Stockholders

Any public stockholder of Obsidian who objects to the merger will have the right to demand payment of the "fair value" of his or her shares of Obsidian's common stock, as determined in a judicial proceeding in accordance with Section 262 of the Delaware General Corporation Law. This value may be more or less than the $1.85 per share payable in connection with the merger. In order to perfect a claim to appraisal rights, a stockholder must comply with certain procedures more fully described below. For additional information, please see "Appraisal Rights of Dissenting Stockholders" on page 19.

Additional Information

The Company has filed periodic reports under the Exchange Act, including an Annual Report on Form 10-K for the fiscal year ended October 31, 2004. Any person may obtain copies of these filings, including the Annual Report, by mail from the Public Reference Section of the Securities and Exchange Commission, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, 1-800-SEC-0330, or from the Securities and Exchange Commission's website at *http://www.sec.gov*. The Securities and Exchange Commission may charge a prescribed or modest fee for copies.

The Filing Persons have also filed a Schedule 13D disclosing their ownership of shares of Obsidian common stock and their intention to cause the Company to go private.

INTRODUCTION

This transaction statement on Schedule 13E-3 is being filed by Timothy S. Durham; Obsidian Capital Partners, LP, a Delaware limited partnership (the "Partnership"); Obsidian Capital Company, LLC, an Indiana limited liability company ("OCC"); Terry G. Whitesell; Jeffrey W. Osler; Diamond Investments, LLC, an Indiana limited liability company ("Diamond"); Durham Whitesell & Associates, LLC, an Indiana limited liability company ("DWA"); Fair Holdings, Inc., an Ohio corporation ("Fair Holdings"); and Black Rock Acquisition Corporation, an Indiana corporation. These persons propose to acquire at least 90% of the outstanding shares of the common stock, $0.0001 par value, of Obsidian Enterprises, Inc. (the "Company") in privately negotiated transactions and to subsequently cause Obsidian to become a private company through a reverse merger with Black Rock Acquisition. These persons are collectively referred to in this transaction statement as the "Filing Persons." This transaction statement is filed pursuant to Section 13(e) of the Exchange Act, and Rule 13e-3 thereunder, in connection with the proposed going private transaction. Completion of this going private transaction will result in Obsidian having fewer than 300 holders of its common stock, enabling it to elect to terminate the registration statement of its common stock pursuant to Section 12(g) of the Exchange Act and causing the shares of its common stock to no longer be quoted on the OTC Bulletin Board.

Obsidian Enterprises, Inc. is a Delaware corporation headquartered in Indianapolis, Indiana. The Company is a holding company which has historically invested in and acquired small and mid-sized companies in industries such as manufacturing and transportation. The Company aims to maximize the profits of its current subsidiaries and to acquire additional manufacturing companies of similar size. The Company currently conducts business through six subsidiaries. The principal executive offices of Obsidian are located at 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204, and its telephone number is (317) 237-4122. As of June 30, 2005, there were 3,109,333 shares of Obsidian's common stock outstanding. Shares of Obsidian common stock are traded in the over-the-counter market and prices are posted on the "OTC Bulletin Board" under the symbol "OBDE.OB."

Forward-looking statements

This transaction statement and the documents incorporated by reference in this transaction statement include certain forward-looking statements. These statements appear throughout this transaction statement and include statements regarding the intent, belief or current expectations of Obsidian, including statements concerning Obsidian's strategies following completion of the merger. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors, such as general economic conditions, positions and strategies of competitors and the ability to obtain financing.

DESCRIPTION OF THE TRANSACTION

As of June 30, 2005, there were 3,109,333 shares of the common stock, $0.0001 par value of the Company issued and outstanding, and the Filing Persons (including Black Rock Acquisition) held or had voting and investment power over approximately 77.29% of the outstanding shares. The Filing Persons, through Black Rock Acquisition, are seeking to acquire at least an additional 12.71% of the outstanding shares of Obsidian common stock, which would bring the total amount held by the Filing Persons to 90% of the outstanding shares of Obsidian common stock. All purchases by Black Rock Acquisition of shares of Obsidian common stock made in an effort to obtain ownership of 90% of the outstanding shares will be made in exchange for either a cash purchase price of $1.85 per share or in exchange for a like number of shares of Black Rock Acquisition common stock.

Under the provisions of both Delaware and Indiana corporate law, the ownership of 90% of the outstanding shares of Obsidian common stock will enable Black Rock Acquisition to approve a merger of the Company and Black Rock Acquisition by action of its Board of Directors. No approval of Obsidian's Board of Directors or other stockholders will be required nor will such approval be sought by Black Rock Acquisition. The merger will cause the Company to become a private company and eliminate the expenses, administrative burdens and potential liabilities associated with being a public company.

Upon the consummation of the merger, each outstanding share of Obsidian common stock will be cancelled and, except for shares held by Black Rock Acquisition or by any stockholder of Obsidian who properly exercises his or her statutory appraisal rights under Delaware law, will be automatically converted into the right to receive $1.85 per share in cash, without interest upon surrender of the certificate for such shares to a paying agent who will be appointed by us to make such payments. Instructions regarding the surrender of stock certificates for payment, will be set forth in a Notice of Merger and Letter of Transmittal, which will be mailed to you promptly after the effective time of the merger. You should not submit your stock certificates until you have received and reviewed these documents.

Upon consummation of the merger, each outstanding share of Black Rock Acquisition common stock will be automatically converted into a new share of Obsidian common stock. The stockholders of Black Rock Acquisition, which will be the Filing Persons and any other former stockholder of Obsidian who sells his or her shares of Obsidian common stock to Black Rock Acquisition in a privately negotiated transaction in exchange for shares of Black Rock Acquisition common stock, will hold 100% of the outstanding shares of Obsidian common stock.

SPECIAL FACTORS

Purposes, Alternatives, Reasons and Effects

Purposes

The acquisition of shares of Obsidian common stock and the merger will enable the Filing Persons to cause Obsidian to become a private company and eliminate the expenses, administrative burdens and potential liabilities associated with being a public company. Given the very small number and percentage of shares of Obsidian common stock that is in public hands, the filing persons do not believe that the costs and burdens of maintaining Obsidian's status as a public company are justified. At the same time, the merger will provide a source of liquidity to Obsidian's public stockholders and an opportunity for them to obtain a return on investment, which, in the absence of such a transaction might not be realizable at any time in the foreseeable future.

Alternative Transaction Structures

In late 2004, the Board of Directors of Obsidian appointed a special committee of independent directors which was tasked with the duty of considering a going private transaction behalf of Obsidian. Prior to the Special Committee making any determination or recommendation with respect to the benefits or detriments to Obsidian, or the fairness to unaffiliated stockholders, of a going private transaction, the Filing Persons announced their intentions to engage in the transactions described herein.

The Filing Persons believe that the purchase by Black Rock Acquisition of shares of Obsidian common stock in exchange for either cash or shares of Black Rock Acquisition followed by a short form merger under Delaware and Indiana corporate law is the most efficient and cost-effective way to accomplish the purposes described above. Alternative transaction structures, such as a long-form merger or a tender offer followed by a short-form merger, were not selected because they are unnecessarily time consuming and costly, without providing any material advantages to the public stockholders of Obsidian.

Reasons for Taking Obsidian Private

As a result of the merger, Obsidian will be privately held and its common stock will cease to be quoted on the OTC Bulletin Board. Additionally, the Company will deregister its common stock under the Exchange Act and will no longer be required to file periodic reports. Terminating its reporting requirements under the Exchange Act will save Obsidian the considerable costs associated with remaining a publicly-traded company, including preparing and filing periodic reports, and will reduce the burdens on management associated with compliance with the public reporting and other requirements of the Exchange Act. These costs also include compliance with the Sarbanes Oxley Act of 2002. It also will reduce the amount of public information available to competitors, including financial information and contractual arrangements, which may result in a competitive disadvantage in the marketplace, and would provide management greater flexibility in focusing on long term business goals, as opposed to quarterly results.

The benefits to the Filing Persons and all others who continue as stockholders of Obsidian following the merger include their ability to participate in any future growth of Obsidian and an increase in their interest in the net book value and net earnings of Obsidian. Similarly, the detriments to such stockholders are the risk associated with a decrease in the value of Obsidian, an increase in their interest in the net losses of Obsidian, and the lack of liquidity of the securities of Obsidian.

The benefit to the public stockholders of Obsidian who have their shares cancelled in exchange for cash in the merger is liquidity for their shares as well as avoiding the risk of a future decrease in the value of Obsidian. The detriment to those holders is their inability to participate as continuing stockholders in any future growth of Obsidian.

Effects of the Transactions

As described above, the primary effect of Black Rock Acquisition's purchase of shares of Obsidian common stock will be to enable it to enact a short-form merger under the laws of the states of Delaware and Indiana and to take Obsidian private. Black Rock Acquisition intends to seek to acquire ownership of at least 90% of the outstanding shares of Obsidian common stock. The Filing Persons will cause the Company to terminate its reporting obligations under the Exchange Act and its common stock will cease to be quoted on the OTC Bulletin Board.

All of the stockholders of Obsidian at the effective time of the merger, other than Black Rock Acquisition, will be entitled only to receive cash consideration of $1.85 per share of Obsidian common stock held at the effective time of the merger. Upon completion of the merger, the public stockholders of Obsidian will no longer have any interest in, and will not be stockholders of Obsidian and will not participate in Obsidian's future earnings and potential growth and will no longer bear the risk of any losses of Obsidian incurred in operations. In addition, Obsidian's public stockholders will not share in any distribution of proceeds from any future sales of assets or businesses, although none are contemplated at this time. All of the other incidents of stock ownership of the public stockholders, such as the right to vote on certain corporate decisions, to elect directors, and to receive dividends and distributions upon the liquidation of Obsidian, as well as the benefit of potential increases in the value of their holdings in Obsidian based on any improvements in Obsidian's future performance will be extinguished upon completion of the merger.

Upon completion of the merger, the stockholders of Black Rock Acquisition (which will include the Filing Persons and any other stockholder who elects to sell his or her shares of Obsidian common stock to Black Rock Acquisition in a privately negotiated transaction in exchange for shares of Black Rock Acquisition rather than cash) will hold 100% of the outstanding common stock of Obsidian and will control the conduct of Obsidian's business. Furthermore, stockholders of Black Rock Acquisition will have a controlling interest in the net assets, the net book value and the net earnings of Obsidian. In addition, stockholders of Black Rock Acquisition will be the primary beneficiary of any future increases in the value of Obsidian and will bear the primary risk of any losses incurred in the future operation of Obsidian.

Fairness of the Transaction

The Filing Persons reasonably believe that the going private transaction, including both the purchases of Obsidian common stock by Black Rock Acquisition and the merger, is substantively and procedurally fair to unaffiliated stockholders of Obsidian. In reaching the conclusion that the transaction is fair, both substantively and procedurally, the Filing Persons considered the following factors:

The Filing Persons will not use any coercive measures in seeking to purchase shares in privately negotiated transactions. All privately negotiated sales of Obsidian common stock to Black Rock Acquisition will be at the discretion of the selling stockholder. Any such selling stockholder will have no obligation to proceed with a sale unless he or she believes that the price and terms of the transaction are fair. If a stockholder who is approached by a representative of Black Rock Acquisition does not want to remain a stockholder of the Company following the merger or does not believe that the price of $1.85 per share is a fair price, such stockholder may refrain from selling his or her shares to Black Rock Acquisition and will be entitled to exercise appraisal rights if the merger is completed.

All privately negotiated purchases of shares of Obsidian common stock made by Black Rock Acquisition will be either in exchange for shares of Black Rock Acquisition common stock or for a cash payment of $1.85 per share, the same price as will be paid to the remaining public stockholders of Obsidian in the merger. For the reasons discussed below, the Filing Persons believe that $1.85 per share is a fair price to be paid for shares of Obsidian common stock. Shares of Black Rock Acquisition common stock are believed to be of reasonably equivalent value to shares of Obsidian common stock because the only assets of Black Rock Acquisition will be shares of Obsidian common stock acquired as described in this document and cash loaned to Black Rock Acquisition by Mr. Durham for the sole purpose of effecting these stock purchases and the merger.

When the merger occurs, Black Rock Acquisition will be the holder of at least 90% of the outstanding shares of Obsidian common stock and will be entitled pursuant to Delaware and Indiana corporate law to merge with the Company without the approval of the Company's Board of Directors or unaffiliated stockholders. Due to the facts that the Filing Persons beneficially own 77.29% of the outstanding shares of common stock of Obsidian and due to the fact that the remaining 12.71% of the outstanding shares of the common stock of Obsidian will be obtained in non-coercive, privately negotiated transactions with willing sellers, the merger will fall squarely within the provisions of Delaware and Indiana law, which allow the merger to be completed without the approval of Obsidian's directors or stockholders. Additionally, although the unaffiliated stockholders will not be asked to vote on the merger, Delaware law provides such stockholders who object to the merger with the statutory right to have the fair value of their shares determined by a court. For additional information regarding these appraisal rights, see "Appraisal Rights of Dissenting Stockholders" on page 19.

The price of $1.85 per share to be paid in the privately negotiated purchases and in the merger represents a premium to the recent and historical range of trading prices of Obsidian's common stock in the over-the-counter market, including an 39% premium over the average trading price for the 30 days ending June 13, 2005. The price of $1.85 per share also represents a premium of approximately 1.7% over the $1.82 price per share determined to be the fair value of Obsidian common stock by Goelzer Investment Banking in their fairness opinion dated June 30, 2005 (discussed below). In addition, $1.85 per share represents a premium over the book value per share of Obsidian, which was $(4.66) as of April 30, 2005.

The trading market for shares of the common stock of Obsidian is highly illiquid, with an average weekly trading volume of approximately 600 shares during the twelve months ended

April 30, 2005. The merger, therefore, represents an opportunity for the public stockholders to realize cash for their shares, at a premium price, which would otherwise be extremely difficult or impossible given such illiquidity.

Black Rock Acquisition has also received a fairness opinion from Goelzer Investment Banking, its financial adviser, that the cash consideration of $1.85 per share to be received by the unaffiliated stockholders of Obsidian in the merger is fair from a financial point of view. Goelzer considered a number of factors in its analysis and used several methodologies in reaching its conclusion. A more thorough discussion of these factors and methods is included under "Reports, Opinions and Appraisals," below. The fairness opinion is attached as Annex A to this disclosure document and we encourage you to carefully read the opinion in its entirety. For additional information, see "Special Factors Reports, Opinions and Appraisals" on page 10. The full text of the fairness opinion is available for inspection and copying at the principal executive offices of Obsidian at 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204, during regular business hours by any holder of shares of Obsidian common stock or any representative of any such holder who has been so designated in writing.

The merger consideration of $1.85 per share will be paid in cash and is not subject to any financing condition or deferral.

In making the determination set forth above, the Filing Persons considered the following factors that may not support the finding that the going private transaction was fair:

The unaffiliated stockholders will not have the opportunity to participate in the future earnings and growth, if any, of Obsidian. This factor was offset by the fact that the unaffiliated stockholders will not face the risk of potential losses that may be incurred by Obsidian's operations or a decline in the value of Obsidian after the merger.

In determining and evaluating the fairness of the merger price, the Filing Persons' interests conflict with and are adverse to the interests of the unaffiliated stockholders. This factor was offset by the fairness opinion obtained from Goelzer Investment Banking stating that the merger consideration is fair from a financial point of view to the unaffiliated stockholders of Obsidian.

The merger does not require the approval of the Board of Directors or unaffiliated stockholders of Obsidian. As described above, this factor is offset by the fact that the laws of the states of Delaware and Indiana both allow a parent corporation which owns at least 90% of the outstanding shares of a subsidiary to effect a merger of the parent and subsidiary corporations without the approval of the Board of Directors or stockholders of the subsidiary. The Filing Persons believe that these transactions are procedurally fair to the unaffiliated stockholders of the Company because the transactions are being taken in conformity with the legal procedures established by the states to protect such stockholders.

After having given the foregoing negative factors due consideration, the Filing Persons concluded that none of these factors, alone or in the aggregate, is significant enough to outweigh the factors that the Filing Persons have determined support their belief that the transaction is substantively and procedurally fair to the unaffiliated stockholders of Obsidian.

In view of the variety of factors considered in connection with making a determination as to the fairness of the merger to Obsidian's unaffiliated stockholders, and the complexity of these matters, the Filing Persons did not find it practicable, nor did they attempt, except as described above, to quantify, rank or otherwise assign relative weights to the specific factors considered. Moreover, the Filing Persons did not undertake to make any specific determination or assign any particular weight to any single factor, but have conducted an overall analysis of the factors described above.

Intentions of Officers and Directors of Obsidian

For the reasons and purposes stated above, the Filing Persons, including Messrs. Durham, Whitesell and Osler, each of whom are directors and executive officers of the Company, and all persons named on Schedule I to this transaction statement intend to sell their shares of Obsidian common stock to Black Rock in exchange for shares of Black Rock common stock. It is not known at this time whether any of the other directors and executive officers of Obsidian who are holders of Obsidian common stock will elect to sell their shares of Obsidian common stock to Black Rock, or, if such sales occur, they will be made for in exchange for shares of Black Rock common or for the $1.85 cash consideration. Additionally, the Filing Persons are not aware of the belief of any other director or executive officer as to the fairness of the going private transaction

Reports, Opinions and Appraisals

Black Rock Acquisition has received a fairness opinion from Goelzer Investment Banking, its financial adviser, that the proposed cash consideration of $1.85 per share to be received by the unaffiliated stockholders of Obsidian in the merger is fair from a financial point of view. The fairness opinion is attached as Annex A to this disclosure document and we encourage you to read the opinion carefully in its entirety. The full text of the fairness opinion is available for inspection and copying at the principal executive offices of Obsidian at 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204, during regular business hours by any holder of shares of Obsidian common stock or any representative of any such holder who has been so designated in writing.

For the purpose of this opinion, Goelzer has undertaken analyses, investigations and interviews deemed necessary and relevant. In the course of such activities Goelzer has among other things:

1. Conducted detailed interviews with Rick Snow, Chief Financial Officer, and Terry Whitesell, Chief Operating Officer, concerning the Company's history and operating record, the nature of the markets served, competitive situation, financial condition, recent performance and current outlook;

2. Conducted detailed interviews and toured facilities of each operating subsidiary of the Company: Danzer Industries, Inc. ("Danzer"), Classic Manufacturing, Inc. ("Classic"), U.S. Rubber and Reclaiming, Inc. ("US Rubber"), United Expressline, Inc. ("United"), Pyramid Coach, Inc. ("Pyramid") and Obsidian Leasing, Inc. ("Obsidian Leasing");

3. Analyzed trading data (stock price and volume trends) of the Company's Common Shares for a period of one year and the most recent six months and analyzed the stock's price performance relative to appropriate indices over same time period as provided by *Bloomberg Analytics* and Yahoo! Finance;

4. Reviewed the Company's filings under the Securities Exchange Act of 1934 including the latest Form 10-K, Form 10-Q and Form 13E-3 (in draft form);

5. Reviewed resolutions of the Board of Directors of Black Rock regarding the transaction;

6. Reviewed audited financial statements for the years 1999 - 2004 as available;

7. Analyzed current forecasts for each operating subsidiary provided by the Chief Financial Officer;

8. Reviewed internally prepared annual reports for certain operating companies in the years prior to their acquisition by Obsidian;

9. Conducted a search using *Bloomberg Analytics* in order to find publicly traded companies which could be used as reasonable comparables in determining the fair value of the Company;

10. Conducted a search for merger and acquisition transactions involving both publicly traded and privately held corporations within similar industries to Obsidian's subsidiary companies using several large proprietary databases (including *Mergerstat* and World M&A Network's *Done Deals, Pratt Stats,* and *BizComps*); and

11. Performed such other studies, analyses and investigations as deemed appropriate.

In rendering this opinion Goelzer has relied on the accuracy and completeness of the information furnished and has not attempted to independently verify such information nor has Goelzer made or caused to be made any independent evaluation of the assets of the Company. In reaching its conclusions Goelzer also relied in part upon discussions with the Chief Operating Officer and Chief Financial Officer that no insider trades have occurred over the course of the previous six months, nor has the Company received any legitimate offers for the Company or its assets nor attempted to sell off any significant assets.

Valuation Methodology

In preparing its opinion, Goelzer conducted a valuation analysis of Obsidian, excluding the operating entities that are owned by related parties and reported in the consolidated SEC filings. Goelzer's analysis of Obsidian included the operations of the parent company as well as Danzer, United, U.S. Rubber, Classic, Pyramid, and Obsidian Leasing. In order to segregate these operating companies from the consolidated SEC filings for Obsidian, Goelzer worked with the Chief Financial Officer of Obsidian and was provided with separate detailed audited financial statements for each of the operating companies.

Goelzer approached the valuation by focusing on three methodologies to value the common equity in assessing the fairness of the consideration to be received by the unaffiliated stockholders: asset approach, market comparable approach and income approach. As is discussed below, the Income Approach was selected as the most appropriate method for valuing Obsidian.

Market Approach

Given that many of Obsidian's subsidiaries operate in distinct industries, Goelzer attempted to value each individual operating company by comparing its performance to that of industry peers. However, the industries in which Obsidian's subsidiaries operate are highly fragmented and composed of mostly small, privately-owned competitors. U.S. Rubber, for example, appears to be the last company of its type in North America. As a result, limited comparable companies existed with which to compare each operating company. Given the limited availability of any reasonable comparable companies or similar transactions, Goelzer disregarded the use of the market comparable approach.

Asset Approach

Obsidian's Chief Financial Officer and Chief Operating Officer provided Goelzer with independently prepared appraisals on its real estate and equipment. Additionally, these officers provided a current balance sheet disclosing other assets and liabilities, including interest-bearing debt. Based on the asset appraisals provided to Goelzer relative to the company's current debt, the adjusted net book value (as shown on the following page) resulted in a negative net book value. Like the market approach, the asset-based approach was also disregarded. The unadjusted and adjusted consolidated balance sheet as of March 31, 2005, the most current information available, is listed below. The adjusted balance sheet reflects eliminations of inter-company payables and receivables. Additionally, the adjusted asset value for each wholly-owned subsidiary reflects the net asset value of each subsidiary, factoring in the recent asset appraisals provided.

Income Approach

As a result of the above-described analysis of the market and asset approaches, Goelzer's valuation relied primarily on the income approach. In Goelzer's opinion, although there continues to be significant ongoing risk, the value of the Company as a going concern, as measured by the income approach, provides the best estimate of fair value.

Goelzer reviewed certain financial projections provided by the Chief Financial Officer of Obsidian. Individual subsidiary and consolidated revenue and expense projections were provided for years 2005 through 2009. Goelzer converted the income projections into cash flow projections by factoring in capital expenditures, projected changes in working capital and adjustments for depreciation and amortization. Goelzer derived Obsidian's debt-free enterprise value of $45.9 million by discounting these adjusted cash flows at a cost of capital that reflects a reasonable rate of return demanded by investors in such companies, factoring in Obsidian's size and any industry-specific risks. Obsidian's weighted average cost of capital was determined to be 10.12%. This is comparable to the 10.87% average WACC for members of the Russell 2000 Index below $100 million in market capitalization or the 10.62% WACC for the lowest decile companies in Standard & Poor's Small Cap 600 Index, based on market capitalization.

Goelzer then subtracted the Company's interest-bearing debt from this enterprise value to determine the fair value of the common equity to be $5.6 million. The current outstanding debt schedule for Obsidian and its subsidiaries as of March 31, 2005 is as follows:

Debt Schedule

	3/31/05 Balance	Rate Terms	% of Total Debt
U.S. Rubber Reclaiming			
Line of Credit	2,524,527	6.25%	6.26%
Note Payable	2,666,668	6.75%	6.61%
Note Payable Related Parties	414,138	15.00%	1.03%
Sub-Total	**5,605,333**		
Obsidian Leasing & Pyramid Coach			
Note Payable	3,359,031	8.00%	8.33%
Note Payable Related Parties	3,140,097	12.00%	7.78%
Sub-Total	**6,499,128**		
Danzer			
Note Payable Fair Holdings	1,942,634	5.99%	4.82%
Sub-Total	**1,942,634**		
Classic			
Note Payable	588,677	6.25%	1.46%
Line of Credit	904,995	12.00%	2.24%
Sub-Total	**1,493,672**		
United			
1st Indiana Line of Credit	2,500,000	6.50%	6.20%
Auto Loan	15,444	9.00%	0.04%
Note Payable	4,854,865	8.00%	12.04%
Sub-Total	**7,370,309**		
Obsidian Enterprises			
Line of Credit Fair Holdings	15,484,000	10.00%	38.39%
Note Payable Bank	500,000	6.75%	1.24%
Note Payable DC Investments	995,000	15.00%	2.47%
Common Stock Redeemed	446,000	n/a	1.11%
Sub-Total	**17,425,000**		

	3/31/05 Balance	Rate Terms	% of Total Debt
Total Debt	**40,336,076**	**100%**	
Weighted Average Borrowing Rate	**8.9%**		

RECENT TRADING HISTORY

Goelzer analyzed the trading history of shares of Obsidian common stock over the past 12 months. On average, 527 shares of common stock traded on any given day the market was open. Considering only the days in which the shares of common stock traded, only 1,527 shares of common stock traded on average. During the 60-day period ended June 21, 2005 274 shares of common stock traded on average (767 shares of common stock counting only days in which Obsidian shares traded). By comparison, over the last six months, the average daily trading volume for the smallest members of the Russell 2000 Index (companies below $100 million in market capitalization) was 484,772 shares per day. The average trading daily trading volume for members of the lowest decile of the S&P 600 Small Cap Index was 190,608 shares per day during this same six month period. Stockholders of Obsidian do not have near the activity that investors in other small cap companies experience, in comparison to the S&P and Russell indices. An investor in shares of Obsidian common stock would bear added risk to hold such illiquid shares.

OTC BB: OBDE.OB
Source: Yahoo! Finance

Date	Open	High	Low	Close	Adj. Close*	Avg. High / Low	Volume	Traded Days
5/27/05	1.20	1.20	1.20	1.20	$ 1.20	$ 1.20	0	
5/26/05	1.20	1.20	1.20	1.20	$ 1.20	$ 1.20	200	200
5/25/05	1.49	1.49	1.49	1.49	$ 1.49	$ 1.49	0	
5/24/05	1.49	1.49	1.49	1.49	$ 1.49	$ 1.49	0	
5/23/05	1.49	1.49	1.49	1.49	$ 1.49	$ 1.49	0	
5/20/05	1.50	1.50	1.20	1.49	$ 1.49	$ 1.35	2,300	2,300
5/19/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	0	
5/18/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	0	
5/17/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	0	
5/16/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	400	400
5/13/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	0	
5/12/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	0	
5/11/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	600	600
5/10/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	600	600
5/9/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	0	
5/6/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	400	400
5/5/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	0	
5/4/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	0	
5/3/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	400	400
5/2/05	1.50	1.50	1.50	1.50	$ 1.50	$ 1.50	100	100
4/29/05	1.55	1.55	1.55	1.55	$ 1.55	$ 1.55	0	
4/28/05	1.55	1.55	1.55	1.55	$ 1.55	$ 1.55	0	
4/27/05	1.55	1.55	1.55	1.55	$ 1.55	$ 1.55	500	500
4/26/05	1.55	1.55	1.55	1.55	$ 1.55	$ 1.55	100	100
4/25/05	2.05	2.05	2.05	2.05	$ 2.05	$ 2.05	0	
4/22/05	2.05	2.05	2.05	2.05	$ 2.05	$ 2.05	0	
4/21/05	2.05	2.05	2.05	2.05	$ 2.05	$ 2.05	0	
4/20/05	2.05	2.05	2.05	2.05	$ 2.05	$ 2.05	0	
4/19/05	2.05	2.05	2.05	2.05	$ 2.05	$ 2.05	1,000	1,000
4/18/05	2.05	2.05	2.05	2.05	$ 2.05	$ 2.05	0	
4/15/05								