

United States  
 Securities and Exchange Commission  
 Washington, D.C. 20549

Form 10-Q

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002.

OR

\_\_\_\_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 001-31303

Black Hills Corporation  
 Incorporated in South Dakota IRS Identification Number 46-0458824

625 Ninth Street  
 Rapid City, South Dakota 57701

Registrant's telephone number (605)-721-1700

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

NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the last practicable date.

Class	Outstanding at October 31, 2002
Common stock, \$1.00 par value	26,903,626 shares

1

BLACK HILLS CORPORATION

I N D E X

	Page Number	
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Consolidated Statements of Income- Three and Nine Months Ended September 30, 2002 and 2001	3
	Condensed Consolidated Balance Sheets- September 30, 2002, December 31, 2001 and September 30, 2001	4
	Condensed Consolidated Statements of Cash Flows- Nine Months Ended September 30, 2002 and 2001	5
	Notes to Condensed Consolidated Financial Statements	6-23
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24-44
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	44
Item 4.	Controls and Procedures	44
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	45
Item 6.	Exhibits and Reports on Form 8-K	45
Signatures		47

BLACK HILLS CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
	(in thousands, except per share amounts)			
Operating revenues	\$ 112,572	\$ 94,813	\$ 312,215	\$ 365,800
Operating expenses:				
Fuel and purchased power	22,426	18,680	52,695	64,994
Operations and maintenance	16,670	15,252	47,296	43,051
Administrative and general	15,264	12,165	46,118	58,262
Depreciation, depletion and amortization	17,691	14,201	52,027	38,605
Taxes, other than income taxes	5,983	5,656	17,889	16,637
	-----	-----	-----	-----
	78,034	65,954	216,025	221,549
	-----	-----	-----	-----
Equity in earnings of unconsolidated affiliates	907	1,958	4,187	11,066
	-----	-----	-----	-----
Operating income	35,445	30,817	100,377	155,317
	-----	-----	-----	-----
Other income (expense):				
Interest expense	(10,020)	(9,213)	(30,171)	(29,181)
Interest income	428	725	1,748	1,804
Other expense	(864)	(713)	(206)	(1,024)
Other income	385	5,807	2,654	10,133
	-----	-----	-----	-----
	(10,071)	(3,394)	(25,975)	(18,268)
	-----	-----	-----	-----
Income from continuing operations before minority interest, income taxes and change in accounting principle	25,374	27,423	74,402	137,049
Minority interest	1,488	163	(2,614)	(4,408)
Income taxes	(9,413)	(10,582)	(24,725)	(49,672)
	-----	-----	-----	-----
Income from continuing operations before change in accounting principle	17,449	17,004	47,063	82,969
Income (Loss) from discontinued operations, net of taxes	-	(638)	(2,637)	342
Change in accounting principle, net of taxes	-	-	896	-
	-----	-----	-----	-----
Net income	17,449	16,366	45,322	83,311
Preferred stock dividends	(56)	(131)	(168)	(473)
	-----	-----	-----	-----
Net income available for common stock	\$ 17,393	\$ 16,235	\$ 45,154	\$ 82,838
	=====	=====	=====	=====
Weighted average common shares outstanding:				
Basic	26,835	26,425	26,778	24,988
	=====	=====	=====	=====
Diluted	27,078	26,802	27,052	25,404
	=====	=====	=====	=====
Earnings per share:				
Basic-				
Continuing operations	\$ 0.65	\$ 0.64	\$ 1.75	\$ 3.30
Discontinued operations	-	(0.03)	(0.09)	.02
Change in accounting principle	-	-	0.03	-
	-----	-----	-----	-----
Total	\$ 0.65	\$ 0.61	\$ 1.69	\$ 3.32
	=====	=====	=====	=====
Diluted-				
Continuing operations	\$ 0.64	\$ 0.63	\$ 1.74	\$ 3.27
Discontinued operations	-	(0.02)	(0.09)	0.01
Change in accounting principle	-	-	0.03	-
	-----	-----	-----	-----
Total	\$ 0.64	\$ 0.61	\$ 1.68	\$ 3.28
	=====	=====	=====	=====
Dividends paid per share of common stock	\$ 0.29	\$ 0.28	\$ 0.87	\$ 0.84
	=====	=====	=====	=====

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

BLACK HILLS CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(unaudited)

	September 30 2002 ----	December 31 2001 ----	September 30 2001 ----
	(in thousands, except share amounts)		
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 74,778	\$ 29,956	\$ 52,057
Securities available-for-sale	-	3,550	3,770
Receivables (net of allowance for doubtful accounts of \$3,361, \$5,913 and \$5,226, respectively) -	157,754	110,831	116,898
Derivative assets	44,244	38,144	62,383
Other assets	40,571	29,992	36,455
Assets of discontinued operations	-	10,090	12,971
	-----	-----	-----
	317,347	222,563	284,534
	-----	-----	-----
Investments	19,920	59,895	61,284
	-----	-----	-----
Property, plant and equipment	1,829,247	1,564,664	1,499,231
Less accumulated depreciation and depletion	(398,137)	(328,325)	(312,109)
	-----	-----	-----
	1,431,110	1,236,339	1,187,122
	-----	-----	-----
Other assets:			
Derivatives assets	2,244	6,407	1,752
Goodwill	30,182	28,693	30,169
Intangible assets	79,369	86,528	65,083
Other	23,750	18,342	16,824
	-----	-----	-----
	135,545	139,970	113,828
	-----	-----	-----
	\$ 1,903,922	\$ 1,658,767	\$ 1,646,768
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 142,464	\$ 96,218	\$ 103,627
Accrued liabilities	41,912	39,085	54,835
Current maturities of long-term debt	17,306	35,904	20,513
Notes payable	383,521	360,450	319,000
Derivative liabilities	47,831	42,681	64,121
Liabilities of discontinued operations	-	8,820	11,777
	-----	-----	-----
	633,034	583,158	573,873
	-----	-----	-----
Long-term debt, net of current maturities	561,399	415,798	434,993
	-----	-----	-----
Deferred credits and other liabilities:			
Federal income taxes	104,855	75,302	64,629
Derivative liabilities	10,897	7,119	1,636
Other	42,294	42,693	39,690
	-----	-----	-----
	158,046	125,114	105,955
	-----	-----	-----
Minority interest in subsidiaries	16,616	19,533	25,940
	-----	-----	-----
Stockholders' equity:			
Preferred stock - no par Series 2000-A; 21,500 shares authorized; Issued and Outstanding: 5,177 shares	5,549	5,549	5,549
	-----	-----	-----
Common stock equity-			
Common stock \$1 par value; 100,000,000 shares authorized; Issued: 27,056,390; 26,890,943 and 26,830,267 shares, respectively	27,056	26,891	26,830
Additional paid-in capital	243,599	240,454	238,506
Retained earnings	272,339	250,515	253,240
Treasury stock, at cost	(1,756)	(4,503)	(8,841)
Accumulated other comprehensive loss	(11,960)	(3,742)	(9,277)
	-----	-----	-----
	529,278	509,615	500,458
	-----	-----	-----
Total stockholders' equity	534,827	515,164	506,007
	-----	-----	-----
	\$ 1,903,922	\$ 1,658,767	\$ 1,646,768
	=====	=====	=====

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

BLACK HILLS CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Nine Months Ended September 30	
	2002	2001
	-----	-----
	(in thousands)	
Operating activities:		
Net income available for common	\$ 45,154	\$ 82,838
Adjustments to reconcile net income available for common to net cash provided by operating activities:		
(Income) loss from discontinued operations	2,637	(342)
Depreciation, depletion and amortization	52,027	38,605
Net change in derivative assets and liabilities	(5,286)	(10,978)
Deferred income taxes	34,237	1,950
Undistributed earnings in associated companies	(4,328)	(8,580)
Minority interest	2,614	4,408
Accounting change	(896)	-
Change in operating assets and liabilities-		
Accounts receivable and other current assets	(53,085)	166,045
Accounts payable and other current liabilities	48,012	(132,854)
Other, net	(6,361)	873
	-----	-----
	114,725	141,965
	-----	-----
Investing activities:		
Property, plant and equipment additions	(174,946)	(441,778)
Payment for acquisition of net assets, net of cash acquired	(23,229)	(10,410)
Payment for intangible assets, including goodwill	-	(50,413)
Payment for acquisition of minority interest	(3,617)	-
	-----	-----
	(201,792)	(502,601)
	-----	-----
Financing activities:		
Dividends paid on common stock	(23,326)	(20,752)
Treasury stock sold, net	2,747	226
Common stock issued	3,310	167,980
Increase in short-term borrowings, net	23,071	108,000
Long-term debt - issuance	156,133	145,649
Long-term debt - repayments	(29,130)	(11,195)
Subsidiary distributions to minority interests	(916)	(1,505)
	-----	-----
	131,889	388,403
	-----	-----
Increase in cash and cash equivalents	44,822	27,767
Cash and cash equivalents:		
Beginning of period	29,956	24,290
	-----	-----
End of period	\$ 74,778	\$ 52,057
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for-		
Interest	\$ 31,240	\$ 28,776
Income taxes	\$ 754	\$ 34,800
Non-cash net assets acquired through issuance of common and preferred stock	\$ -	\$ 3,628

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

BLACK HILLS CORPORATION

Notes to Condensed Consolidated Financial Statements  
(unaudited)

(Reference is made to Notes to Consolidated Financial  
Statements included in the Company's Annual  
Report on Form 10-K)

(1) MANAGEMENT'S STATEMENT

The financial statements included herein have been prepared by Black Hills Corporation (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the footnotes adequately disclose the information presented. These financial statements should be read in conjunction with the financial statements and the notes thereto, included in the Company's 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Accounting methods historically employed require certain estimates as of interim dates. The information furnished in the accompanying financial statements reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the September 30, 2002, December 31, 2001 and September 30, 2001, financial information and are of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2002, are not necessarily indicative of the results to be expected for the full year. All earnings per share amounts discussed refer to diluted earnings per share unless otherwise noted.

(2) RECLASSIFICATIONS

Realized and unrealized gains and losses under energy trading contracts in the energy marketing segment have been reclassified to be presented on a net basis in Operating revenues on the accompanying Condensed Consolidated Statements of Income in accordance with Emerging Issues Task Force (EITF) Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities. If the company had reported these items on a gross basis, both operating revenues and fuel and purchased power costs would have been \$264.4 million and \$195.0 million higher for the three months ended September 30, 2002 and 2001, respectively, and \$752.7 million and \$879.3 million more for the nine months ended September 30, 2002 and 2001, respectively. The net presentation of these items rather than a gross presentation has no impact on operating income or net income.

In addition, certain other 2001 amounts in the financial statements have been reclassified to conform to the 2002 presentation. These reclassifications did not have an effect on the Company's total stockholders' equity or net income available for common stock as previously reported.

(3) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred with the associated asset retirement costs being capitalized as part of the carrying amount of the long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Management will adopt SFAS 143 effective January 1, 2003 and is currently evaluating the effects adoption will have on the Company's consolidated financial statements.

During June 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issues 1 and 3 of EITF Issue No. 02-3, "Recognition and Reporting of Gains and Losses on Energy Trading Contracts under EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," and No. 00-17, "Measuring the Fair Value of Energy-Related Contracts in Applying Issue No. 98-10."

At a meeting on October 25, 2002, the EITF reached new consensuses that effectively supersede the consensus on EITF 02-3, reached at its June 2002 meeting. At its October 2002 meeting, the EITF reached a consensus to rescind EITF 98-10, the impact of which is to preclude mark-to-market accounting for all energy trading contracts not within the scope of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The EITF also reached a consensus that gains and losses on derivative instruments within the scope of Statement 133 should be shown net in the income statement if the derivative instruments are held for trading purposes. The consensus regarding the rescission of Issue 98-10 is applicable for fiscal periods beginning after December 15, 2002. Energy trading contracts not within the scope of Statement 133 entered into after October 25, 2002, but prior to the implementation of the consensus are not permitted to apply mark-to-market accounting. The Company has not yet quantified the financial statement effect of this EITF action. The Company currently reports its energy trading activities on a net basis.

(4) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations," (SFAS 141) and No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). The Company has adopted SFAS 141, which requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but the carrying values are reviewed annually (or more frequently if impairment indicators arise) for impairment. If the carrying value exceeds the fair value, an impairment loss shall be recognized. A discounted cash flow approach was used to determine fair value of the Company's businesses for the purposes of testing for impairment. Intangible assets with a defined life will continue to be amortized over their useful lives (but with no maximum life). The Company adopted SFAS 142 on January 1, 2002.

The pro forma effects of adopting SFAS No. 142 for the three and nine month periods ended September 30, 2002 and 2001 are as follows (in thousands):

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
	----	----	----	----
Net income as reported	\$17,393	\$16,235	\$45,154	\$82,838
Cumulative effect of change in accounting principle, net of tax	-	-	(896)	-
Cumulative effect of change in accounting principle included in "Discontinued operations," net of tax	-	-	755	-
	-----	-----	-----	-----
Income excluding cumulative effect of change in accounting principle	17,393	16,235	45,013	82,838
Add: goodwill amortization	-	384	-	1,179
	-----	-----	-----	-----
Adjusted net income	\$17,393	\$16,619	\$45,013	\$84,017
	=====	=====	=====	=====

The cumulative effect adjustment recognized upon adoption of SFAS 142 was \$0.1 million (after tax), which had only a nominal impact on earnings per share. The adjustment consisted of income from the after-tax write-off of negative goodwill from prior acquisitions in our power generation segment of \$0.9 million, offset by a \$0.8 million after-tax write-off for the impairment of goodwill related to our discontinued coal marketing operations (Note 5). The goodwill impairment was a result of changes in the criteria for the measurement of impairments from an undiscounted to a discounted cash flow method. If SFAS 142 had been adopted on January 1, 2001, net income would have been lower for the nine-month period ended September 30, 2002 by \$0.1 million, or \$0.01 per share. The three and nine-month periods ended September 30, 2001 would have been higher by \$0.4 million, or \$0.01 per share and \$1.2 million, or \$0.05 per share.

The substantial majority of the Company's goodwill and intangible assets are contained within the Power Generation segment. Changes to goodwill and intangible assets during the nine-month period ended September 30, 2002, including the effects of adopting SFAS No. 142, but excluding amounts from discontinued operations, are as follows (in thousands):

	Goodwill	Other Intangible Assets
Balance at December 31, 2001, net of accumulated amortization	\$28,693	\$86,528
Change in accounting principle	1,492	-
Additions	-	10,080
Adjustments	(3)	(14,108)
Amortization expense	-	(3,131)
	-----	-----
Balance at September 30, 2002, net of accumulated amortization	\$30,182	\$79,369
	=====	=====

On September 30, 2002, intangible assets totaled \$79.4 million, net of accumulated amortization of \$7.6 million. Intangible assets are primarily related to site development fees and above-market long-term contracts, and all have definite lives ranging from 5 to 40 years, over which they continue to be amortized. Amortization expense for existing intangible assets for the next five years is expected to be approximately \$4.2 million a year.

Intangible asset additions during the nine month period ended September 30, 2002 were primarily the result of a \$9.3 million addition related to preliminary purchase allocations in the acquisition of additional ownership interest in the Harbor Cogeneration Facility (See Note 13). This intangible asset primarily relates to an acquired ownership of additional interest in a contract termination payment stream at the facility.

Adjustments of intangible assets during the nine-month period ended September 30, 2002 primarily relate to final adjustments to the preliminary purchase price allocation of the Company's third quarter 2001 Las Vegas Cogeneration acquisition.

In addition, during the first quarter of 2002, the Company had a \$0.4 million (pre-tax) impairment loss of certain intangibles at the Company's discontinued coal marketing business as a result of a weak coal market. The intangible assets are included in "Assets of discontinued operations" on the accompanying Condensed Consolidated Balance Sheets and the related impairment loss is included in "(Loss) Income from discontinued operations" on the accompanying Condensed Consolidated Statements of Income.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 supersedes FASB Statement 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121) and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (APB 30). SFAS 144 establishes a single accounting model for long-lived assets to be disposed of by sale and resolves implementation issues related to SFAS 121. The Company adopted SFAS 144 effective January 1, 2002. Adoption did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

(5) DISCONTINUED OPERATION

During the second quarter of 2002, the Company adopted a plan to dispose of its coal marketing subsidiary, Black Hills Coal Network. The sale and disposal was finalized in July 2002. In connection with the plan of disposal, the Company determined that the carrying values of some of the underlying assets exceeded their fair values and a charge to operations was required.

Consequently, in the second quarter of 2002 the Company recorded an after-tax charge of approximately \$1.0 million, which represents the difference between the carrying values of the assets and liabilities of the subsidiary versus their fair values, less cost to sell. The disposition has been accounted for under the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, results of operations and the related charge have been classified as "Discontinued



operations" in the accompanying Condensed Consolidated Statements of Income, and prior periods have been restated. For business segment reporting purposes, the coal marketing business results were previously included in the segment "Energy marketing."

Gross margins on energy trading contracts and net income from the discontinued operation are as follows (in thousands):

	Three Months September 30		Nine Months September 30	
	2002	2001	2002	2001
	----	----	----	----
Gross margins on energy trading contracts	\$ 190	\$ 54	\$ (235)	\$2,873
	-----	-----	-----	-----
Pre-tax income (loss) from discontinued operation	65	(1,061)	(2,679)	648
Pre-tax loss on disposal	(65)	-	(1,588)	-
Income tax benefit (expense)	-	423	1,630	(306)
	-----	-----	-----	-----
Net (loss) income from discontinued operations	\$ -	\$ (638)	\$ (2,637)	\$ 342
	=====	=====	=====	=====

Assets and liabilities of the discontinued operation are as follows (in thousands):

	December 31 2001	September 30 2001
	----	----
Current assets	\$7,878	\$11,429
Non-current assets	2,212	1,542
Current liabilities	(8,724)	(11,777)
Non-current liabilities	(96)	-
	-----	-----
Net assets of discontinued operations	\$1,270	\$ 1,194
	=====	=====

## EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share gives effect to all dilutive potential common shares outstanding during a period. A reconciliation of "Income from continuing operations" and basic and diluted share amounts is as follows:

Periods ended September 30, 2002 (in thousands)	Three Months -----		Nine Months -----	
	Income	Average Shares	Income	Average Shares
Income from continuing operations	\$17,449		\$47,063	
Less: preferred stock dividends	(56)		(168)	
	-----		-----	
Basic - available for common shareholders	17,393	26,835	46,895	26,778
Dilutive effect of:				
Stock options	-	69	-	100
Convertible preferred stock	56	148	168	148
Others	-	26	-	26
	-----	-----	-----	-----
Diluted - available for common shareholders	\$17,449	27,078	\$47,063	27,052
	=====	=====	=====	=====
Periods ended September 30, 2001 (in thousands)	Three Months -----		Nine Months -----	
	Income	Average Shares	Income	Average Shares
Income from continuing operations	\$17,004		\$82,969	
Less: preferred stock dividends	(131)		(473)	
	-----		-----	
Basic - available for common shareholders	16,873	26,425	82,496	24,988
Dilutive effect of:				
Stock options	-	204	-	243
Convertible preferred stock	131	148	473	148
Others	-	25	-	25
	-----	-----	-----	-----
Diluted - available for common shareholders	\$17,004	26,802	\$82,969	25,404
	=====	=====	=====	=====

(7) COMPREHENSIVE INCOME

The following table presents the components of the Company's comprehensive income:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
	----	----	----	----
	(in thousands)			
Net income	\$17,449	\$16,366	\$45,322	\$83,311
Other comprehensive income:				
Unrealized gain (loss) on available-for-sale securities	-	507	(219)	1,657
Reclassification adjustment for unrealized gain on available-for-sale securities included in net income	-	-	(406)	-
Initial impact of adoption of SFAS 133, net of minority interest	-	-	-	(7,518)
Fair value adjustment on derivatives designated as cash flow hedges	(4,875)	(5,173)	(7,593)	(2,603)
	-----	-----	-----	-----
Comprehensive income	\$12,574	\$11,700	\$37,104	\$74,847
	=====	=====	=====	=====

(8) CHANGES IN COMMON STOCK

Other than the following transactions, the Company had no other changes in its common stock, as reported in Note 4 of the Company's 2001 Annual Report on Form 10-K.

- o The Company granted 111,985 stock options at a weighted average exercise price of \$34.42 per share.
- o 110,864 stock options were exercised at a weighted average exercise price of \$20.84 per share.
- o The Company issued 26,047 restricted shares of common stock to certain officers. Compensation cost related to the award was \$0.9 million, which is being expensed over the vesting period ranging from two to three years.
- o The Company issued 41,840 shares of common stock under its dividend reinvestment plan.
- o The Company issued 12,743 shares of common stock under its employee stock purchase plan at a price of \$27.08 per share.
- o The Company issued 45,043 shares of common stock under the short-term incentive compensation plan. Compensation cost related to the award was \$1.3 million which was accrued for in 2001.

(9) CHANGES IN LONG-TERM DEBT AND NOTES PAYABLE

On January 4, 2002, the Company closed on a \$50.0 million bridge credit agreement. The credit agreement supplemented our revolving credit facilities and had the same terms as those facilities. The bridge credit agreement had an original expiration date of June 30, 2002, which was subsequently extended to September 27, 2002. On September 27, 2002, this \$50 million facility was replaced by a \$50 million secured financing for the expansion at our Las Vegas II project, a 224-megawatt gas-fired generation facility located in North Las Vegas, Nevada which expires on November 26, 2002. This financing is guaranteed by the Company.

On March 14, 2002, the Company closed on \$135 million five-year senior secured project-level financing for the Arapahoe and Valmont Facilities. These projects have a total of 210 megawatts in service and are located in the Denver, Colorado area. Proceeds from this financing were used to refinance \$53.8 million of an existing seven-year, senior-secured term project-level facility, pay down approximately \$50.0 million of short-term credit facility borrowings and approximately \$31.2 million was used for project construction. At September 30, 2002, all of the \$135 million financing had been utilized.

On June 18, 2002, the Company closed on a \$75 million bridge credit agreement. This credit agreement bridged the issuance of \$75 million of Black Hills Power First Mortgage Bonds, which were issued on August 13, 2002. The termination date of the bridge credit agreement was August 13, 2002, the date on which the First Mortgage Bonds were issued.

On June 28, 2002, Enserco Energy closed on a \$135 million uncommitted, discretionary credit facility, which became effective July 1, 2002 and expires June 27, 2003. This facility replaced the \$75 million Enserco Energy facility.

On August 13, 2002, the Company's electric utility subsidiary, Black Hills Power, Inc., issued \$75 million of First Mortgage Bonds, Series AE, due 2032. The First Mortgage Bonds have a 7.23 percent coupon with interest payable semiannually, commencing February 15, 2003. Net proceeds from the offering were and will be used to fund the Company's portion of construction and installation costs for an AC-DC-AC Converter Station; for general capital expenditures for the remainder of 2002 and 2003; to repay a portion of current bank indebtedness; to satisfy bond maturities for certain outstanding first mortgage bonds due in 2003; and for general corporate purposes.

In August 2002, the Company closed on a \$195 million unsecured revolving credit facility that expires August 26, 2003. The credit facility extended the Company's previous \$200 million 364-day credit facility that expired on August 27, 2002. Interest rates under the facility vary and are based, at the option of the Company at the time of loan origination, on either (i) a prime based borrowing rate varying from prime rate to prime rate plus 0.40 percent, or (ii) on a London Interbank Offered Rate (LIBOR) based borrowing rate varying from LIBOR plus 0.420 percent to LIBOR plus 1.40 percent.

On September 25, 2002, the Company closed on a \$35 million two-year unsecured credit agreement. Proceeds were used to fund the Company's working capital needs and for general corporate purposes. Interest rates under the facility vary and are based, at the option of the Company at the time of loan origination, on either (i) a prime based borrowing rate varying from prime rate to prime rate plus 0.875 percent, or (ii) on a London Interbank Offered Rate (LIBOR) based borrowing rate varying from LIBOR plus 1.0 percent to LIBOR plus 1.875 percent.

The Company's credit facilities include certain restrictive covenants that are common in such arrangements. Such covenants include a consolidated net worth in an amount of not less than the sum of \$375 million and 50 percent of the aggregate consolidated net income beginning June 30, 2001; a recourse leverage ratio not to exceed 0.65 to 1.00; an interest coverage ratio of not less than 3.00 to 1.00; and restrictions on the ability to dividend cash to the parent company at certain subsidiaries with project level financing or subsidiary credit facilities. Approximately \$46 million of the cash balance at September 30, 2002 was restricted by subsidiary debt agreements for such purposes. If these covenants are violated, it would be considered an event of default entitling the lender to terminate the remaining commitment and accelerate all principal and interest outstanding. In addition, certain of the Company's interest rate swap agreements include cross-default provisions. These provisions would allow the counterparty the right to terminate the swap agreement and liquidate at a prevailing market rate, in the event of default. The Company complied with all the covenants at September 30, 2002.

The \$195 million 364-day credit facility, the \$200 million three-year credit facility, and the \$35 million two-year credit facility contain a liquidity covenant that requires the Company to have \$30 million in liquid assets as of the last day of each fiscal quarter beginning with December 31, 2002. Liquid assets are defined as unrestricted cash and available unused capacity under the Company's credit facilities.

Some of the facilities previously had a covenant whereby we were required to maintain a credit rating of at least "BBB-" from Standard & Poor's or "Baa3" from Moody's Investor Service. The facilities that contained the rating triggers were amended during the second quarter of 2002 to remove default provisions pertaining to our credit rating status.

Other than the above transactions, the Company had no other material changes in its consolidated indebtedness, as reported in Notes 6 and 7 of the Company's 2001 Annual Report on Form 10-K.

(10) SUMMARY OF INFORMATION RELATING TO SEGMENTS OF THE COMPANY'S BUSINESS

The Company's reportable segments are those that are based on the Company's method of internal reporting, which generally segregates the strategic business groups due to differences in products, services and regulation. As of September 30, 2002, substantially all of the Company's operations and assets are located within the United States. The Company's operations are conducted through six reporting segments that include: Integrated Energy group consisting of the following segments: Mining, which engages in the mining and sale of coal from its mine near Gillette, Wyoming; Oil and Gas, which produces, explores and operates oil and gas interests located in the Rocky Mountain region, Texas, California and other states; Energy Marketing, which markets natural gas, oil and related services to customers in the Midwest, Southwest, Rocky Mountain, West Coast and Northwest regions and transports crude oil in Texas; Power Generation, which produces and sells power to wholesale customers; Electric group and segment, which supplies electric utility service to western South Dakota, northeastern Wyoming and southeastern Montana; and Communications group and segment, which primarily markets communications and software development services.

Segment information follows the same accounting policies as described in Note 1 of the Company's 2001 Annual Report on Form 10-K. In accordance with the provisions of SFAS No. 71, intercompany fuel sales to the electric utility are not eliminated. Segment information included in the accompanying Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Income is as follows (in thousands):

	External Operating Revenues	Inter-segment Operating Revenues	Income (loss) from Continuing Operations
Quarter to Date September 30, 2002			
Energy marketing	\$ 9,388*	\$ -	\$ 3,130
Power generation	34,700	-	4,822
Oil and gas	6,561	-	1,066
Mining	5,531	2,778	2,103
Electric	45,220	71	8,304
Communications	8,392	-	(1,453)
Corporate	-	-	(518)
Intersegment eliminations	-	(69)	(5)
	-----	-----	-----
Total	\$ 109,792 =====	\$ 2,780 =====	\$ 17,449 =====

\*Operating revenues presented for Energy marketing represent trading margins.  
See Note 2.

	External Operating Revenues	Inter-segment Operating Revenues	Income (loss) from Continuing Operations
Quarter to Date September 30, 2001			
Energy marketing	\$ 9,692*	\$ -	\$ 4,536
Power generation	21,544	-	1,246
Oil and gas	8,496	-	2,804
Mining	4,023	2,847	3,876
Electric	43,057	461	7,929
Communications	5,154	1,090	(2,661)
Corporate	-	-	(614)
Intersegment eliminations	-	(1,551)	(112)
	-----	-----	-----
Total	\$ 91,966 =====	\$ 2,847 =====	\$ 17,004 =====

\*Operating revenues presented for Energy marketing represent trading margins.  
See Note 2.

	External Operating Revenues	Inter-segment Operating Revenues	Income (loss) from Continuing Operations
Year to Date September 30, 2002			
Energy marketing	\$ 21,722*	\$ -	\$ 7,033
Power generation	102,849	-	13,775
Oil and gas	19,515	-	3,227
Mining	15,241	8,150	6,932
Electric	120,583	203	22,918
Communications	24,155	-	(5,729)
Corporate	-	-	(1,081)
Intersegment eliminations	-	( 203)	(12)
	-----	-----	-----
Total	\$304,065 =====	\$ 8,150 =====	\$ 47,063 =====

\*Operating revenues presented for Energy marketing represent trading margins.  
See Note 2.

	External Operating Revenues	Inter-segment Operating Revenues	Income (loss) from Continuing Operations
Year to Date September 30, 2001			
Energy marketing	\$ 71,795*	\$ -	\$30,910
Power generation	56,061	-	3,827
Oil and gas	26,353	-	8,723
Mining	14,681	8,333	8,499
Electric	174,915	783	42,053
Communications	13,662	3,307	(9,343)
Corporate	-	-	(1,081)
Intersegment eliminations	-	(4,090)	(619)
	-----	-----	-----
Total	\$357,467 =====	\$ 8,333 =====	\$82,969 =====

\*Operating revenues presented for Energy marketing represent trading margins.  
See Note 2.

Other than the following transactions, the Company had no other material changes in total assets of its reporting segments, as reported in Note 14 of the Company's 2001 Annual Report on Form 10-K, beyond discontinuing the coal marketing operations (Note 5) previously included in the "Energy Marketing" segment and changes resulting from normal operating activities.

The Power Generation segment had a net addition to non working capital assets of approximately \$106 million primarily related to ongoing construction of the expansions at the Las Vegas Cogeneration II and Arapahoe facilities and the acquisition of additional ownership interest at the Harbor Cogeneration facility (Note 13).

The Energy Marketing segment acquired additional ownership interests in pipelines for \$17.7 million (Note 13).

(11) RISK MANAGEMENT ACTIVITIES

The Company actively manages its exposure to certain market risks as described in Note 2 of the Company's Annual Report on Form 10-K. Details of derivative and hedging activities included in the accompanying Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Income are as follows:

Energy Marketing Activities

The Company's energy marketing operations fall under the purview of Statement of Financial Accounting Standard No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities" and Emerging Issues Task Force Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities" (EITF 98-10). As such, these activities are accounted for under mark-to-market accounting. The Company records the fair values of its trading derivatives as either Derivative assets and/or Derivative liabilities on the accompanying Condensed Consolidated Balance Sheet. The net gains or losses on all energy trading contracts are recorded as Revenues in the accompanying Condensed Consolidated Statements of Income. During the second quarter 2002, the Company's gas marketing subsidiary revised its estimates of fair values for certain derivatives valued using market based prices which include a "bid/offer" spread. The change in estimate resulted in a \$0.8 million reduction in net income versus amounts that would have been reported if the change in estimate had not occurred.

The contract or notional amounts and terms of the Company's derivative commodity instruments held for trading purposes are set forth below:

	September 30, 2002		December 31, 2001		September 30, 2001	
	Notional Amounts	Maximum Term in Years	Notional Amounts	Maximum Term in Years	Notional Amounts	Maximum Term in Years
(thousands of MMBtu's)	-----	-----	-----	-----	-----	-----
Natural gas basis swaps purchased	46,354	1	9,882	1	17,449	2
Natural gas basis swaps sold	54,686	1	10,696	1	18,940	2
Natural gas fixed-for float swaps purchased	15,295	1	10,646	2	13,102	1
Natural gas fixed-for-float swaps sold	21,054	1	11,815	2	13,279	1
Natural gas swing swaps purchased	-	-	465	1	2,635	1
Natural gas swing swaps sold	-	-	930	1	3,410	1
Natural gas physical purchases	48,273	2	13,159	1	12,925	1
Natural gas physical sales	43,296	1	19,339	1	19,896	1
Transport purchase	81,759	5	41,136	6	43,780	6
(thousands of barrels)						
Crude oil purchased	4,173	1	3,139	1	2,335	1
Crude oil sold	4,172	1	3,142	1	2,312	1
(megawatt-hours)						
Power purchased	30,475	1	-	-	-	-
Power sold	84,800	1	-	-	-	-



As required under SFAS 133 and EITF 98-10, derivatives and energy trading activities were marked to fair value and the gains and/or losses recognized in earnings. The amounts related to the accompanying Condensed Consolidated Balance Sheets and Statements of Income as of September 30, 2002, December 31, 2001, and September 30, 2001, are as follows (in thousands):

	Current Derivative Assets	Non-current Derivative Assets	Current Derivative Liabilities	Non-current Derivative Liabilities	Unrealized Gain
September 30, 2002	-----	-----	-----	-----	-----
Natural gas	\$37,009	\$2,232	\$30,443	\$1,441	\$7,357
Crude oil	6,624	-	5,849	-	775
Power generation	326	-	55	-	271
	-----	-----	-----	-----	-----
	\$43,959	\$2,232	\$36,347	\$1,441	\$8,403
	=====	=====	=====	=====	=====
December 31, 2001					
Natural gas	\$29,755	\$ 661	\$25,437	\$ 953	\$4,026
Crude oil	6,267	-	5,497	-	770
	-----	-----	-----	-----	-----
	\$36,022	\$ 661	\$30,934	\$ 953	\$4,796
	=====	=====	=====	=====	=====
September 30, 2001					
Natural gas	\$44,998	\$1,752	\$41,869	\$1,636	\$5,650
Crude oil	6,148	-	5,393	-	755
	-----	-----	-----	-----	-----
	\$51,146	\$1,752	\$47,262	\$1,636	\$6,405
	=====	=====	=====	=====	=====

At September 30, 2002, the Company had a mark to fair value unrealized gain of \$8.4 million for its energy marketing activities. Of this amount, \$7.6 million was current and \$0.8 million was non-current. Substantially all of the unrealized gain at September 30, 2002 results from "back to back" transactions. The Company anticipates that substantially all of the current portion of unrealized gains for hedged transactions will be realized during the next twelve months.

Non-trading Energy Activities

On September 30, 2002, December 31, 2001 and September 30, 2001, the Company had the following swaps and related balances for its non-trading energy operations (in thousands):

	Notional*	Maximum Terms in Years	Current Derivative Assets	Non-current Derivative Assets	Current Derivative Liabilities	Non-current Derivative Liabilities	Pre-tax Accumulated Other Comprehensive Income (Loss)	Pretax Income (Loss)
September 30, 2002								
Crude oil swaps	420,000	1	\$ 18	\$ 12	\$1,027	\$ 73	\$(1,003)	\$ (67)
Natural gas swaps	600,000	1	267	-	142	28	90	7
			\$ 285	\$ 12	\$1,169	\$ 101	\$(913)	\$ (60)
			=====	=====	=====	=====	=====	=====
December 31, 2001								
Crude oil swaps	90,000	1	\$ 529	\$ -	\$ -	\$ -	\$ 529	\$ -
Natural gas swaps	1,216,000	1	1,593	-	-	-	1,463	130
			\$ 2,122	\$ -	\$ -	\$ -	\$ 1,992	\$ 130
			=====	=====	=====	=====	=====	=====
September 30, 2001								
Crude oil swaps	141,000	1	\$ 312	\$ -	\$ -	\$ -	\$ 327	\$ (15)
Crude oil options	60,000	1	35	-	-	-	105	(70)
Natural gas swaps	1,676,000	1	2,277	-	-	-	2,184	93
			\$ 2,624	\$ -	\$ -	\$ -	\$ 2,616	\$ 8
			=====	=====	=====	=====	=====	=====

\*crude in bbls, gas in MMBtu's

Based on September 30, 2002 market prices, \$(0.9) million will be realized and reported in earnings during the next twelve months. These estimated realized losses for the next twelve months were calculated using September 30, 2002 market prices. Estimated and actual realized losses will likely change during the next twelve months as market prices change.

## Financing Activities

On September 30, 2002, December 31, 2001 and September 30, 2001, the Company's interest rate swaps and related balances were as follows (in thousands):

	Current Notional Amount	Weighted Average Fixed Interest Rate	Maximum Terms in Years	Current Derivative Assets	Non- current Derivative Assets	Current Derivative Liabilities	Non- current Derivative Liabilities	Pre-tax Accumulated Other Comprehensive Loss	Pre-tax Income (Loss)
September 30, 2002									
Swaps on project financing	\$213,636	5.99%	4	\$ -	\$ -	\$ 9,114	\$ 9,022	\$(18,136)	\$ -
Swaps on corporate debt	75,000	4.45%	2	-	-	1,201	333	(1,534)	-
<b>Total</b>	<b>\$288,636</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,315</b>	<b>\$ 9,355</b>	<b>\$(19,670)</b>	<b>\$ -</b>
December 31, 2001									
Swaps on project financing	\$316,397	5.85%	4	\$ -	\$ 5,746	\$ 10,212	\$ 5,949	\$(10,415)	\$ -
Swaps on corporate debt	75,000	4.45%	3	-	-	1,535	217	(1,752)	-
<b>Total</b>	<b>\$391,397</b>			<b>\$ -</b>	<b>\$ 5,746</b>	<b>\$ 11,747</b>	<b>\$ 6,166</b>	<b>\$(12,167)</b>	<b>\$ -</b>
September 30, 2001									
Swaps on project financing	\$318,906	5.86%	5	\$ -	\$ -	\$15,101	\$ -	\$(15,101)	\$ -
Swaps on corporate debt	75,000	4.45%	3	-	-	1,758	-	(1,758)	-
<b>Total</b>	<b>\$393,906</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,859</b>	<b>\$ -</b>	<b>\$(16,859)</b>	<b>\$ -</b>

Based on September 30, 2002 market interest rates, approximately \$10.3 million will be realized as additional interest expense during the next twelve months. Estimated and realized amounts will likely change during the next twelve months as market interest rates change.

At December 31, 2001, the Company had a \$100 million forward starting floating-to-fixed interest rate swap to hedge the anticipated floating rate debt financing related to the Company's Las Vegas Cogeneration expansion. This swap terminated during the second quarter 2002 and resulted in a \$1.1 million gain. This swap was treated as a cash flow hedge and accordingly in the second quarter of 2002 the resulting gain was carried in Accumulated Other Comprehensive Income on the Condensed Consolidated Balance Sheet and was to be amortized over the life of the anticipated long-term financing. In the third quarter of 2002, this cash flow hedge was determined to be ineffective due to uncertainties about the eventual timing and form of financing for this project. As a result, \$1.1 million was taken into earnings. The gain was offset by the expensing of approximately \$1.0 million of deferred financing costs related to the anticipated financing.

In addition, the Company entered into a \$50 million treasury lock to hedge a portion of the Company's \$75 million First Mortgage Bond offering completed in August 2002 (Note 9). The treasury lock cash settled on August 8, 2002, the bond pricing date, and resulted in a \$1.8 million loss. This treasury lock was treated as a cash flow hedge and accordingly the resulting loss is carried in Accumulated Other Comprehensive Loss on the Condensed Consolidated Balance Sheet and amortized over the life of the related bonds as additional interest expense.

(12) LEGAL PROCEEDINGS

In June 2002, a forest fire damaged approximately 11,000 acres of private and government land located near Deadwood and Lead, South Dakota. The fire destroyed approximately 20 structures (seven houses and 13 outbuildings) and caused the evacuation of the cities of Lead and Deadwood for approximately 48 hours.

The cause of the fire was investigated by the State of South Dakota. Alleged contact between power lines owned by the Company and undergrowth were implicated as the cause. The Company has initiated its own investigation into the cause of the fire, including the hiring of expert fire investigators, and that investigation is continuing.

The Company has been put on notice of potential private civil claims for property damage and business loss. In addition, the State of South Dakota initiated a civil action in the Seventh Judicial Circuit Court, Pennington County, South Dakota, seeking recovery of damages for fire suppression costs, reclamation and remediation. If it is determined that power line contact was the cause of the fire, and that the Company was negligent in the maintenance of those power lines, the Company could be liable for resultant damages. Management cannot predict the outcome of either the Company's investigation, or the viability of potential claims. Management believes that any such claims will not have a material adverse effect on the Company's financial condition or results of operations.

(13) ACQUISITIONS

On March 8, 2002, the Company acquired an additional 67 percent ownership interest in Millennium Pipeline Company L.P., which owns and operates a 200-mile pipeline. The pipeline has a capacity of approximately 65,000 barrels of oil per day and transports imported crude oil from Beaumont, Texas to Longview, Texas, which is the transfer point to connecting carriers. The Company also acquired additional ownership interest in Millennium Terminal Company, L.P., which has 1.1 million barrels of crude oil storage connected to the Millennium Pipeline at the Oil Tanking terminal in Beaumont. The Millennium system is presently operating near capacity through shipper agreements. These acquisitions give the Company 100 percent ownership in the Millennium companies. Total cost of the acquisitions was \$11.0 million and was funded through borrowings under short-term revolving credit facilities.

On March 15, 2002, the Company paid \$25.7 million to acquire an additional 30 percent interest in the Harbor Cogeneration Facility (the Facility), a 98-megawatt gas-fired plant located in Wilmington, California. This acquisition was funded through borrowings under short-term revolving credit facilities. At September 30, 2002 the Company had an 88 percent ownership interest in the Facility.

The Company's investments in these entities prior to the above acquisitions were accounted for under the equity method of accounting and included in Investments on the accompanying Condensed Consolidated Balance Sheets. Each of the above acquisitions gave the Company majority ownership and voting control of the respective entities, therefore, the Company now includes the accounts of each of the entities in its consolidated financial statements.

During July 2002, the Company purchased the assets of the Kilgore to Houston Pipeline System from Equilon Pipeline Company, LLC. The Kilgore pipeline transports crude oil from the Kilgore, Texas region south to Houston, Texas, which is the transfer point to connecting carriers via the Oiltanking Houston terminal facilities. The 10-inch pipeline is approximately 190 miles long and has a capacity of up to approximately 35,000 barrels per day. In addition, the Kilgore system has approximately 400,000 barrels of crude oil storage at Kilgore and 375,000 barrels of storage at the Texoma Tank Farm located in Longview, Texas. Total cost of the acquisition was \$6.7 million and was funded through borrowings under short-term credit facilities.

The above acquisitions have been accounted for under the purchase method of accounting and, accordingly, the purchase prices have been allocated to the acquired assets and liabilities based on preliminary estimates of the fair values of the assets purchased and the liabilities assumed as of the date of acquisition. The estimated purchase price allocations are subject to adjustment, generally within one year of the date of the acquisition. The purchase prices and related acquisition costs exceeded the fair values assigned to net tangible assets by approximately \$9.3 million, which was recorded as long-lived intangible assets.

The impact of these acquisitions was not material in relation to the Company's results of operations. Consequently, pro forma information is not presented.

(14) SUBSEQUENT EVENT

On October 1, 2002, the Company entered into a definitive merger agreement to acquire Denver-based Mallon Resources Corporation. Total cost of the acquisition is estimated to be \$52 million, which includes the Company's acquisition on October 1, 2002 of Mallon's debt to Aquila Energy Capital Corporation and the settlement of outstanding hedges, amounting to \$30.5 million. The merger agreement, which has been approved by both companies' Board of Directors, provides that Mallon shareholders will receive 0.044 of a share of Black Hills for each share of Mallon. Completion of the acquisition which is subject to customary conditions, including approval by the shareholders of Mallon, is expected in the first quarter of 2003.

Mallon Resources' proved reserves, as reported at December 31, 2001, were 53.3 billion cubic feet of gas equivalent. The Company estimates that Mallon's current proved reserves could be substantially higher based on its independent review of the reserves and current oil and gas prices. The reserves are located primarily on the Jicarilla Apache Nation in the San Juan Basin of New Mexico and are comprised almost entirely of natural gas in shallow sand formations. The oil and gas leases of the acquisition total more than 66,500 gross acres (56,000 net), most of which is contained in a contiguous block that is in the early stages of development. The Company believes it can recover additional gas reserves from the shallow sands and from deeper horizons that have yet to be explored but are productive elsewhere in the San Juan Basin.

Current daily net production of the Mallon properties is nearly 13 million cubic feet of gas equivalent. Mallon operates 149 of 171 total gas and oil wells, with working interests averaging 90 to 100 percent in most of the wells and undeveloped acreage.

Upon closing, the acquisition is expected to increase gas and oil production immediately by approximately 60 percent and more than double our proven oil and gas reserves. After the acquisition is closed, the Company plans to initiate a development and exploratory drilling program on the properties. The acquisition is expected to have a nominal earnings-per-share impact until production levels can be increased.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

We are a growth oriented, diversified energy holding company operating principally in the United States. Our unregulated and regulated businesses have expanded significantly in recent years. Our integrated energy group, Black Hills Energy, Inc., produces and markets electric power and fuel. We produce and sell electricity in a number of markets, with a strong emphasis in the western United States. We also produce coal, natural gas and crude oil, primarily in the Rocky Mountain region, and transport crude oil in Texas. Our electric utility, Black Hills Power, Inc., serves an average of 59,600 customers in South Dakota, Wyoming and Montana. Our communications group offers state-of-the-art broadband communications services to over 23,700 residential and business customers in Rapid City and the northern Black Hills region of South Dakota through Black Hills FiberCom, LLC.

The following discussion should be read in conjunction with Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations - included in our 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Results of Operations

Consolidated Results

Revenue and Income (loss) from continuing operations provided by each business group as a percentage of our total revenue and Income (loss) from continuing operations were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
Revenues				
Integrated energy	52%	49%	53%	48%
Electric utility	40	45	39	48
Communications	8	6	8	4
	---	---	---	---
	100%	100%	100%	100%
	===	===	===	===
Income/(Loss) from Continuing Operations				
Integrated energy	62%	70%	64%	61%
Electric utility	48	47	49	50
Communications and other	(10)	(17)	(13)	(11)
	---	---	---	---
	100%	100%	100%	100%
	===	===	===	===

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001. Consolidated income from continuing operations for the three-month period ended September 30, 2002 was \$17.4 million or \$0.64 per share compared to \$17.0 million or \$0.63 per share in the same period of the prior year.

The increase in net income from continuing operations was a result of an increase in power generation and electric utility net income and a decrease in the net loss of our communications business group offset by decreases in net income in the energy marketing, oil and gas production and coal mining segments. The power generation segment's net income more than tripled due to its additional generating capacity and increased earnings from additional ownership of an energy partnership. Net income for the electric utility business group increased due to an increase in off-system sales and the communications business group showed a decrease in its net loss attributable to a substantial expansion of its customer base and a \$0.6 million after-tax collection of previously reserved amounts. Net income from energy marketing decreased due to a substantial decline in margins received offset by increased volumes marketed and unrealized gains recognized through mark-to-market accounting. The oil and gas production segment's net income decreased due to a 17 percent decrease in production volumes and an 11 percent decrease in average prices received. Coal mining had strong operational performance with production increasing 27 percent, however net income decreased due to a \$3.4 million after-tax gain related to a coal contract settlement that was recognized in the third quarter of 2001.

In addition, during the second quarter of 2002 we decided to discontinue operations in our coal marketing business due primarily to challenges encountered in marketing our Wyodak coal from the Powder River Basin of Wyoming to midwestern and eastern coal markets. We sold the non-strategic assets effective August 1, 2002. Net loss from discontinued operations was \$(0.6) million or \$(0.02) per share for the three months ended September 30, 2001. Prior year results of operations have been restated to reflect the discontinued operations.

Consolidated revenues for the three-month period ended September 30, 2002 were \$112.6 million compared to \$94.8 million for the same period in 2001. The increase in revenues was a result of increased revenue in the communications business unit and power generation segment and an increase in coal production and volumes of energy marketed, partially offset by lower energy commodity prices in 2002 and a decrease in the production of oil and gas.

Consolidated operating expenses for the three-month period increased from \$66.0 million in 2001 to \$78.0 million in 2002. The increase was due to an increase in fuel and depreciation expense as a result of our increased investment in independent power generation, partially offset by a substantial decrease in gas prices as discussed above.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Consolidated income from continuing operations for the nine-month period ended September 30, 2002 was \$47.1 million or \$1.74 per share compared to \$83.0 million or \$3.27 per share in the same period of the prior year.

The decrease in income from continuing operations was a result of substantial decreases in prevailing prices for natural gas, crude oil and wholesale electricity and in gross margins from natural gas marketing activities compared to the same period in 2001. Unusual energy marketing conditions existed in the first half of 2001 stemming primarily from gas and electricity shortages in the West. Approximately \$1.40 per share of the 2001 year to date income from continuing operations was attributed to the unusual market conditions that existed at that time. Wholesale electricity average peak prices at Mid-Columbia



were approximately \$182 per megawatt-hour during the first nine-months of 2001 compared to approximately \$21 per megawatt-hour during the first nine months of 2002. Average spot gas prices in the West Coast region were approximately \$8.60 per MMBtu in the first nine months of 2001 compared to \$2.80 in the first nine months of 2002. 2001 net income reflects a coal contract settlement which resulted in a one-time gain of approximately \$3.4 million or \$0.13 per share. While the above factors negatively impacted income from continuing operations, they were offset in part by an increase in the production of coal, oil and natural gas, an increase in independent power generation capacity and our communications business group showed a decrease in its net loss attributable to the continued expansion of its customer base.

In addition, during the second quarter of 2002 we decided to discontinue operations in our coal marketing business due to challenges encountered in marketing our Wyoak coal from the Powder River Basin of Wyoming to midwestern and eastern coal markets. We sold the non-strategic assets effective August 1, 2002. Income (loss) from discontinued operations was \$(2.6) million or \$(0.09) per share for the nine months ended September 30, 2002 compared to \$0.3 million or \$0.01 per share for the same period of the prior year. Prior year results of operations have been restated to reflect the discontinued operations.

Consolidated revenues for the nine-month period ended September 30, 2002 were \$312.2 million compared to \$365.8 million for the same period in 2001. The decrease in revenues was a result of the high energy commodity prices in 2001, slightly offset by increased revenue in the communications business unit and power generation segment, increased production in coal, oil and gas and increased marketing volumes.

Consolidated operating expenses for the nine-month period decreased from \$221.5 million in 2001 to \$216.0 million in 2002. The decrease was primarily due to lower fuel costs and incentive compensation offset by increased expenses related to our increased investment in independent power generation.

The following results of operations for the Integrated Energy Group and its segments, Electric Utility Group and Communications Group, does not include intercompany eliminations.

Integrated Energy Group

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
	----	----	----	----
	(in thousands)			
Revenue:				
Energy marketing	\$ 9,388	\$ 9,692	\$ 21,722	\$ 71,795
Power generation	34,700	21,544	102,849	56,061
Oil and gas	6,561	8,496	19,515	26,353
Mining	8,309	6,870	23,391	23,014
	-----	-----	-----	-----
Total revenue	58,958	46,602	167,477	177,223
	-----	-----	-----	-----
Equity in investments of unconsolidated subsidiaries	907	1,958	4,187	11,066
	-----	-----	-----	-----
Operating expenses	38,475	29,916	107,689	96,685
	-----	-----	-----	-----
Operating income	\$ 21,390	\$ 18,644	\$ 63,975	\$ 91,604
Net income	\$ 10,961	\$ 12,029	\$ 31,271	\$ 50,718

The following is a summary of sales volumes of our coal, oil and natural gas production and various measures of power generation:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
Fuel production:				
Tons of coal sold	1,110,800	872,900	2,955,500	2,465,700
Barrels of oil sold	110,403	126,557	340,036	335,585
Mcf of natural gas sold	1,019,564	1,273,667	3,567,135	3,295,442
Mcf equivalent sales	1,681,982	2,033,000	5,607,351	5,309,000

	September 30	
	2002 ----	2001 ----
Independent power capacity:		
Mws of independent power capacity in service	657	625
Mws of independent power capacity under construction*	364	360

\*includes a 90 MW plant under a lease arrangement

The following is a summary of average daily energy marketing volumes:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
Natural gas - MMBtus	1,140,200	1,062,600	1,039,200	947,900
Crude oil - barrels	57,200	35,100	53,700	37,000

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001. Net income for the integrated energy group for the three months ended September 30, 2002 was \$11.0 million compared to \$12.0 million in the same period of the prior year. Net income decreased slightly due to a decrease in net income from energy marketing, oil and gas production and coal mining, partially offset by an increase in power generation net income. The power generation segment's net income more than tripled due to its additional generating capacity and increased earnings from additional ownership of an energy partnership. Net income from energy marketing decreased due to a substantial decline in margins received offset by increased volumes marketed, the addition of pipeline earnings and unrealized gains recognized through mark-to-market accounting. The oil and gas production segment's net income decreased due to a 17 percent decrease in production volumes and an 11 percent decrease in average prices received. Coal mining had strong operational performance with production increasing 27 percent, however net income decreased due to a \$3.4 million after-tax gain related to a coal contract settlement that was recognized in the third quarter of 2001.

The integrated energy business group's revenues and expenses increased 27 percent and 29 percent respectively for the three months ended September 30, 2002 compared to the same period in 2001. The increase in revenue was a result of increased generation capacity offset by the substantial decline in commodity prices. Expenses increased due to higher fuel costs and depreciation expense resulting from increased capacity.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Net income for the integrated energy group for the nine months ended September 30, 2002 was \$31.3 million compared to \$50.7 million in the same period of the prior year. Net income decreased primarily due to a substantial decline in energy prices. The power generation segment reported net income growth attributed to additional generating capacity, additional ownership of an energy partnership, the addition of pipeline earnings and the reporting of additional net income relating to the collection in 2002 of receivables from California operations that were reserved for in the prior period. A 6 percent increase in gas and oil production sales partially offset an earnings decrease in the oil and gas segment caused by a 34 percent decrease in the average price received. The energy marketing segment's net income decreased primarily due to a substantial decrease in margins received, partially offset by increased volumes marketed. Net income for the coal mining segment decreased due to a \$3.4 million after-tax gain related to a coal contract settlement that was recognized in the third quarter of 2001 which was partially offset by the increase in tons of coal sold in 2002.

The integrated energy business group's revenues decreased 6 percent and expenses increased 11 percent, respectively, for the nine months ended September 30, 2002 compared to the same period in 2001. The decrease in revenue was a direct result of the substantial decline in commodity prices. The increase in expenses was primarily due to higher fuel costs and depreciation expense resulting from the increased generating capacity.

#### Energy Marketing

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
	(in thousands)			
Revenue*	\$ 9,388	\$ 9,692	\$ 21,722	\$ 71,795
Operating income	\$ 4,860	\$ 6,601	\$ 10,479	\$ 48,960
Net income	\$ 3,130	\$ 4,536	\$ 7,033	\$ 30,910

\*Revenues presented for Energy marketing represent trading margins. See Note 2.

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001. The decrease in revenues is attributed to a decline in commodity prices, partially offset by a 7 percent increase in natural gas average daily volumes marketed and a 63 percent increase in crude oil average daily volumes marketed. Net income decreased 31 percent due to a substantial decline in commodity prices and margins. As a result of changing commodity prices, net income was impacted by unrealized gains recognized through mark-to-market accounting treatment. Unrealized pre-tax mark-to-market gains for the three-month periods ended September 30, 2002 and 2001 were \$1.5 million and \$0.5 million, respectively, resulting in a quarter over quarter net income increase of \$1.0 million.

In addition, during the second quarter of 2002 we decided to discontinue operations in our coal marketing business due primarily to challenges encountered in marketing our Wyodak coal from the Powder River Basin of Wyoming to midwestern and eastern coal markets. We sold the non-strategic assets effective August 1, 2002. Net loss from discontinued operations was \$(0.6) million or \$(0.02) per share for the third quarter of 2001. Prior year results of operations have been restated to reflect the discontinued operations and the coal marketing business is no longer reflected in the energy marketing segment.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Revenues and net income decreased substantially primarily due to a substantial decline in commodity prices and margins received, offset by a 10 percent increase in natural gas average daily volumes marketed and a 45 percent increase in crude oil average daily volumes marketed. Unusual energy marketing conditions existed in the first six months of 2001 stemming primarily from gas and electricity shortages in the West. Average spot gas prices in the West Coast region were approximately \$8.60 per MMBtu in the first nine months of 2001 compared to \$2.80 in the first nine months of 2002.

Income (loss) from discontinued operations was \$(2.6) million or \$(0.09) per share for the nine months ended September 30, 2002 compared to \$0.3 million or \$0.01 per share for the same period of the prior year.

#### Power Generation

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
	----	----	----	----
	(in thousands)			
Revenue	\$34,700	\$21,544	\$ 102,849	\$56,061
Operating income	\$13,036	\$ 7,752	\$ 43,736	\$25,316
Net income (loss)	\$ 4,822	\$ 1,246	\$ 14,670	\$ 3,827

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001. Revenue and operating income increased 61 percent and 68 percent, respectively, and net income more than tripled for the three-month period ended September 30, 2002 compared to the same period in 2001 and is attributed to additional generating capacity and increased earnings from additional ownership of an energy partnership. As of September 30, 2002, we had 657 megawatts of independent power capacity in service compared to 625 megawatts at September 30, 2001. Approximately 300 megawatts of the 625 megawatts of capacity at September 30, 2001 were brought on during the third quarter of 2001. Additional partnership equity was earned by the Company in July 2002 as a result of certain performance measures being met at a consolidated energy partnership. The earnings impact was approximately \$1.6 million pre-tax and was recorded as a reduction to "Minority interest" expense on the accompanying Condensed Consolidated Statement of Income.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Revenue and operating income increased 83 percent and 73 percent, respectively, and net income more than tripled for the nine-month period ended September 30, 2002 compared to the same period in 2001 and is attributed to additional generating capacity and increased earnings from additional ownership of an energy partnership. As of September 30, 2002, we had 657 megawatts of

independent power capacity in service compared to 625 megawatts at September 30, 2001. Approximately 300 megawatts of the 625 megawatts of capacity at September 30, 2001 were brought on during the third quarter of 2001.

The increase in net income for the nine-month period ended September 30, 2002 was also benefited by a \$1.9 million after-tax benefit relating to the collection of receivables previously reserved for in the prior period for exposure to the California market and a \$0.9 million after-tax adjustment for negative goodwill to reflect the impact of a change in accounting for goodwill in accordance with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) effective January 1, 2002.

#### Oil and Gas

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
	(in thousands)			
Revenue	\$6,561	\$8,496	\$19,515	\$26,353
Operating income	\$1,408	\$4,305	\$ 4,191	\$12,929
Net income	\$1,066	\$2,804	\$ 3,227	\$ 8,723

The following is a summary of our internally estimated economically recoverable oil and gas reserves measured using constant product prices as of September 30, 2002 and 2001. Estimates of economically recoverable reserves are based on a number of variables, which may differ from actual results.

	September 30	
	2002 ----	2001 ----
Barrels of oil (in millions)	4.9	4.2
Bcf of natural gas	32.3	25.7
Total in Bcf equivalents	61.7	50.9

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001. Revenue and net income of the oil and gas production business segment decreased 23 percent and 62 percent, respectively for the three-month period ended September 30, 2002, compared to the same period in 2001 due to an 11 percent decrease in the average price received and a 17 percent decrease in production volumes due in part to delayed drilling.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Revenue and net income of the oil and gas production business segment decreased 26 percent and 63 percent respectively, for the nine-month period ended September 30, 2002, compared to the same period in 2001 due to a 34 percent decrease in the average price received partially offset by a 6 percent increase in production volumes.

Mining

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
	(in thousands)			
Revenue	\$8,309	\$6,870	\$23,391	\$23,014
Operating income	\$2,503	\$ 830	\$ 6,937	\$ 5,664
Net income	\$2,103	\$3,876	\$ 6,932	\$ 8,499

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001. Revenue from our mining segment increased 21 percent and net income decreased 46 percent for the three-month period ended September 30, 2002, compared to the same period in 2001. Revenues increased due to a 27 percent increase in tons of coal sold, partially offset by lower prices received.

Net income decreased due to a \$3.4 million after-tax gain related to a coal contract settlement that was recognized in the third quarter of 2001 which was partially offset by the increase in tons of coal sold in the third quarter of 2002.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Revenue from our mining segment increased 2 percent and net income decreased 18 percent for the nine-month period ended September 30, 2002, compared to the same period in 2001. Revenue increased due to a 20 percent increase in tons of coal sold, partially offset by lower prices received.

Net income decreased due to a \$3.4 million after-tax gain related to a coal contract settlement that was recognized in the third quarter of 2001 which was partially offset by the increase in tons of coal sold in 2002.

Electric Utility Group

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
	(in thousands)			
Revenue	\$45,291	\$43,518	\$120,786	\$175,698
Operating expenses	29,316	28,272	77,131	102,477
Operating income	\$15,975	\$15,246	\$ 43,655	\$ 73,221
Net income	\$ 8,304	\$ 7,929	\$ 22,918	\$ 42,053

The following table provides certain operating statistics:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002 ----	2001 ----	2002 ----	2001 ----
Firm (system) sales - MWh	510,500	537,000	1,466,000	1,527,000
Off-system sales - MWh	317,600	211,000	688,700	761,000

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001. Revenue, operating expenses and net income increased 4 percent, 4 percent and 5 percent, respectively for the three-month period ended September 30, 2002 compared to the same period in the prior year primarily due to a 51 percent increase in off-system electric megawatt-hour sales offset by a 22 percent decrease in the average price per megawatt-hour sold off-system. Firm residential and contracted electricity sales increased, but were offset by a decline in industrial sales due to the closing of the Homestake Gold Mine at year-end 2001.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Revenue, operating expenses and net income decreased 31 percent, 25 percent and 46 percent, respectively for the nine-month period ended September 30, 2002 compared to the same period in the prior year primarily due to a 10 percent decrease in off-system electric megawatt-hour sales and a 69 percent decrease in the average price per megawatt-hour sold off-system. Firm residential and contracted electricity sales increased, but were offset by a decline in industrial sales due to the closing of the Homestake Gold Mine at year-end 2001. Revenue declines were partially offset by lower operating expenses attributable to lower fuel and purchased power costs.

Communications Group

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
	----	----	----	----
	(in thousands)			
Revenue	\$ 8,392	\$ 5,154	\$24,155	\$13,717
Operating expenses	9,770	8,101	30,203	23,237
	-----	-----	-----	-----
Operating loss	\$(1,378)	\$(2,947)	\$(6,048)	\$(9,520)
Net loss	\$(1,453)	\$(2,661)	\$(5,729)	\$(9,343)
	September 30	June 30	December 31	September 30
	2002	2002	2001	2001
	----	----	----	----
Business customers	2,960	2,970	2,250	1,940
Business access lines	8,772	8,380	6,836	6,180
Residential customers	20,760	19,450	15,660	13,780

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001. The communications business group's net loss for the three-month period ended September 30, 2002 was \$(1.5) million, compared to \$(2.7) million in 2001. The performance improvement is due largely to a 63 percent increase in revenue as a result of a larger customer base and a \$0.6 million after-tax collection of previously reserved amounts, partially offset by increased costs of sales and administrative expenses.

The total number of customers exceeded 23,700 at the end of September 2002 - a 6 percent and 32 percent increase over the customer base at June 30, 2002 and December 31, 2001, respectively, and a 51 percent increase compared to September 30, 2001.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. The communications business group's net loss for the nine month period ended September 30, 2002 was \$(5.7) million, compared to \$(9.3) million in 2001. The performance improvement is due largely to a 76 percent increase in revenue as a result of a larger customer base, partially offset by increased costs of sales and administrative expenses.

The total number of customers exceeded 23,700 at the end of September 2002 - a 6 percent and 32 percent increase over the customer base at June 30, 2002 and December 31, 2001, respectively, and a 51 percent increase compared to September 30, 2001.

We expect our communications group will sustain approximately \$7.0 million in net losses in calendar year 2002, with annual losses decreasing in 2003 and profitability expected by 2004.

#### Earnings Guidance

We reaffirm confidence in our ongoing business strategy, which seeks long-term growth through the expansion of integrated, balanced and diverse competitive energy operations supplemented by the strength and stability of our electric utility and improving results from our communication business. The energy industry has encountered challenging market conditions this year, including low and volatile prices for natural gas and wholesale power. Until market conditions improve, we expect annual earnings per share percentage growth to be in the 8 to 10 percent range. We also expect recurring earnings for 2002 to be in the range of \$2.25 to \$2.30 per share. We recognize that sustained growth requires capital deployment to continue expanding our integrated energy operations. We strongly believe that we are strategically positioned to take advantage of opportunities to acquire and develop energy assets consistent with our investment criteria.

#### Critical Accounting Policies

##### Defined Benefit Pension Plan

We have a noncontributory defined benefit pension plan (Plan) covering our employees and certain subsidiaries who meet eligibility requirements. The benefits are based on years of service and compensation levels during the highest five consecutive years of the last ten years of service. Our funding policy is in accordance with the federal government's funding requirements. The Plan's assets are held in trust and consist primarily of equity securities and cash equivalents. The determination of our obligation and expense for pension benefits is dependent on the use of certain assumptions by actuaries in calculating the amounts. Those assumptions include, among others, the expected long-term rate of return on Plan assets, the discount rate and the rate of increase in compensation levels. The actuaries review the Plan annually and are currently in the process of reviewing our Plan to determine our obligation and our expense for next year. The market value of the Plan's assets has been affected by declines in the equity market in the last year. As a result, we could be required to recognize an additional minimum liability in the fourth quarter of 2002 as prescribed by Statement of Financial Accounting Standards (SFAS) No. 87 "Employers' Accounting for Pensions" and SFAS No. 132 "Employers' Disclosure about Pensions and Postretirement Benefits." If required, the liability would be recorded as a reduction to Other Comprehensive Income, and would not affect net income. We do not expect this liability to be material, if it is required. However, we currently anticipate the amount of our pre-tax pension expense in 2003 will be in a range of \$2.5 million to \$3.5 million more than the amount for 2002, which would have a negative effect on earnings per share of \$0.06 to \$0.09 in 2003.



## Special Purpose Entities

As described more fully in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2001, Black Hills Generation, a subsidiary in our power generation segment, has entered into agreements with Wygen Funding, Limited Partnership to lease the Wygen Plant, a 90 megawatt coal-fired power plant under construction in Campbell County, Wyoming. Wygen Funding is a special purpose entity that owns the Wygen Plant and has financed the project. Neither Wygen Funding, its owners, nor its officers are related to us, and other than the lease transaction and obligations incurred as a result of the transaction, we have no obligation to provide additional funding or issue securities to Wygen Funding. Lease payments are based on final construction and financing costs and will begin after substantial completion of construction scheduled to occur in the first quarter of 2003. The lease will be accounted for as an operating lease.

The Financial Accounting Standards Board (FASB) expects to issue a new accounting standard regarding the accounting treatment for special purpose entities. The final provisions of this new standard may affect the accounting of the lease arrangement. If the special purpose entity were to be consolidated into our financial statements, we would record both the Wygen asset and its related debt on our balance sheet. Total project costs are estimated to be in the \$130 - \$140 million range. In addition, we would also have to recognize the depreciation expense associated with the project which is estimated to be approximately \$3.5 million per year based upon a 40-year plant life and would have reclassifications on the income statement primarily between operating expenses and interest expense. We estimate the impact on earnings per share would be approximately \$(0.09) per share. We are monitoring this FASB project and may consider other financing structures for the project in the future.

## Goodwill and Other Intangible Assets

As required, on January 1, 2002 we adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but the carrying values are reviewed annually (or more frequently if impairment indicators arise) for impairment. Intangible assets with a defined life will continue to be amortized over their useful lives (but with no maximum life). Initial adoption of SFAS 142 did not have a material impact on our financial position or results of operations. Adoption of SFAS 142 provisions for non-amortization of goodwill and indefinite lived intangibles will impact our future earnings results. Results for the three and nine months ended September 30, 2002 were approximately \$0.4 million and \$1.2 million, or \$0.01 per share and \$0.05 per share, higher than the comparable periods in 2001 due to non-amortization of goodwill.

Other than the above, there have been no material changes in our critical accounting policies from those reported in our 2001 Annual Report on Form 10-K filed with the Securities Exchange Commission. For more information on our critical accounting policies, see Part II, Item 7 in our 2001 Annual Report on Form 10-K.

## Liquidity and Capital Resources

### Cash Flow Activities

During the nine-month period ended September 30, 2002, we generated sufficient cash flow from operations to meet our operating needs, to pay dividends on common and preferred stock, to pay a portion of our long-term debt maturities and to fund a portion of our property additions. We continue to fund property and investment additions primarily related to construction of additional electric generation facilities for our integrated energy business group through a combination of operating cash flow, increased short-term debt, long-term debt and long-term non-recourse project financing.

Cash flows from operations decreased \$27.2 million for the nine-month period ended September 30, 2002 compared to the same period in the prior year primarily due to the decrease in net income and cash provided by changes in working capital.

On March 8, 2002, we acquired an additional 67 percent interest in Millennium Pipeline Company, L.P., which owns and operates a 200-mile pipeline and an additional ownership interest in Millennium Terminal Company, L.P., which has 1.1 million barrels of crude oil storage connected to the Millennium Pipeline at the Oil Tanking terminal in Beaumont, Texas. Total cost of the acquisition was \$11.0 million and was funded through borrowings under short-term revolving credit facilities.

On March 15, 2002, we acquired an additional 30 percent interest in the Harbor Cogeneration Facility, a 98-megawatt gas-fired plant located in Wilmington, California for \$25.7 million. This acquisition was also funded through borrowings under short-term revolving credit facilities.

On March 14, 2002, we closed on \$135 million five-year senior secured project-level financing for the Arapahoe and Valmont facilities. These projects have a total of 210 megawatts in service and are located in the Denver, Colorado area. Proceeds from this financing were used to refinance \$53.8 million of an existing seven-year, secured term project-level facility, pay down approximately \$50.0 million of short-term credit facility borrowings, and the remainder was used for project construction.

During the first quarter of 2002, we completed a \$50 million bridge credit agreement. The credit agreement supplements our revolving credit facilities and had the same terms as those facilities with an original expiration date of June 30, 2002, which subsequently was extended to September 27, 2002. On September 27, 2002 this \$50 million facility was replaced by a \$50 million secured financing for the expansion at our Las Vegas II project, a 224 megawatt gas-fired generation facility located in North Las Vegas, Nevada which expires on November 26, 2002. This financing is guaranteed by the Company.

On June 18, 2002, we closed on a \$75 million bridge credit agreement. This credit agreement bridged the issuance of \$75 million of Black Hills Power First Mortgage bonds, which we issued on August 13, 2002. The termination date of the bridge credit agreement was August 13, 2002, the date on which the First Mortgage Bonds were issued.

During July 2002, we purchased the assets of the Kilgore to Houston Pipeline System from Equilon Pipeline Company, LLC. The Kilgore pipeline transports crude oil from the Kilgore, Texas region south to Houston, Texas, which is the transfer point to connecting carriers via the Oil Tanking Houston terminal

facilities. The 10-inch pipeline is approximately 190 miles long and has a capacity of up to approximately 35,000 barrels per day. In addition, the Kilgore system has approximately 400,000 barrels of crude oil storage at Kilgore and 375,000 barrels of storage at the Texoma Tank Farm located in Longview, Texas. Total cost of the acquisition was \$6.7 million and was funded through borrowings under short-term credit facilities.

On August 13, 2002, our electric utility subsidiary, Black Hills Power, Inc., issued \$75 million of First Mortgage Bonds, series AE, due 2032. The Mortgage Bonds have a 7.23 percent coupon with interest payable semiannually, commencing February 15, 2003. Net proceeds from the offering were and will be used to fund the utility's portion of construction and installation costs for an AC-DC-AC Converter Station; for general capital expenditures for the remainder of 2002 and 2003; to repay a portion of current bank indebtedness; to satisfy bond maturities for certain outstanding first mortgage bonds due in 2003; and for general corporate purposes.

In August 2002, we closed on a \$195 million revolving unsecured credit facility that expires August 26, 2003. The credit facility extended our previous \$200 million 364-day credit facility that expired on August 27, 2002.

On September 25, 2002, we closed on a \$35 million unsecured two-year credit agreement. Proceeds were used to fund our working capital needs and for general corporate purposes.

#### Dividends

Dividends paid on our common stock totaled \$0.29 per share in each of the first three quarters of 2002. This reflects a 3.6 percent increase, as approved by our board of directors in January 2002, from the prior periods. The determination of the amount of future cash dividends, if any, to be declared and paid will depend upon, among other things, our financial condition, funds from operations, the level of our capital expenditures, restrictions under our credit facilities and our future business prospects.

#### Short-Term Liquidity and Financing Transactions

Our principal sources of short-term liquidity are our revolving bank facilities and cash provided by operations. As of September 30, 2002 we had approximately \$75 million of cash and \$480 million of bank facilities. Approximately \$46 million of the cash balance at September 30, 2002 was restricted by subsidiary debt agreements in regards to the ability to dividend the cash to the parent company. The bank facilities consisted of a \$50 million facility due November 26, 2002, a \$195 million facility due August 26, 2003, a \$200 million facility due August 27, 2004 and a \$35 million facility due September 30, 2004. These bank facilities can be used to fund our working capital needs, for general corporate purposes and to provide liquidity for a commercial paper program if implemented. At September 30, 2002, we had \$383.5 million of bank borrowings outstanding under these facilities. After inclusion of applicable letters of credit, the remaining borrowing capacity under the bank facilities was \$57.1 million at September 30, 2002.

Two significant cash events occurred subsequent to the third quarter. On October 1, 2002 we acquired Mallon Resources Corporation's debt to Aquila Energy Capital Corporation and settled Mallon's outstanding hedges, amounting to \$30.5 million, as part of the definitive merger agreement to acquire Denver-based Mallon Resources Corporation. The acquisition of this debt was funded with our corporate credit facilities. Also, during October we received a \$23.7 million federal income tax refund as a result of filing our 2001 federal income tax return. The refund was primarily due to accelerated depreciation and other plant

related timing differences for tax purposes. The income tax refund was used to pay down our corporate credit facilities. At October 31, 2002, we had \$403.0 million of bank borrowings outstanding under our corporate credit facilities with \$37.6 million of remaining borrowing capacity available after the inclusion of applicable letters of credit.

The above bank facilities include covenants that are common in such arrangements. Several of the facilities require that we maintain a consolidated net worth in an amount of not less than the sum of \$375 million and 50 percent of the aggregate consolidated net income beginning June 30, 2001; a recourse leverage ratio not to exceed 0.65 to 1.00; and an interest coverage ratio of not less than 3.00 to 1.00. The \$35 million credit facility's covenants include consolidated net worth in an amount of not less than the sum of \$425 million and 50 percent of the aggregate consolidated net income beginning April 1, 2002; a recourse leverage ratio not to exceed 0.65 to 1.00; and an interest coverage ratio of not less than 1.50 to 1.00. In addition the \$195 million 364 day credit facility, the \$200 million three-year credit facility and the \$35 million two-year credit facility contain a liquidity covenant that requires us to have \$30 million of liquid assets as of the last day of each fiscal quarter beginning with December 31, 2002. Liquid assets are defined as unrestricted cash and available unused capacity under our credit facilities. If these covenants are violated, it would be considered an event of default entitling the lender to terminate the remaining commitment and accelerate all principal and interest outstanding. In addition, certain of our interest rate swap agreements include cross-default provisions. These provisions would allow the counterparty the right to terminate the swap agreement and liquidate at a prevailing market rate, in the event of default. As of September 30, 2002, we were in compliance with the above covenants.

Some of the facilities previously had a covenant whereby we were required to maintain a credit rating of at least "BBB-" from Standard & Poor's or "Baa3" from Moody's Investor Service. The facilities that contained the rating triggers were amended during the second quarter of 2002 to remove default provisions pertaining to our credit rating status.

Our consolidated net worth was \$534.8 million at September 30, 2002. The long-term debt component of our capital structure at September 30, 2002 was 51 percent and our total debt leverage (long-term debt and short-term debt) was 64 percent.

In addition, Enserco Energy, Inc., our gas marketing unit, has a \$135 million uncommitted, discretionary line of credit to provide support for the purchase of natural gas. We provided no guarantee to the lender under this facility. At September 30, 2002, there were outstanding letters of credit issued under the facility of \$26.1 million with no borrowing balances on the facility. Similarly, Black Hills Energy Resources, Inc., our oil marketing unit, had a \$25 million uncommitted, discretionary credit facility. This line of credit provided credit support for the purchases of crude oil by Black Hills Energy Resources. We provided no guarantee to the lender under this facility. At September 30, 2002, Black Hills Energy Resources had letters of credit outstanding of \$18.9 million and no balance outstanding on its overdraft line.

We continue to seek non-recourse project-level financing for our independent power projects. Due to creditworthiness concerns with counterparties, financing arrangements for the Las Vegas Cogeneration power plant expansion, currently under construction, have been delayed.

Allegheny Energy Supply Company (AESC), a subsidiary of Allegheny Energy Inc., has a contract to purchase all of the facility's capacity and all associated energy and ancillary services. Both AESC and its parent, Allegheny Energy Inc. have recently had their credit ratings downgraded below investment grade status and have technically defaulted on some of their credit agreements with other counterparties. The Las Vegas expansion is expected to be operational in the fourth quarter of 2002 and has been funded with the corporate credit facilities. Total construction and acquisition costs, including Las Vegas Cogeneration I, are expected to be \$330 million of which \$302 million was expended as of September 30, 2002.

If we are not successful in extending the \$50 million facility that expires on November 26, 2002 or in obtaining other financing, a deficiency in our liquidity could occur.

Our ability to obtain additional financing will depend upon a number of factors, including our future performance and financial results and capital market conditions. We can provide no assurance that we will be able to raise additional capital on reasonable terms or at all.

There have been no other material changes in our forecasted changes in liquidity and capital requirements from those reported in Item 7 of our 2001 Annual Report on Form 10-K filed with the Securities Exchange Commission.

#### RISK FACTORS

We have substantial indebtedness and will require significant additional amounts of debt and equity capital to grow our businesses and service our indebtedness. Our future access to these funds is not certain, and our inability to access funds in the future could adversely affect our liquidity.

Financing for construction requirements and operational needs is dependent upon the cost and availability of external funds from capital markets and financial institutions at both company and project levels. Access to funds is dependent upon factors such as general economic conditions, regulatory authorizations and policies, our credit rating, the operations of the projects funded, the credit ratings of project counterparties, and the economics of the projects under construction.

#### Counterparty Credit Risk

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current creditworthiness, as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issue that we have identified. We cannot guarantee that we will continue to experience the same credit loss rates that we have in the past or that an investment grade counterparty will not default, as was the case with Enron in 2001.

Our agreements with counterparties that have recently experienced downgrades in their credit ratings expose us to the risk of counterparty default, which could adversely affect our cash flow and profitability.

The credit ratings of the senior unsecured debt of Public Service Company of Colorado (PSCo), Nevada Power Company and Allegheny Energy Supply Company, counterparties under tolling agreements with our subsidiaries, have recently been downgraded by one or more rating agencies. The credit ratings of Nevada Power Company, its parent holding company, Sierra Pacific Resources, and Allegheny Energy Supply Company, have all been downgraded to non-investment grade status. In addition, project level financing arrangements in place for projects in Colorado and New York provide for the potential acceleration of payment obligations in the event of nonperformance by a counterparty under related power purchase agreements. If these or other counterparties fail to perform their obligations under their respective power purchase agreements, our financial condition and results of operation may be adversely affected. We may not be able to enter into agreements in replacement of our existing power purchase agreements on terms as favorable as our existing agreements, or at all.

Our rate freeze agreement with the South Dakota Public Utilities Commission, which prevents us, absent extraordinary circumstances, from passing on to our South Dakota retail customers cost increases we may incur during the rate freeze period, could decrease our operating margins.

Our rate freeze agreement with the South Dakota Public Utilities Commission provides that, until January 1, 2005, we may not apply to the Commission for any increase in rates, except upon the occurrence of various extraordinary events. Our utility's historically stable returns could be threatened by plant outages, machinery failure, increases in purchased power costs over which we have no control, acts of nature or other unexpected events that could cause our operating costs to increase and our operating margins to decline. Moreover, in the event of unexpected plant outages or machinery failures, we may be required to purchase replacement power in wholesale power markets at prices, which exceed the rates we are permitted to charge our retail customers.

Because wholesale power, fuel prices and other costs are subject to volatility, our revenues and expenses may fluctuate.

A substantial portion of our growth in net income in recent years is attributable to increasing wholesale sales into a robust market. The prices of energy products in the wholesale power markets have declined significantly since the first half of 2001. Power prices are influenced by many factors outside our control, including fuel prices, transmission constraints, supply and demand, weather, economic conditions, and the rules, regulations and actions of the system operators in those markets. Moreover, unlike most other commodities, electricity cannot be stored and therefore must be produced concurrently with its use. As a result, wholesale power markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable.

Our broadband communications business is subject to significant competition for its services and to rapid technological change.

Our communications group, which provides a full suite of communication services, faces strong competition for its services from the incumbent local exchange carrier as well as from long distance providers, Internet service providers, the incumbent cable television provider and others.

The communications industry is subject to rapid and significant changes in technology. There can be no assurance that future technological developments will not have a material adverse effect on our competitive position.

Our ability to recover our capital investment is dependent on our ability to sustain our customer base and is subject to the risk that technological advances may render our network obsolete. If we determine that we will be unable to recover our investment, we would be required to take a non-cash charge to earnings in an amount that could be material in order to write down a portion of our investment in our broadband communications business.

Construction, expansion, refurbishment and operation of power generation facilities involve significant risks which could lead to lost revenues or increased expenses.

The construction, expansion and refurbishment of power generation and transmission and resource recovery facilities involve many risks, including: the inability to obtain required governmental permits and approvals; the unavailability of equipment; supply interruptions; work stoppages; labor disputes; social unrest; weather interferences; unforeseen engineering, environmental and geological problems and unanticipated cost overruns.

The ongoing operation of our facilities involves all of the risks described above, in addition to risks relating to the breakdown or failure of equipment or processes and performance below expected levels of output or efficiency. New plants may employ recently developed and technologically complex equipment, especially in the case of newer environmental emission control technology. Any of these risks could cause us to operate below expected capacity levels, which in turn could result in lost revenues, increased expenses, higher maintenance costs and penalties. While we maintain insurance, obtain warranties from vendors and obligate contractors to meet certain performance levels, the proceeds of such insurance, and our rights under warranties or performance guarantees may not be adequate to cover lost revenues, increased expenses or liquidated damage payments.

Estimates of our proved reserves may materially change due to numerous uncertainties inherent in estimating oil and natural gas reserves.

There are many uncertainties inherent in estimating quantities of proved reserves and their values. The process of estimating oil and natural gas reserves requires interpretations of available technical data and various assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of our reserves. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretations and judgement, and the assumptions used regarding quantities of recoverable oil and gas reserves and prices for oil and natural gas. Actual prices, production, development expenditures, operating expenses, and quantities of recoverable oil and natural gas reserves will vary from those assumed in our estimates, and these variances may be significant. Any significant variance from the assumptions used could result in the actual quantity of our reserves and future net cash flow being materially different from the estimates in our reported reserves. In addition, results of drilling, testing and production and changes in oil and natural gas prices after the date of the estimate may result in substantial upward or downward revisions.

We face potential claims related to a forest fire in South Dakota.

In June 2002, a forest fire damaged approximately 11,000 acres of private and governmental land located near Deadwood and Lead, South Dakota. The fire destroyed approximately 20 structures (seven houses and 13 outbuildings) and caused the evacuation of the cities of Lead and Deadwood for approximately 48 hours.

The cause of the fire was investigated by the State of South Dakota. Alleged contact between power lines owned by us and undergrowth were implicated as the cause. We have initiated our own investigation into the cause of the fire, including the hiring of expert fire investigators and that investigation is continuing.

We have been put on notice of potential private civil claims for property damage and business loss. In addition, the State of South Dakota initiated a civil action in the Seventh Judicial Circuit Court, Pennington County, South Dakota, seeking recovery of damages for fire suppression costs, reclamation and remediation. If it is determined that power line contact was the cause of the fire and that we were negligent in the maintenance of those power lines, we could be liable for resultant damages. We cannot predict the outcome of either our investigation or the viability of potential claims. Management believes that any such claims will not have a material adverse effect on our financial condition or results of operations.

Our business is subject to substantial governmental regulation and permitting requirements as well as on-site environmental liabilities we assumed when we acquired some of our facilities. We may be adversely affected by any future inability to comply with existing or future regulations or requirements or the potentially high cost of maintaining the compliance of our facilities.

In General. Our business is subject to extensive energy, environmental and other laws and regulations of federal, state and local authorities. We generally are required to obtain and comply with a wide variety of licenses, permits and other approvals in order to operate our facilities. In the course of complying with these requirements, we may incur significant additional costs. If we fail to comply with these requirements, we could be subject to civil or criminal liability and the imposition of liens or fines. In addition, existing regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to us or our facilities, and future changes in laws and regulation may have a detrimental effect on our business.

Environmental Regulation. In acquiring some of our facilities, we assumed on-site liabilities associated with the environmental condition of those facilities, regardless of when such liabilities arose and whether known or unknown, and in some cases agreed to indemnify the former owners of those facilities for on-site environmental liabilities. We strive at all times to be in compliance with all applicable environmental laws and regulations. However, steps to bring our facilities into compliance, if necessary, could be expensive, and thus could adversely affect our financial condition. Furthermore, with the continuing trends toward stricter standards, greater regulation, more extensive permitting requirements and an increase in the assets we operate, we expect our environmental expenditures to be substantial in the future.



Ongoing changes in the United States utility industry, such as state and federal regulatory changes, a potential increase in the number of our competitors or the imposition of price limitations to address market volatility, could adversely affect our profitability.

The United States electric utility industry is currently experiencing increasing competitive pressures as a result of consumer demands, technological advances, deregulation, greater availability of natural gas-fired generation and other factors. The FERC has implemented and continues to propose regulatory changes to increase access to the nationwide transmission grid by utility and non-utility purchasers and sellers of electricity. In addition, a number of states have implemented or are considering or currently implementing methods to introduce and promote retail competition. Industry deregulation in some states has led to the disaggregation of some vertically integrated utilities into separate generation, transmission and distribution businesses, and deregulation initiatives in a number of states may encourage further disaggregation. As a result, significant additional competitors could become active in the generation, transmission and distribution segments of our industry.

Proposals have been introduced in Congress to repeal the Public Utility Holding Company Act of 1935, or PUHCA, and the FERC has publicly indicated support for the PUHCA repeal effort. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of domestic independent power generation projects may come under increasing pressure.

In addition, the independent system operators who oversee most of the wholesale power markets have in the past imposed, and may in the future continue to impose, price limitations and other mechanisms to address some of the volatility in these markets. These types of price limitations and other mechanisms may adversely affect the profitability of our generation facilities that sell energy into the wholesale power markets. Given the extreme volatility and lack of meaningful long-term price history in some of these markets and the imposition of price limitations by independent system operators, we may not be able to operate profitably in all wholesale power markets.

#### NEW ACCOUNTING PRONOUNCEMENTS

During June 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issues 1 and 3 of EITF Issue No. 02-3, "Recognition and Reporting of Gains and Losses on Energy Trading Contracts under EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," and No. 00-17, "Measuring the Fair Value of Energy-Related Contracts in Applying Issue No. 98-10."

At a meeting on October 25, 2002, the EITF reached new consensus that effectively supersede the consensus on EITF 02-3, reached at its June 2002 meeting. At its October 2002 meeting, the EITF reached a consensus to rescind EITF 98-10, the impact of which is to preclude mark-to-market accounting for all energy trading contracts not within the scope of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The EITF also reached a consensus that gains and losses on derivative instruments within the scope of Statement 133 should be shown net in the income statement if the derivative instruments are held for trading purposes. The consensus regarding the rescission of Issue 98-10 is applicable for fiscal periods beginning after December 15, 2002. Energy trading contracts not within the scope of Statement 133 purchased after October 25, 2002, but prior to the implementation of the consensus are not permitted to apply mark-to-market accounting. We have not yet

quantified the financial statement effect of this EITF action. We currently report our energy trading activities on a net basis.

Other than the above, and the new pronouncements reported in our 2001 Annual Report on Form 10-K filed with the Securities Exchange Commission, there have been no new accounting pronouncements issued that when implemented would require us to either retroactively restate prior period financial statements or record a cumulative catch-up adjustment.

#### Forward Looking Statements

Some of the statements in this Form 10-Q include "forward-looking statements" as defined by the Securities and Exchange Commission, or SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions, which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements, including, among other things: (1) unanticipated developments in the western power markets, including unanticipated governmental intervention, deterioration in the financial condition of counterparties, default on amounts due from counterparties, adverse changes in current or future litigation, adverse changes in the tariffs of the California Independent System Operator, market disruption and adverse changes in energy and commodity supply, volume and pricing and interest rates; (2) prevailing governmental policies and regulatory actions with respect to allowed rates of return, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of purchased power and other capital investments, and present or prospective wholesale and retail competition; (3) the State of California's efforts to reform its long-term power purchase contracts and recover refunds for alleged price manipulation; (4) changes in and compliance with environmental and safety laws and policies; (5) weather conditions; (6) population growth and demographic patterns; (7) competition for retail and wholesale customers; (8) pricing and transportation of commodities; (9) market demand, including structural market changes; (10) changes in tax rates or policies or in rates of inflation; (11) changes in project costs; (12) unanticipated changes in operating expenses or capital expenditures; (13) capital market conditions; (14) technological advances by competitors; (15) competition for new energy development opportunities; (16) legal and administrative proceedings that influence our business and profitability; (17) the effects on our business, including the availability of insurance, resulting from the terrorist actions on September 11, 2001, or any other terrorist actions or responses to such actions; (18) the effects on our business resulting from the financial difficulties of Enron and other energy companies, including their effects on liquidity in the trading and power industry, and their effects on the capital markets views of the energy or trading industry, and our ability to access the capital markets on the same favorable terms as in the past; (19) the effects on our business in connection with a lowering of our credit rating (or actions we may take in response to changing credit ratings criteria), including, increased collateral requirements to execute our business plan, demands for increased collateral by our current counterparties, refusal by our current or potential counterparties or customers to enter into transactions with us and our inability to obtain credit or capital in amounts or on terms favorable to us; (20) risk factors discussed in this Form 10-Q; and (21) other factors discussed from time to time in our filings with the SEC. New factors that could cause

actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk faced by us from those reported in our 2001 Annual Report on Form 10-K filed with the Securities Exchange Commission. For more information on market risk, see Part II, Item 7 in our 2001 Annual Report on Form 10-K, and Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

#### ITEM 4. CONTROLS AND PROCEDURES

With the participation of management, our Chief Executive Officer and Chief Financial Officer evaluated our disclosure controls and procedures within 90 days of the filing of this quarterly report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no significant changes in our internal controls or other factors that could significantly affect these controls subsequent to the date of our evaluation, including any significant deficiencies or material weaknesses of internal controls that would require corrective action.

BLACK HILLS CORPORATION

Part II - Other Information

Item 1. Legal Proceedings

For information regarding legal proceedings, see Note 10 to the Company's 2001 Annual Report on Form 10-K and Note 12 in Item 1 of Part I of this Quarterly Report on Form 10-Q, which information from Note 12 is incorporated by reference into this item.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits -

Exhibit 10.1	\$195 million Amended and Restated 364-day Credit Agreement dated as of August 27, 2002, Among Black Hills Corporation as Borrower, the Financial Institutions Party Hereto, as Banks, ABN Amro Bank N.A., as Syndication Agent, Bank of Montreal, as Co-Syndication Agent, US Bank, National Association, as Documentation Agent and Bank of Nova Scotia, as Co-Documentation Agent.
Exhibit 10.2	\$35 million Term Credit Agreement dated as of September 25, 2002 among Black Hills Corporation (Borrower), The Financial Institutions Party Hereto (Banks), and Credit Lyonnais New York Branch (Administrative Agent).
Exhibit 10.3	The First Supplemental Indenture, dated as of August 13, 2002, between Black Hills Power, Inc. and JPMorgan Chase Bank, as Trustee.
Exhibit 10.4	First Amendment to 3-year Credit Agreement.
Exhibit 10.5	Second Amendment to 3-year Credit Agreement.
Exhibit 99.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 99.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

We have filed the following Reports on Form 8-K during the quarter ended September 30, 2002.

Form 8-K dated August 12, 2002.

Reported under Item 9 the filing of sworn statements by Daniel P. Landguth, Black Hills Corporation's Principal Executive Officer and Mark T. Thies, Black Hills Corporation's Principal Financial Officer pursuant to Securities and Exchange Commission Order No. 4-460.

Form 8-K dated October 1, 2002.

Reported under Item 5 that Black Hills Corporation and Mallon Resources Corporation entered into a definitive merger agreement for the acquisition of Mallon Resources in a stock-for-stock transaction.

BLACK HILLS CORPORATION

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACK HILLS CORPORATION

/s/ Daniel P. Landguth

-----  
Daniel P. Landguth, Chairman and  
Chief Executive Officer

/s/ Mark T. Thies

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Mark T. Thies, Senior Vice President and  
Chief Financial Officer

Dated: November 14, 2002

CERTIFICATION

I, Daniel P. Landguth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Black Hills Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Daniel P. Landguth  
-----  
Chairman and  
Chief Executive Officer



CERTIFICATION

I, Mark T. Thies, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Black Hills Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Mark T. Thies  
-----  
Senior Vice President and  
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
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AMENDED AND RESTATED 364-DAY  
CREDIT AGREEMENT

DATED AS OF

AUGUST 27, 2002

AMONG

BLACK HILLS CORPORATION,  
as Borrower,

THE FINANCIAL INSTITUTIONS PARTY HERETO,  
as Banks,

ABN AMRO BANK N.V.,  
as Administrative Agent,

UNION BANK OF CALIFORNIA, N.A.,  
as Syndication Agent,

BANK OF MONTREAL,  
as Co-Syndication Agent,

U.S. BANK, NATIONAL ASSOCIATION,  
as Documentation Agent

and

THE BANK OF NOVA SCOTIA,  
as Co-Documentation Agent

TABLE OF CONTENTS

(This Table of Contents is not part of the Agreement)

	PAGE
SECTION 1	DEFINITIONS; INTERPRETATION.....1
Section 1.1	Definitions.....1
Section 1.2	Interpretation.....13
SECTION 2	THE CREDITS.....13
Section 2.1	The Revolving Loan Commitment.....14
Section 2.2	[Intentionally Omitted].....14
Section 2.3	Applicable Interest Rates. (a) Base Rate Loans.....14
Section 2.4	Minimum Borrowing Amounts.....16
Section 2.5	Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans 16.....16
Section 2.6	Interest Periods.....18
Section 2.7	Maturity of Loans.....18
Section 2.8	Prepayments.....18
Section 2.9	Default Rate.....19
Section 2.10	The Notes.....19
Section 2.11	Funding Indemnity.....20
Section 2.12	Commitments.....20
SECTION 3	FEES AND EXTENSIONS.....21
Section 3.1	Fees.....21
Section 3.2	Extensions.....22
SECTION 4	PLACE AND APPLICATION OF PAYMENTS.....22
Section 4.1	Place and Application of Payments.....22
SECTION 5	REPRESENTATIONS AND WARRANTIES.....23
Section 5.1	Corporate Organization and Authority.....23
Section 5.2	Subsidiaries.....23
Section 5.3	Corporate Authority and Validity of Obligations.....23
Section 5.4	Financial Statements.....24
Section 5.5	No Litigation; No Labor Controversies.....24
Section 5.6	Taxes.....24
Section 5.7	Approvals.....24
Section 5.8	ERISA.....24
Section 5.9	Government Regulation.....25
Section 5.10	Margin Stock; Use of Proceeds.....25
Section 5.11	Licenses and Authorizations; Compliance with Laws.....25
Section 5.12	Ownership of Property; Liens.....26
Section 5.13	No Burdensome Restrictions; Compliance with Agreements.....26
Section 5.14	Full Disclosure.....26
Section 5.15	Solvency.....26
SECTION 6	CONDITIONS PRECEDENT.....26
Section 6.1	Initial Credit Event.....26
Section 6.2	All Credit Events.....27
SECTION 7	COVENANTS.....28

Section 7.1	Corporate Existence; Subsidiaries.....	28
Section 7.2	Maintenance.....	28
Section 7.3	Taxes.....	28
Section 7.4	ERISA.....	28
Section 7.5	Insurance.....	29
Section 7.6	Financial Reports and Other Information.....	29
Section 7.7	Bank Inspection Rights.....	31
Section 7.8	Conduct of Business.....	31
Section 7.9	Liens.....	31
Section 7.10	Use of Proceeds; Regulation U.....	33
Section 7.11	Sales and Leasebacks.....	33
Section 7.12	Mergers, Consolidations and Sales of Assets.....	34
Section 7.13	Use of Property and Facilities; Environmental and Health and Safety Laws.....	35
Section 7.14	Investments, Acquisitions, Loans, Advances and Guaranties.....	35
Section 7.15	Restrictions on Indebtedness.....	37
Section 7.16	Consolidated Net Worth.....	39
Section 7.17	Recourse Leverage Ratio.....	39
Section 7.18	Fixed Charge Coverage Ratio.....	39
Section 7.19	Dividends and Other Shareholder Distributions.....	39
Section 7.20	No Negative Pledge.....	39
Section 7.21	Transactions with Affiliates.....	40
Section 7.22	Compliance with Laws.....	40
Section 7.23	Pari-Passu.....	40
Section 7.24	Certain Subsidiaries.....	40
Section 7.25	Ratings.....	40
Section 7.26	Liquidity Covenant.....	40
SECTION 8	EVENTS OF DEFAULT AND REMEDIES.....	40
Section 8.1	Events of Default.....	40
Section 8.2	Non-Bankruptcy Defaults.....	42
Section 8.3	Bankruptcy Defaults.....	43
Section 8.4	[Intentionally Omitted].....	43
Section 8.5	Expenses.....	43
SECTION 9	CHANGE IN CIRCUMSTANCES.....	43
Section 9.1	Change of Law.....	43
Section 9.2	Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR.....	43
Section 9.3	Increased Cost and Reduced Return.....	44
Section 9.4	Lending Offices.....	45
Section 9.5	Discretion of Bank as to Manner of Funding.....	45
SECTION 10	THE AGENT.....	46
Section 10.1	Appointment and Authorization of Administrative Agent.....	46
Section 10.2	Administrative Agent and its Affiliates.....	46
Section 10.3	Action by Administrative Agent.....	46
Section 10.4	Consultation with Experts.....	46
Section 10.5	Liability of Administrative Agent; Credit Decision.....	47
Section 10.6	Indemnity.....	47

Section 10.7	Resignation of Administrative Agent and Successor Administrative Agent.....	47
SECTION 11	MISCELLANEOUS.....	48
Section 11.1	Withholding Taxes.....	48
Section 11.2	No Waiver of Rights.....	49
Section 11.3	Non-Business Day.....	49
Section 11.4	Documentary Taxes.....	49
Section 11.5	Survival of Representations.....	50
Section 11.6	Survival of Indemnities.....	50
Section 11.7	Set-Off.....	50
Section 11.8	Notices.....	50
Section 11.9	Counterparts.....	52
Section 11.10	Successors and Assigns.....	52
Section 11.11	Participants and Note Assignees.....	52
Section 11.12	Assignment of Commitments by Banks.....	52
Section 11.13	Amendments.....	53
Section 11.14	Headings.....	54
Section 11.15	Legal Fees, Other Costs and Indemnification.....	54
Section 11.16	Entire Agreement.....	54
Section 11.17	Construction.....	54
Section 11.18	Governing Law.....	54
Section 11.19	SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.....	54
Section 11.20	Replacement of Bank.....	55
Section 11.21	Confidentiality.....	56
Section 11.22	Rights and Liabilities of Documentation Agents and Syndication Agents.....	56
Section 11.23	Amendment and Restatement of Existing 364-Day Credit Agreement.....	56

EXHIBITS

A	-	Form of Note
B	-	Form of Compliance Certificate

SCHEDULES

SCHEDULE 1	Pricing Grid
SCHEDULE 4	Administrative Agent Notice and Payment Info
SCHEDULE 5.2	Schedule of Existing Subsidiaries
SCHEDULE 5.5	Litigation and Labor Controversies
SCHEDULE 5.11	Environmental Matters
SCHEDULE 7.9	Existing Liens
SCHEDULE 7.14	Existing Investments
SCHEDULE 7.15(a)	Marketing Subsidiary Indebtedness
SCHEDULE 7.15(b)	Existing Secured Indebtedness
SCHEDULE 7.19	Restrictions on Distributions and Existing Negative Pledges



AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT, dated as of August 27, 2002 among Black Hills Corporation, a South Dakota corporation ("Borrower"), the financial institutions from time to time party hereto (each a "Bank," and collectively the "Banks"), U.S. Bank, National Association, and The Bank of Nova Scotia, in their capacity as documentation agents for the Banks hereunder (in such capacity, "Documentation Agents"), Union Bank of California, N.A., and Bank of Montreal, in their capacity as syndication agents for the Banks hereunder (in such capacity, "Syndication Agents") and ABN AMRO Bank N.V. in its capacity as agent for the Banks hereunder (in such capacity, the "Administrative Agent").

WITNESSETH THAT:

WHEREAS, the Borrower, ABN AMRO Bank N.V., in its capacity as administrative agent and certain other financial institutions are party to that certain 364-Day Credit Agreement dated as of August 28, 2001 (the "Existing 364-Day Credit Agreement"); and

WHEREAS, the Borrower desires to amend and restate the Existing 364-Day Credit Agreement in its entirety to be and to read as set forth herein and to obtain the several commitments of the Banks to make available a revolving credit for loans and letters of credit (the "Revolving Credit"), as described herein; and

WHEREAS, the Banks are willing to extend such commitments subject to all of the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth.

NOW, THEREFORE, in consideration of the recitals set forth above and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree that the Existing 364-Day Credit Agreement shall be amended and restated in its entirety as follows:

SECTION 1 DEFINITIONS; INTERPRETATION.

Section 1.1 Definitions. The following terms when used herein have the following meanings:

"Adjusted Consolidated EBITDA" means, for any period, (A) Consolidated EBITDA less (B) Restricted Earnings.

"Adjusted LIBOR" is defined in Section 2.3(b) hereof.

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with their correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event for purposes of this definition: (i) any Person which owns directly or indirectly twenty percent (20%) or more of the securities having ordinary voting power for the election of directors or

other governing body of a corporation or twenty percent (20%) or more of the partnership or other ownership interests of any other Person will be deemed to control such corporation or other Person; and (ii) each director and executive officer of Borrower or any Subsidiary of Borrower shall be deemed an Affiliate of Borrower and each of its Subsidiaries.

"Administrative Agent" is defined in the first paragraph of this Agreement and includes any successor Administrative Agent pursuant to Section 10.7 hereof.

"Agreement" means this Credit Agreement, including all Exhibits and Schedules hereto, as it may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Applicable Margin" means, at any time (i) with respect to Base Rate Loans, the Base Rate Margin and (ii) with respect to Eurodollar Loans, the Eurodollar Margin.

"Applicable Telerate Page" is defined in Section 2.3(b) hereof.

"Arrangers" means, collectively, ABN AMRO Bank N.V., Union Bank of California, N.A., and U.S. Bank, National Association.

"Authorized Representative" means those persons shown on the list of officers provided by Borrower pursuant to Section 6.1(e) hereof, or on any updated such list provided by Borrower to the Administrative Agent, or any further or different officer of Borrower so named by any Authorized Representative of Borrower in a written notice to the Administrative Agent.

"Bank" and "Banks" are defined in the first paragraph of this Agreement.

"Base Rate" is defined in Section 2.3(a) hereof.

"Base Rate Loan" means a Loan bearing interest prior to maturity at a rate specified in Section 2.3(a) hereof.

"Base Rate Margin" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"BHP" means Black Hills Power, Inc., a South Dakota corporation.

"Borrower" is defined in the first paragraph of this Agreement.

"Borrowing" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by the Banks on a single date and for a single Interest Period. Borrowings of Loans are made by and maintained ratably for each of the Banks according to their Percentages. A Borrowing is "advanced" on the day Banks advance funds comprising such Borrowing to Borrower, is "continued" on the date a new Interest Period for the same type of Loans commences for such Borrowing and is "converted" when such Borrowing is changed from one type of Loan to the other, all as requested by Borrower pursuant to Section 2.5(a).

"Business Day" means any day other than a Saturday or Sunday on which Banks are not authorized or required to close in New York, New York, Chicago, Illinois or Rapid City, South Dakota and, if the applicable Business Day relates to the borrowing or payment of a Eurodollar Loan, on which banks are dealing in U.S. Dollars in the interbank market in London, England.

"Capital" means, as of any date of determination thereof, without duplication, the sum of (A) Consolidated Net Worth plus (B) all Recourse Indebtedness (provided that for purposes of clause (B) of this definition, to the extent otherwise included, Indebtedness of Marketing Subsidiaries in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit incurred under Marketing Subsidiary Excluded Credit Facilities shall not be deemed to be Recourse Indebtedness).

"Capital Lease" means at any date any lease of Property which, in accordance with GAAP, would be required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligations" means, for any Person, the amount of such Person's liabilities under Capital Leases determined at any date in accordance with GAAP.

"Change of Control Event" means one or more of the following events:

(a) less than a majority of the members of the Board of Directors of Borrower shall be persons who either (i) were serving as directors on the Effective Date or (ii) were nominated as directors and approved by the vote of the majority of the directors who are directors referred to in clause (i) above or this clause (ii); or

(b) the stockholders of Borrower shall approve any plan or proposal for the liquidation or dissolution of Borrower; or

(c) a Person or group of Persons acting in concert (other than the direct or indirect beneficial owners of the Voting Stock of Borrower as of the Effective Date) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the direct or indirect beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time) of Voting Stock of Borrower representing more than ten percent (10%) of the combined voting power of the outstanding Voting Stock or other ownership interests for the election of directors or shall have the right to elect a majority of the Board of Directors of Borrower; or

(d) Except as permitted by Section 7.12, Borrower ceases at any time to own one hundred percent (100%) of the Voting Stock and other equity interest of any Material Subsidiary.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" and "Commitments" are defined in Section 2.1 hereof.

"Compliance Certificate" means a certificate in the form of Exhibit B hereto.

"Consolidated Assets" means all assets which should be listed on the consolidated balance sheet of Borrower and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated EBITDA" means, for any period, for Borrower and its Consolidated Subsidiaries on a consolidated basis, (A) the sum of the amounts for such period of (i) Consolidated Net Income, (ii) to the extent deducted in arriving at Consolidated Net Income, net federal, state and local income taxes in respect of such period, (iii) to the extent deducted in arriving at Consolidated Net Income, Consolidated Interest Expense, (iv) to the extent deducted in arriving at Consolidated Net Income, the amount charged for the amortization of intangible assets, (v) to the extent deducted in arriving at Consolidated Net Income, the amount charged for the depreciation of assets, and (vi) to the extent deducted in arriving at Consolidated Net Income, losses on sales of assets (excluding sales in the ordinary course of business) and other extraordinary losses, less (B) the amount for such period of (i) to the extent added in arriving at Consolidated Net Income, interest income arising from traditional investment activities with banks, investments banks and other financial institutions or relating to governmental or other marketable securities, (ii) to the extent added in arriving at Consolidated Net Income, gains on sales of assets (excluding sales in the ordinary course of business) and other extraordinary gains, all as determined on a consolidated basis in accordance with GAAP, (iii) any maintenance capital expenditures made by the Borrower or its Consolidated Subsidiaries in such period, (iv) without duplication, any payments made by a Consolidated Subsidiary constituting a repayment of principal Indebtedness (other than (x) the Obligations and (y) repayments of principal made with the proceeds of a refinancing of such Indebtedness otherwise permitted pursuant to this Agreement) or with respect to a reserve, and (v) without duplication, any other mandatory payment made by a Consolidated Subsidiary in such period not included as an expense or loss in calculating Consolidated Net Income.

"Consolidated Fixed Charges" means, for any period and without duplication the sum of (i) the aggregate amount of Consolidated Interest Expense with respect to Recourse Indebtedness paid or scheduled to be paid for such period, and (ii) the aggregate amount of all mandatory scheduled payments (whether designated as payments or prepayments) and scheduled sinking fund payments with respect to principal of any Recourse Indebtedness of the Borrower or its Subsidiaries (including payments in the nature of principal under Capital Leases).

"Consolidated Interest Expense" means, with reference to any period of the Borrower and its Subsidiaries, the sum of (i) all interest charges (including capitalized interest, imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense and other deferred financing charges) of the Borrower and its Subsidiaries on a consolidated basis for such period determined in accordance with GAAP, other than interest charges relating to Non-Recourse Indebtedness, (ii) all commitment or other fees payable in respect of the issuance of standby letters of credit or other credit facilities for the account of the Borrower or its Subsidiaries, and (iii) net costs/expenses incurred by the Borrower and its Subsidiaries under Derivative Arrangements.

"Consolidated Net Income" means, for any period of the Borrower and its Consolidated Subsidiaries, the amount for such period of consolidated net income (or net loss) of the Borrower and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, as of any time the same is to be determined, the total shareholders' equity (including capital stock, additional paid-in-capital and retained earnings after deducting treasury stock, but excluding (to the extent otherwise included in calculating shareholders' equity), minority interests in Subsidiaries) which would appear on the consolidated balance sheet of Borrower determined on a consolidated basis in accordance with GAAP.

"Consolidated Subsidiary" means, as to any Person, each subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated, with the financial statements of such Person in accordance with GAAP, including principles of consolidation.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its Property is bound.

"Controlled Group" means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control that, together with Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Credit Documents" means this Agreement, the Notes, the Fee Letter and all other documents executed in connection herewith or therewith.

"Credit Event" means any Borrowing.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Derivative Arrangement" means any agreement (including any master agreement and any agreement, whether or not in writing, relating to any single transaction) that is an interest rate swap agreement, basis swap, forward rate agreement, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, forward foreign exchange agreement, rate cap, collar or floor agreement, future agreement, currency swap agreement, cross-currency rate swap agreement, swaption, currency option, that relates to fluctuations in raw material prices or utility or energy prices or other costs, or any other similar agreement, including any option to enter into any of the foregoing, or any combination of any of the foregoing. "Derivative Arrangements" shall include all such agreements or arrangements made or entered into at any time, or in effect at any time, whether or not related to a Loan.

"Derivative Obligations" means, with respect to any Person, all liabilities of such Person under any Derivative Arrangement (including but not limited to obligations and liabilities arising in connection with or as a result of early or premature termination of a Derivative Arrangement, whether or not occurring as a result of a default thereunder), absolute or contingent, now or hereafter existing or incurred or due or to become due.

"Documentation Agents" is defined in the first paragraph of this Agreement.

"Effective Date" means August 27, 2002.

"Environmental and Health Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, judgments, permits and other governmental rules or restrictions relating to human health, safety (including without limitation occupational safety and health standards), or the environment or to emissions, discharges or releases of pollutants, contaminants, hazardous or toxic substances, wastes or any other controlled or regulated substance into the environment, including without limitation ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances, wastes or any other controlled or regulated substance or the clean-up or other remediation thereof.

"ERISA" is defined in Section 5.8 hereof.

"Eurodollar Loan" means a Loan bearing interest prior to its maturity at the rate specified in Section 2.3(b) hereof.

"Eurodollar Margin" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"Eurodollar Reserve Percentage" is defined in Section 2.3(b) hereof.

"Event of Default" means any of the events or circumstances specified in Section 8.1 hereof.

"Existing 364-Day Credit Agreement" is defined in the first Whereas clause above.

"Facility Fee Rate" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to:

(a) the weighted average of the rates on overnight federal funds transactions with members of the United States Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the United States Federal Reserve Bank of New York; or

(b) if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means that certain letter among the Administrative Agent and Borrower pertaining to fees to be paid by Borrower to the Administrative Agent for its sole account and benefit.

"Fixed Charge Coverage Ratio" means, for any period of four consecutive quarters of the Borrower ending with the most recently completed such fiscal quarter, the ratio of (A) Adjusted Consolidated EBITDA to (B) Consolidated Fixed Charges for such period.

"GAAP" means generally accepted accounting principles as in effect in the United States from time to time, applied by Borrower and its Subsidiaries on a basis consistent with the preparation of Borrower's financial statements furnished to the Banks as described in Section 5.4 hereof.

"Guarantee" means, in respect of any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligations of another Person, including, without limitation, by means of an agreement to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to maintain financial covenants, or to assure the payment of such Indebtedness by an agreement to make payments in respect of goods or services regardless of whether delivered, or otherwise, provided, that the term "Guarantee" shall not include endorsements for deposit or collection in the ordinary course of business; and such term when used as a verb shall have a correlative meaning.

"Hazardous Material" means any substance or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls, dioxins and petroleum or its by-products or derivatives (including crude oil or any fraction thereof) and (b) any other material or substance classified or regulated as "hazardous" or "toxic" pursuant to any Environmental and Health Law.

"Immaterial Subsidiary" shall mean, any direct or indirect subsidiary of Borrower (i) whose total assets (as determined in accordance with GAAP) do not represent at least five percent (5%) of the total assets (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis or (ii) whose total revenues (as determined in accordance with GAAP) do not represent at least five percent (5%) of the total revenues (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis, provided that no subsidiary shall be deemed an Immaterial Subsidiary to the extent (a) the total assets of such subsidiary, when combined with the total assets of other subsidiaries which are Immaterial Subsidiaries, represent at least ten percent (10%) of the total assets (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis or (ii) the total revenues of such subsidiary, when combined with the total revenues of other Immaterial Subsidiaries, (as determined in accordance with GAAP) represent at least ten percent (10%) of the total revenues (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis. As used in this definition "subsidiary" shall mean any Person whose financial statements are consolidated into the financial statements of Borrower in accordance with GAAP.

"Indebtedness" means, as to any Person, without duplication: (i) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (ii) all obligations of such Person for the deferred purchase price of property or services (other than in respect of trade accounts payable arising in the ordinary course of business which are not past-due); (iii) all Capitalized Lease Obligations of such Person; (iv) all Indebtedness of others secured by a Lien on any properties, assets or revenues of such Person (other than stock, partnership interests or other equity interests of Borrower or any Subsidiary of Borrower in other entities) to the extent of the lesser of the value of the property subject to such Lien or the amount of such Indebtedness; (v) all Guarantees issued by such Person, provided that Long-Term Guaranties shall not be deemed "Indebtedness" for purposes of calculating Borrower's compliance with the financial covenants set forth in Sections 7.16, 7.17 and 7.18 hereof; (vi) all obligations of such Person, contingent or otherwise, in respect of any letters or credit (whether

commercial or standby) or bankers' acceptances, (vii) all Derivative Obligations of such Person, provided that for purposes of determining Borrower's compliance with the financial covenants set forth herein, only Borrower's Derivative Obligations under Derivative Arrangements which must be marked-to-market in accordance with GAAP shall be included as Indebtedness of Borrower, and (viii) all obligations of such Person under synthetic (and similar type) lease arrangements, provided that for purposes of calculating such Person's Indebtedness under such synthetic (or similar type) lease arrangements, such lease arrangement shall be treated as if it were a Capitalized Lease.

"Interest Period" is defined in Section 2.6 hereof.

"Investments" is defined in Section 7.14.

"L/C Obligations" has the same meaning herein as in the 3-Year Credit Agreement.

"Lending Office" is defined in Section 9.4 hereof.

"Level I Status" means Borrower's S&P Rating is A+ or higher and its Moody's Rating is A1 or higher.

"Level II Status" means Level I Status does not exist, but Borrower's S&P Rating is A- or higher and its Moody's Rating is A3 or higher.

"Level III Status" means neither Level I Status nor Level II Status exists, but Borrower's S&P Rating is BBB+ or higher and its Moody's rating is Baa1 or higher.

"Level IV Status" means neither Level I Status, Level II Status, nor Level III Status exists, but Borrower's S&P Rating is BBB or higher and its Moody's rating is Baa2 or higher.

"Level V Status" means neither Level I Status, Level II Status, Level III Status, nor Level IV Status exists, but Borrower's S&P Rating is BBB- or higher and its Moody's rating is Baa3 or higher.

"Level VI Status" means none of Level I Status, Level II Status, Level III Status, Level IV Status nor Level V Status exists.

"LIBOR" is defined in Section 2.3(b) hereof.

"LIBOR Loan Restriction Period" means the period commencing on and including the fifth to last Business Day of any calendar year and ending on and including the fifth Business Day of the immediately succeeding calendar year.

"Lien" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the



Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a "Lien."

"Liquid Assets" means, as the date of any calculation thereof, the sum of (i) the amount of unrestricted cash which the Borrower then has available, plus (ii) the aggregate amount of then available (meaning the Borrower is entitled to borrow such amounts pursuant to the applicable documentation) unused capacity under the Borrower's senior unsecured credit facilities (including this Agreement and the 3-Year Credit Agreement).

"Loan" and "Loans" are defined in Section 2.1 hereof and includes a Base Rate Loan or Eurodollar Loan, each of which is a "type" of Loan hereunder.

"Long-Term Guarantee" means (i) any Guarantee issued by Borrower or its Subsidiaries under which the holder or beneficiary of such Guarantee is not permitted under any circumstance or contingency to make demand or exercise any other remedies under such Guarantee prior to the Termination Date, as extended from time to time in accordance with the terms hereof and (ii) any coal mining reclamation bonds or contingent indemnity or reimbursement obligations with respect to such reclamation bonds (so long as such reclamation bonds have not been called upon).

"Marketing Subsidiary" means each of Black Hills Coal Network, Inc., a South Dakota corporation, Black Hills Energy Resources, Inc., a South Dakota corporation, and Enserco Energy, Inc., a South Dakota corporation, and their respective subsidiaries.

"Marketing Subsidiary Excluded Credit Facilities" means those certain credit facilities of the Marketing Subsidiaries described on Schedule 7.15(a) hereof, as such credit facilities are in effect on the Effective Date, provided that such credit facilities shall cease to be Marketing Subsidiary Excluded Credit Facilities to the extent availability thereunder is increased, any substantive term thereof is materially modified, or such credit facility is extended more than once in any fiscal year for a period of more than one year. Any replacement credit facility of a Marketing Subsidiary Excluded Credit Facility shall be deemed a Marketing Subsidiary Excluded Credit Facility only if such replacement credit facility contains terms substantially the same as the Marketing Subsidiary Excluded Credit Facility being replaced (including tenor) or is approved in writing by the Required Banks.

"Marketing Subsidiary Indebtedness Limit" means the sum of (i) aggregate amount of credit availability (used or unused) under Marketing Subsidiary Excluded Credit Facilities as of the Effective Date and (ii) \$25,000,000.

"Material Adverse Effect" means a material adverse effect on (i) the business, financial position or results of operations of Borrower or Borrower and its Subsidiaries taken as a whole, (ii) the ability of Borrower to perform its material obligations under the Credit Documents, (iii) the validity or enforceability of the material obligations of Borrower under any Credit Document, (iv) the rights and remedies of the Banks or the Administrative Agent against Borrower; or (v) the timely payment of the principal of and interest on the Loans or other amounts payable by Borrower hereunder, provided, that a downgrade of Borrower's S&P Rating and/or Moody's Rating shall not, in and of itself, be deemed a "Material Adverse Effect" for purposes of this Agreement.

"Material Subsidiaries" means BHP, Black Hills Energy, Inc., a South Dakota corporation, Wyodak Resources Development Corp., a Delaware corporation, Black Hills Energy Capital, Inc., a Delaware corporation and any other Subsidiary of Borrower which is not either an Immaterial Subsidiary or a Project Finance Subsidiary.

"Moody's Rating" means the rating assigned by Moody's Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term indebtedness of a Person (or if neither Moody's Investors Service, Inc. nor any such successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the United States of America as mutually agreed between the Required Banks and Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as currently defined by Moody's Investors Service, Inc. (or such a successor) and shall be deemed to refer to the equivalent rating if such rating system changes.

"Non-Recourse Indebtedness" means, without duplication, all Indebtedness of Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP incurred in connection with project financings (including project financings of existing assets the proceeds of which are used to refinance such assets) as to which the holder of such Indebtedness has recourse solely against the assets which were purchased or refinanced with, or leased in connection with, such Indebtedness and not against Borrower or a Consolidated Subsidiary of Borrower other than a Project Finance Subsidiary or any of their other assets (whether directly, through a Guarantee or otherwise), other than the pledge of the stock (or similar equity interest) of the Project Finance Subsidiary which incurred such Indebtedness. For purposes of clarification, any Indebtedness of a Project Finance Subsidiary which would otherwise constitute Non-Recourse Indebtedness but for the issuance by the Borrower or a Consolidated Subsidiary of the Borrower of a Guarantee or other document which provides recourse with respect to such Indebtedness, such Indebtedness shall for all purposes of this Agreement be deemed Non-Recourse Indebtedness so long as (i) the Borrower's or such Consolidated Subsidiary's obligations under such Guarantee or other document are treated for all purposes as Recourse Indebtedness hereunder, (ii) such Recourse Indebtedness of the Borrower or such Consolidated Subsidiary is unsecured and is otherwise permitted by this Agreement, and (iii) such Recourse Indebtedness of the Borrower or such Consolidated Subsidiary does not in the aggregate exceed \$100,000,000 at any one time outstanding.

"Note" is defined in Section 2.10(a) hereof.

"Obligations" means all fees payable hereunder, all obligations of Borrower to pay principal or interest on Loans, fees, expenses, indemnities, and all other payment obligations of Borrower arising under or in relation to any Credit Document.

"Percentage" means, for each Bank, the percentage of the Commitments represented by such Bank's Commitment or, if the Commitments have been terminated, the percentage held by such Bank of the aggregate principal amount of all outstanding Obligations.

"Permitted Derivative Obligations" means all Derivative Obligations as to which the Derivative Arrangements giving rise to such Derivative Obligation are entered into in the ordinary course of business to hedge interest rate risk, currency risk, commodity price risk or the

production of Borrower or its Subsidiaries (and not for speculative purposes) and if such Derivative Obligation is an obligation of Borrower, such Derivative Obligation ranks no greater than pari passu to the Obligations.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan " means at any time an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"PBG" is defined in Section 5.8 hereof.

"Project Finance Subsidiary" means any special purpose Subsidiary of Borrower created to limit the recourse of the creditors of such Subsidiary and as to which the creditors and other holders of Indebtedness of such Subsidiary have recourse solely against the assets of such Subsidiary and not against Borrower or any other Subsidiary of Borrower or any of their other assets (whether directly, through a Guarantee or otherwise) other than (i) pursuant to a Guarantee permitted hereunder and (ii) the stock of such special purpose Subsidiary (or similar equity interest).

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Recourse Indebtedness" means, without duplication, all Indebtedness of Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP other than Non-Recourse Indebtedness.

"Recourse Leverage Ratio" means, as of any time the same is to be determined, the ratio of the amount of (A) Recourse Indebtedness outstanding at such time (provided that for purposes of clause (A) of this definition, to the extent otherwise included, Indebtedness of Marketing Subsidiaries in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit incurred under Marketing Subsidiary Excluded Credit Facilities shall not be deemed to be Recourse Indebtedness) to (B) the amount of Capital at such time.

"Required Banks" means, as of the date of determination thereof, any Banks holding in the aggregate more than fifty percent (50%) of the Percentages, provided, that at any time there are two (2) or less Banks, Required Banks shall mean Banks holding one hundred percent (100%) of the Percentages.

"Restricted Earnings" means, for any period, the amount of all Consolidated Net Income earned by each of Borrower's Consolidated Subsidiaries during such period which may not be distributed or dividended to Borrower due to contractual or other restrictions on such distributions or dividends.

"SEC" means the United States Securities and Exchange Commission.

"Security" has the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"S&P Rating" means the rating assigned by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term indebtedness of a Person (or, if neither such division nor any successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the United States as mutually agreed between the Required Banks and Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as currently defined by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. (or such a successor) and shall be deemed to refer to the equivalent rating if such rating system changes.

"Solvent" means that (a) the fair value of a Person's assets is in excess of the total amount of such Person's debts, as determined in accordance with the United States Bankruptcy Code, and (b) the present fair saleable value of a Person's assets is in excess of the amount that will be required to pay such Person's debts as they become absolute and matured. As used in this definition, the term "debts" includes any legal liability, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent, as determined in accordance with the United States Bankruptcy Code.

"Subsidiary" means, as to Borrower, any corporation or other entity (i) which is consolidated into the financial statements of such Borrower in accordance with GAAP or (ii) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the Board of Directors of such corporation or similar governing body in the case of a non-corporation (irrespective of whether or not, at the time, stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such Borrower or by one or more of its Subsidiaries.

"Syndication Agents" is defined in the first paragraph of this Agreement.

"Telerate Service" means the Dow Jones Telerate Service.

"Termination Date" means August 26, 2003, as extended from time to time pursuant to Section 3.2.

"3-Year Credit Agreement" means that certain 3-Year Credit Agreement dated as of August 28, 2001 among Borrower, ABN AMRO Bank, N.V., in its capacity as administrative agent for the Banks thereunder, U.S. Bank, National Association, and The Bank of Nova Scotia, in their capacity as documentation agents for the Banks thereunder, Union Bank of California, N.A., and Bank of Montreal, in their capacity as syndication agents for the Banks thereunder and the various financial institutions from time to time party thereto as Banks, as amended from time to time.

"3-Year Commitments" shall mean "Commitments", as such term is defined in the 3-Year Day Credit Agreement.

"3-Year Credit Documents" shall mean "Credit Documents", as such term is defined in the 3-Year Credit Agreement.

"3-Year Loans" shall mean "Loans", as such term is defined in the 3-Year Credit Agreement.

"Total Commitments" shall mean the sum of the Commitments and the 3-Year Commitments.

"Total Loans" shall mean the sum of the Loans and the 3-Year Loans.

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"Utilization Fee Rate" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"U.S. Dollars" and "\$" each means the lawful currency of the United States of America.

"Voting Stock" of any Person means capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person.

"Welfare Plan" means a "welfare plan", as defined in Section 3(1) of ERISA.

"Wholly-Owned" when used in connection with any Subsidiary means a Subsidiary of which all of the issued and outstanding shares of stock or other equity interests (other than directors' qualifying shares as required by law) shall be owned by Borrower and/or one or more of its Wholly-Owned Subsidiaries.

Section 1.2 Interpretation. The foregoing definitions shall be equally applicable to both the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to New York, New York time unless otherwise specifically provided. The word "including" means including without limiting the generality of any description preceding such term. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP in effect on the Effective Date, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement.

SECTION 2 THE CREDITS.

Section 2.1 The Revolving Loan Commitment. Subject to the terms and conditions hereof (including Sections 6.1 and 6.2), each Bank, by its acceptance hereof, severally agrees to make a loan or loans (individually a "Loan" and collectively "Loans") to Borrower from time to time on a revolving basis in U.S. Dollars in an aggregate outstanding amount up to the amount of its commitment set forth on the applicable signature page hereof (such amount, as reduced pursuant to Section 2.12(a), increased pursuant to Section 2.12(b), or changed as a result of one or more assignments under Section 11.12, its "Commitment" and, cumulatively for all the Banks, the "Commitments") before the Termination Date, provided that the aggregate amount of Loans at any time outstanding shall not exceed the Commitments in effect at such time. On the Termination Date the Commitments shall terminate. Each Borrowing of Loans shall be made ratably from the Banks in proportion to their respective Percentages. As provided in Section 2.5(a) hereof, Borrower may elect that each Borrowing of Loans be either Base Rate Loans or Eurodollar Loans. Loans may be repaid and the principal amount thereof reborrowed before the Termination Date, subject to all the terms and conditions hereof. Unless an earlier maturity is provided for hereunder, all Loans shall mature and be due and payable on the Termination Date. Notwithstanding anything is this Agreement to the contrary, no Eurodollar Loans may be advanced during the LIBOR Loan Restriction Period.

Section 2.2 [Intentionally Omitted]. (a)

Section 2.3 Applicable Interest Rates. (a) Base Rate Loans. Each Base Rate Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed (x) at all times the Base Rate is based on the rate described in clause (i) of the definition thereof, on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed or (y) at all times the Base Rate is based on the rate described in clause (ii) of the definition thereof, on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Eurodollar Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect, payable on the last day of its Interest Period and at maturity (whether by acceleration or otherwise).

"Base Rate" means for any day the greater of:

(i) the rate of interest announced by ABN AMRO Bank N.V. from time to time as its prime rate, or equivalent, for U.S. Dollar loans within the United States as in effect on such day, with any change in the Base Rate resulting from a change in said prime rate to be effective as of the date of the relevant change in said prime rate; and

(ii) the sum of (x) the Federal Funds Rate, plus (y) 1/2 of 1% (0.50%).

(b) Eurodollar Loans. Each Eurodollar Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued, or created by conversion from a Base Rate Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest

Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period.

"Adjusted LIBOR" means, for any Borrowing of Eurodollar Loans, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurodollar Reserve Percentage}}$$

"LIBOR" means, for an Interest Period for a Borrowing of Eurodollar Loans, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetical average of the rates of interest per annum (rounded upwards, if necessary, to the nearest one-sixteenth of one percent) at which deposits in U.S. Dollars, in immediately available funds are offered to the Administrative Agent at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurodollar market for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made by each Lender as part of such Borrowing.

"LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one-sixteenth of one percent) for deposits in U.S. Dollars for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made by each Lender as part of such Borrowing, which appears on the Applicable Telerate Page as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period.

"Applicable Telerate Page" means the display page designated as "Page 3750" on the Telerate Service (or such other pages as may replace any such page on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for deposits in U.S. Dollars).

"Eurodollar Reserve Percentage" means for an Borrowing of Eurodollar Loans from any Bank, the daily average for the applicable Interest Period of the actual effective rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are maintained by such Bank during such Interest Period pursuant to Regulation D of the Board of Governors of the Federal Reserve System (or any successor) on "eurocurrency liabilities", as defined in such Board's Regulation D (or in respect of any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Loans is determined or any category of extensions of credit or other assets that include loans by non-United States offices of any Bank to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurodollar Loans shall be deemed to be "eurocurrency liabilities" as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

(c) Rate Determinations. The Administrative Agent shall determine each interest rate applicable to Obligations, and a determination thereof by the Administrative Agent shall be conclusive and binding except in the case of manifest error.

Section 2.4 Minimum Borrowing Amounts. Each Borrowing of Base Rate Loans and Eurodollar Loans shall be in an amount not less than (i) if such Borrowing is comprised of Borrowing of Base Rate Loans, \$1,000,000 and integral multiples of \$500,000 in excess thereof, and (ii) if such Borrowing is comprised of Borrowing of Eurodollar Loans, \$2,000,000 and integral multiples of \$1,000,000 in excess thereof.

Section 2.5 Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans. (a) Notice to the Administrative Agent. (a) The Borrower shall give notice to the Administrative Agent by no later than 12:00 noon (New York time) (i) at least three (3) Business Days before the date on which Borrower requests the Banks to advance a Borrowing of Eurodollar Loans, or (ii) on the date on which Borrower requests the Banks to advance a Borrowing of Base Rate Loans. The Loans included in each Borrowing shall bear interest initially at the type of rate specified in such notice of a new Borrowing. Thereafter, Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to Section 2.4's minimum amount requirement for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurodollar Loans, on the last day of the Interest Period applicable thereto, Borrower may continue part or all of such Borrowing as Eurodollar Loans for an Interest Period or Interest Periods specified by Borrower or convert part or all of such Borrowing into Base Rate Loans, and (ii) if such Borrowing is of Base Rate Loans, on any Business Day, Borrower may convert all or part of such Borrowing into Eurodollar Loans for an Interest Period or Interest Periods specified by Borrower. Borrower shall give all such notices requesting, the advance, continuation, or conversion of a Borrowing to the Administrative Agent by telephone or telecopy (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing). Notices of the continuation of a Borrowing of Eurodollar Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of Eurodollar Loans into Base Rate Loans or of Base Rate Loans into Eurodollar Loans must be given by no later than 12:00 noon (New York time) at least three (3) Business Days before the date of the requested continuation or conversion. All such notices concerning the advance, continuation, or conversion of a Borrowing shall be irrevocable once given and shall specify the date of the requested advance, continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurodollar Loans, the Interest Period applicable thereto. Borrower agrees that the Administrative Agent may rely on any such telephonic or telecopy notice given by any person it in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon. There may be no more than six different Interest Periods in effect at any one time, provided that for purposes of determining the number of Interest Periods in effect at any one time, all Base Rate Loans shall be deemed to have one and the same Interest Period.



(b) Notice to the Banks. The Administrative Agent shall give prompt telephonic or teletype notice to each Bank of any notice from Borrower received pursuant to Section 2.5(a) above. The Administrative Agent shall give notice to Borrower and each Bank by like means of the interest rate applicable to each Borrowing of Eurodollar Loans.

(c) Borrower' Failure to Notify. Any outstanding Borrowing of Base Rate Loans shall, subject to Section 6.2 hereof, automatically be continued for an additional Interest Period on the last day of its then current Interest Period unless Borrower has notified the Administrative Agent within the period required by Section 2.5(a) that it intends to convert such Borrowing into a Borrowing of Eurodollar Loans or notifies the Administrative Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing. If Borrower fails to give notice pursuant to Section 2.5(a) above of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurodollar Loans before the last day of its then current Interest Period within the period required by Section 2.5(a) and has not notified the Administrative Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing, such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans, subject to Section 6.2 hereof. The Administrative Agent shall promptly notify the Banks of Borrower's failure to so give a notice under Section 2.5(a).

(d) Disbursement of Loans. Not later than 12:00 noon (New York time) on the date of any requested advance of a new Borrowing of Eurodollar Loans, and not later than 2:00 p.m. (New York time) on the date of any requested advance of a new Borrowing of Base Rate Loans, subject to Section 6 hereof, each Bank shall make available its Loan comprising part of such Borrowing in funds immediately available at the principal office of the Administrative Agent in New York, New York. The Administrative Agent shall make available to Borrower Loans at the Administrative Agent's principal office in New York, New York or such other office as the Administrative Agent has previously agreed in writing to with Borrower, in each case in the type of funds received by the Administrative Agent from the Banks.

(e) Administrative Agent Reliance on Bank Funding. Unless the Administrative Agent shall have been notified by a Bank before the date on which such Bank is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Bank does not intend to make such payment, the Administrative Agent may assume that such Bank has made such payment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to Borrower the proceeds of the Loan to be made by such Bank and, if any Bank has not in fact made such payment to the Administrative Agent, such Bank shall, on demand, pay to the Administrative Agent the amount made available to Borrower attributable to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to Borrower and ending on (but excluding) the date such Bank pays such amount to the Administrative Agent at a rate per annum equal to (i) from the date the related payment was made by the Administrative Agent to the date two (2) Business Days after payment by such Bank is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Bank to the date such payment is made by such Bank, the Base Rate in effect for each such day. If such amount is not received from such Bank by the Administrative Agent immediately upon demand, Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan

attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan.

Section 2.6 Interest Periods. As provided in Section 2.5(a) hereof, at the time of each request of a Borrowing of Eurodollar Loans, Borrower shall select an Interest Period applicable to such Loans from among the available options. The term "Interest Period" means the period commencing on the date a Borrowing of Loans is advanced, continued, or created by conversion and ending: (a) in the case of Base Rate Loans, on the last Business Day of the calendar quarter in which such Borrowing is advanced, continued, or created by conversion (or on the last day of the following calendar quarter if such Loan is advanced, continued or created by conversion on the last Business Day of a calendar quarter), and (b) in the case of Eurodollar Loans, 1, 2, 3, or 6 months thereafter; provided, however, that:

(a) any Interest Period for a Borrowing of Base Rate Loans that otherwise would end after the Termination Date shall end on the Termination Date;

(b) for any Borrowing of Eurodollar Loans, Borrower may not select an Interest Period that extends beyond either (i) the fifth to last Business Day of any calendar year or (ii) the Termination Date;

(c) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, provided that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurodollar Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(d) for purposes of determining an Interest Period for a Borrowing of Eurodollar Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.7 Maturity of Loans. Unless an earlier maturity is provided for hereunder (whether by acceleration or otherwise), all Obligations (including principal and interest on all outstanding Loans) shall mature and become due and payable by Borrower on the Termination Date.

Section 2.8 Prepayments. (a) (a) Borrower may prepay without premium or penalty and in whole or in part (but, if in part, then (i) in an amount not less than \$5,000,000 and integral multiples of \$1,000,000 in excess thereof, and (ii) in an amount such that the minimum amount required for a Borrowing pursuant to Section 2.4 hereof remains outstanding) any Borrowing of Eurodollar Loans upon three (3) Business Days' prior irrevocable notice to the Administrative Agent or, in the case of a Borrowing of Base Rate Loans, irrevocable notice delivered to the Administrative Agent no later than 12:00 noon (New York time) on the date of prepayment, such prepayment to be made by the payment of the principal amount to be prepaid and accrued

interest thereon to the date fixed for prepayment. In the case of Eurodollar Loans, any amounts owing under Section 2.11 hereof as a result of such prepayment shall be paid contemporaneously with such prepayment. The Administrative Agent will promptly advise each Bank of any such prepayment notice it receives from Borrower. Any amount paid or prepaid before the Termination Date may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again.

(b) If the aggregate amount of outstanding Loans shall at any time for any reason exceed the Commitments then in effect, Borrower shall, immediately and without notice or demand, pay the amount of such excess to the Administrative Agent for the ratable benefit of the Banks as a prepayment of the Loans and, if necessary, a prefunding of Letters of Credit. Immediately upon determining the need to make any such prepayment Borrower shall notify the Administrative Agent of such required prepayment. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and shall be subject to Section 2.11.

Section 2.9 Default Rate. If any payment of principal or interest on any Loan, or payment of any other Obligation, is not made when due (whether by acceleration or otherwise), such principal, interest or other Obligation shall bear interest (computed on the basis of a year of 360 days and actual days elapsed or, if based on the rate described in clause (i) of the definition of Base Rate, on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed) from the date such payment was due until paid in full, payable on demand, at a rate per annum equal to:

(a) for any Obligation other than a Eurodollar Loan (including principal and interest relating to Base Rate Loans and interest on Eurodollar Loans), the sum of two percent (2%) plus the Applicable Margin plus the Base Rate from time to time in effect; and

(b) for the principal of any Eurodollar Loan, the sum of two percent (2%) plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the sum of two percent (2%) plus the Applicable Margin plus the Base Rate from time to time in effect.

Section 2.10 The Notes. (a) The Loans made to Borrower by each Bank shall be evidenced by a single promissory note of Borrower issued to such Bank in the form of Exhibit A hereto. Each such promissory note is hereinafter referred to as a "Note" and collectively such promissory notes are referred to as the "Notes."

(a) Each Bank shall record on its books and records or on a schedule to its Note the amount of each Loan advanced, continued, or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan, and, for any Eurodollar Loan, the Interest Period and the interest rate applicable thereto. The record thereof, whether shown on such books and records of a Bank or on a schedule to any Note, shall be prima facie evidence of the same; provided, however, that the failure of any Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of Borrower to repay all Loans made hereunder together with accrued interest thereon. At the request of any Bank and upon such Bank tendering to Borrower the Note to be

replaced, Borrower shall furnish a new Note to such Bank to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.11 Funding Indemnity. If any Bank shall incur any loss, cost or expense (including, without limitation, any loss, cost or expense (excluding loss of margin) incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Eurodollar Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

(a) any payment (whether by acceleration or otherwise), prepayment or conversion of a Eurodollar Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section 6 or otherwise) by Borrower to borrow or continue a Eurodollar Loan, or to convert a Base Rate Loan into a Eurodollar Loan, on the date specified in a notice given pursuant to Section 2.5(a) or established pursuant to Section 2.5(c) hereof,

(c) any failure by Borrower to make any payment or prepayment of principal on any Eurodollar Loan when due (whether by acceleration or otherwise), or

(d) any acceleration of the maturity of a Eurodollar Loan as a result of the occurrence of any Event of Default hereunder, then, upon the demand of such Bank, Borrower shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense. If any Bank makes such a claim for compensation, it shall provide to Borrower, with a copy to the Administrative Agent, a certificate executed by an officer of such Bank setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) and the amounts shown on such certificate if reasonably calculated shall be prima facie evidence of the amount of such loss, cost or expense.

Section 2.12 Commitments. (a) Borrower shall have the right at any time and from time to time, upon five (5) Business Days' prior written notice to the Administrative Agent, to terminate the Commitments without premium or penalty, in whole or in part, any partial termination to be (i) in an amount not less than \$5,000,000 and integral multiples of \$1,000,000 in excess thereof, and (ii) allocated ratably among the Banks in proportion to their respective Percentages, provided that the Commitments may not be reduced to an amount less than the amount of the Loans then outstanding. The Administrative Agent shall give prompt notice to each Bank of any such termination of Commitments. Any termination of Commitments pursuant to this Section 2.12 may not be reinstated.

(b) The Borrower and the Administrative Agent may from time to time add additional financial institutions as parties to this Agreement or, with the written consent of an existing Bank, increase the Commitment of such existing Bank (any such financial institution or existing Bank which is increasing its commitment being referred to as an "Added Bank") pursuant to documentation satisfactory to the Borrower and the Administrative Agent and any such Added Bank shall for all purposes be considered a Bank for purposes of this Agreement and

the other Credit Documents with a Commitment as set forth in such documentation. Any such Added Bank shall on the date it is deemed a party to this Agreement purchase from the other Banks its Percentage (or the increase in its Percentage, in the case of an Added Bank which is an existing Bank) of the Loans outstanding. Notwithstanding anything contained in this Section 2.12(b) to the contrary, the aggregate amount of Commitments may not at any time exceed \$300,000,000 without the consent of the Required Banks.

### SECTION 3 FEES AND EXTENSIONS.

#### Section 3.1 Fees.

(a) Facility Fee. From and after the Effective Date, Borrower shall pay to the Administrative Agent for the ratable account of the Banks in accordance with their Percentages a facility fee accruing at a rate per annum equal to the Facility Fee Rate on the average daily amount of the Commitments (whether used or unused), or if the Commitments have expired or terminated, on the principal amount of Loans then outstanding. Such facility fee is payable in arrears on the last Business Day of each calendar quarter and on the Termination Date, and if the Commitments are terminated in whole prior to the Termination Date, the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination.

(b) [Intentionally Omitted].

(c) Utilization Fee. From and after the Effective Date, for any day on which (i) the aggregate principal amount of Total Loans and L/C Obligations then outstanding exceeds thirty three percent (33%) of the Total Commitments then in effect or (ii) the Commitments have been terminated by the Administrative Agent or the Lenders in accordance with this Agreement, Borrower shall pay to the Administrative Agent for the ratable account of the Banks in accordance with their Percentages a utilization fee accruing at a rate per annum equal to the Utilization Fee Rate on the aggregate amount of Total Loans and L/C Obligations outstanding on such date. Such fee is payable in arrears on the last Business Day of each calendar quarter and on the Termination Date, and if the Commitments are terminated in whole prior to the Termination Date, the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination. The utilization fee payable pursuant to this Section 3.2(c) shall be one and the same, and not in addition to, the utilization fee payable by the Borrower under the 3-Year Credit Agreement and shall be divided among this Agreement and the 3-Year Credit Agreement pro rata based on the percentage which the amount of Loans outstanding under this Agreement on the date such fee accrued comprises of the aggregate amount of Total Loans and L/C Obligations outstanding on such date.

(d) Arranger Fees. Borrower shall pay to the Arrangers for the sole account of the Arrangers the fees agreed to between the Arrangers and Borrower in the Fee Letter or as otherwise agreed in writing among them.

(e) Fee Calculations. All fees payable under this Agreement shall be payable in U.S. Dollars and shall be computed on the basis of a year of 360 days, for the actual number of days elapsed. All determinations of the amount of fees owing hereunder (and the components thereof)

shall be made by the Administrative Agent and shall be prima facie evidence of the amount of such fee.

Section 3.2 Extensions. The Borrower may request that each Bank's Commitment be renewed by providing notice of such requests to the Administrative Agent no earlier than 45 days but no later than 30 days prior to the then existing Termination Date (the "Existing Termination Date") applicable to such Banks. If a Bank agrees, in its individual and sole discretion, to renew its Commitment, such Bank (a "Renewing Bank") will notify the Administrative Agent, in writing, of its decision to do so no earlier than 30 days prior to the Existing Termination Date applicable to such Bank (but in any event no later than 20 days prior to the Existing Termination Date). If a Bank does not affirmatively notify the Bank in writing of its willingness to renew its Commitment within such time period, such Bank shall be deemed to have declined the Borrower's request. Notwithstanding any provision of this Agreement to the contrary, any notice by any Bank of its willingness to renew its Commitment shall be revocable by such Bank in its sole and absolute discretion at any time prior to the date which is 20 days prior to the related Commitment Termination Date then in effect. The Administrative Agent will notify the Borrower, in writing, of each Bank's decision no later than 15 days prior to the Existing Termination Date applicable to such Bank. The Renewing Banks' Commitments will be renewed pursuant to an amendment to this Agreement in form and substance satisfactory to the Renewing Banks, provided that (x) each extension of the Termination Date pursuant to this Section 3.2 shall be for a period of 364 days and (y) any such extension shall only be permitted if more than 50% of the aggregate Commitments as of the Termination Date then in effect are extended or otherwise committed to by Renewing Banks and any new Banks. Any Bank that declines the Borrower's request for a Commitment renewal (a "Declining Bank") will have its Commitment terminated on the Existing Termination Date applicable to such Bank (without regard to any renewals by other Banks), unless terminated earlier in accordance with this Agreement. The Borrower will have the right to accept Commitments from Persons acceptable to the Administrative Agent in an amount up to the amount of the pre-termination Commitments of any Declining Banks, provided that the Renewing Banks will have the right to increase their Commitments up to the amount of the Declining Banks' Commitments before the Borrower will be permitted to substitute Persons for the Declining Banks.

#### SECTION 4 PLACE AND APPLICATION OF PAYMENTS.

Section 4.1 Place and Application of Payments. All payments of principal of and interest on the Loans, and of all other Obligations and other amounts payable by Borrower under the Credit Documents, shall be made by Borrower in U.S. Dollars to the Administrative Agent by no later than 2:00 p.m. (New York time) on the due date thereof at the principal office of the Administrative Agent in New York, New York pursuant to the payment instructions set forth on Part A of Schedule 4 hereof (or such other location in the, United States as the Administrative Agent may designate to Borrower) for the benefit of the Person or Persons entitled thereto. Any payments received after such time shall be deemed to have been received by the Administrative Agent on the next Business Day. All such payments shall be made free and clear of, and without deduction for, any set-off, defense, counterclaim, levy, or any other deduction of any kind in immediately available funds at the place of payment. The Administrative Agent, will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on

Loans or applicable fees ratably to the Banks and like funds relating to the payment of any other amount payable to any Person to such Person, in each case to be applied in accordance with the terms of this Agreement.

#### SECTION 5 REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warrants to each Bank as to itself and, where the following representations and warranties apply to its Subsidiaries, as to each Subsidiary of Borrower, as follows:

Section 5.1 Corporate Organization and Authority. Borrower is duly organized and existing in good standing under the laws of the state of South Dakota; has all necessary corporate power to carry on its present business; and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing, qualification or good standing necessary and in which the failure to be so licensed, qualified or in good standing would have a Material Adverse Effect.

Section 5.2 Subsidiaries. Schedule 5.2 (as updated from time to time pursuant to Section 7.1) hereto identifies each Subsidiary of Borrower, the jurisdiction of incorporation, the percentage of issued and outstanding shares of each class of its capital stock owned by the Borrower and its Subsidiaries and, if such percentage is not one hundred percent (100%) (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and the number of shares of each class issued and outstanding. Each Subsidiary is duly incorporated and existing in good standing as a corporation under the laws of the jurisdiction of its incorporation, has all necessary corporate power to carry on its present business, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing or qualification necessary and in which the failure to be so licensed or qualified would have a Material Adverse Effect. All of the issued and outstanding shares of capital stock of each Subsidiary owned directly or indirectly by Borrower are validly issued and outstanding and fully paid and nonassessable except as set forth on Schedule 5.2 hereto. All such shares owned by Borrower are owned beneficially, and of record, free of any Lien, except as permitted in Section 7.9.

Section 5.3 Corporate Authority and Validity of Obligations. Borrower has full right and authority to enter into this Agreement and the other Credit Documents to which it is a party, to make the borrowings herein provided for, to issue its Notes in evidence thereof, to apply (and to have applied) for the issuance of the Letters of Credit, and to perform all of its obligations under the Credit Documents to which it is a party. Each Credit Document to which it is a party has been duly authorized, executed and delivered by Borrower and constitutes valid and binding obligations of Borrower enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law). No Credit Document, nor the performance or observance by Borrower of any of the matters or things therein provided for, contravenes any provision of law or any charter or by-law provision of Borrower or any material Contractual Obligation of or affecting Borrower or any of

Borrower's Properties or results in or requires the creation or imposition of any Lien on any of the Properties or revenues of Borrower.

Section 5.4 Financial Statements. All financial statements heretofore delivered to the Banks showing historical performance of Borrower for Borrower's fiscal years ending on or before December 31, 2001, have been prepared in accordance generally accepted accounting principles applied on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year. The unaudited financial statements for the fiscal period ended June 30, 2002 have been prepared in accordance generally accepted accounting principles applicable to interim financial statements applied on a basis consistent, except as otherwise noted therein, with the previous same fiscal period of Borrower in the prior fiscal year (subject to normal year-end adjustments). Each of such financial statements fairly presents on a consolidated basis the financial condition of Borrower and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby. Borrower and its Subsidiaries have no material contingent liabilities other than those disclosed in such financial statements referred to in this Section 5.4 or in comments or footnotes thereto, or in any report supplementary thereto, heretofore furnished to the Banks. Since December 31, 2001, there has been no event or series of events which has resulted in, or reasonably could be expected to result in, a Material Adverse Effect.

Section 5.5 No Litigation; No Labor Controversies.(a) Except as set forth on Schedule 5.5, there is no litigation or governmental proceeding pending, or to the knowledge of Borrower, threatened, against Borrower or any Subsidiary of Borrower in which there is a reasonable possibility of an adverse decision which, if adversely determined, could (individually or in the aggregate) have a Material Adverse Effect.

(b) Except as set forth on Schedule 5.5, there are no labor controversies pending or, to the best knowledge of Borrower, threatened against Borrower or any Subsidiary of Borrower which could (individually or in the aggregate) have a Material Adverse Effect.

Section 5.6 Taxes. Borrower and its Subsidiaries have filed all United States federal tax returns, and all other foreign, state, local and other tax returns, required to be filed and have paid all taxes due pursuant to such returns or pursuant to any assessment received by Borrower or any Subsidiary of Borrower, except such taxes, if any, as are being contested in good faith and for which adequate reserves have been provided. No notices of tax liens have been filed and no claims are being asserted concerning any such taxes, which liens or claims are material to the financial condition of Borrower or any of its Subsidiaries (individually or in the aggregate). The charges, accruals and reserves on the books of Borrower and its Subsidiaries for any taxes or other governmental charges are adequate and in conformance with GAAP.

Section 5.7 Approvals. No authorization, consent, approval, license, exemption, filing or registration with any court or governmental department, agency or instrumentality, nor any approval or consent of the stockholders of Borrower or any Subsidiary of Borrower or from any other Person, is necessary to the valid execution, delivery or performance by Borrower or any Subsidiary of Borrower of any Credit Document to which it is a party.

Section 5.8 ERISA. With respect to each Plan, Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of and is



in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and with the Code to the extent applicable to it and has not incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Neither Borrower nor any Subsidiary of Borrower has any contingent liabilities for any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

Section 5.9 Government Regulation. Neither Borrower nor any Subsidiary of Borrower is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "registered holding company", or a "Subsidiary company" of a "registered holding company", or an "affiliate" of a "registered holding company" or of a "Subsidiary company" of a "registered holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.10 Margin Stock; Use of Proceeds. Neither Borrower nor any Subsidiary of Borrower is engaged principally, or as one of its primary activities, in the business of extending credit for the purpose of purchasing or carrying margin stock ("margin stock" to have the same meaning herein as in Regulation U of the Board of Governors of the Federal Reserve System). The proceeds of the Loans and Letters of Credit are to be used solely (i) to provide liquidity support for Borrower's commercial paper program, (ii) to fund Borrower's working capital needs, and (iii) for general corporate purposes of Borrower. Borrower will not use the proceeds of any Loan in a manner that violates any provision of Regulation U or X of the Board of Governors of the Federal Reserve System.

Section 5.11 Licenses and Authorizations; Compliance with Laws. (a) (a) Borrower and each of its Subsidiaries has all necessary licenses, permits and governmental authorizations to own and operate its Properties and to carry on its business as currently conducted and contemplated. Borrower and each of its Subsidiaries is in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities except for any such law, regulation, ordinance or order which, the failure to comply therewith, could not reasonably be expected to have a Material Adverse Effect.

(a) In the ordinary course of its business, Borrower and each of its Subsidiaries conduct an ongoing review of the effect of Environmental and Health Laws on the Properties and all aspects of the business and operations of such Borrower and its Subsidiaries in the course of which such Borrower identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of Properties currently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with standards imposed by law and any actual or potential liabilities to third parties, including employees or governmental entities, and any related costs and expenses). On the basis of this review, Borrower has reasonably concluded that Environmental and Health Laws are unlikely to have any Material Adverse Effect.

(b) Except as set forth on Schedule 5.11 (as amended from time to time in accordance with the provisions hereof), neither the Borrower nor any Subsidiary of Borrower has given, nor is it required to give, nor has it received, any notice, letter, citation, order, warning, complaint, inquiry, claim or demand to or from any governmental entity or in connection with

any court proceeding which could reasonably have a Material Adverse Effect claiming that: (i) Borrower or any Subsidiary of Borrower has violated, or is about to violate, any Environmental and Health Law; (ii) there has been a release, or there is a threat of release, of Hazardous Materials from Borrower's or any of its Subsidiary's Property, facilities, equipment or vehicles; (iii) Borrower or any of its Subsidiary may be or is liable, in whole or in part, for the costs of cleaning up, remediating or responding to a release of Hazardous Materials; or (iv) any of Borrower's or any of its Subsidiary's Property or assets are subject to a Lien in favor of any governmental entity for any liability, costs or damages, under any Environmental and Health Law arising from, or costs incurred by such governmental entity in response to, a release of a Hazardous Materials.

Section 5.12 Ownership of Property; Liens. Borrower and each Subsidiary of Borrower has good title to or valid leasehold interests in all its Property. None of Borrower's or any Subsidiary's Property is subject to any Lien, except as permitted in Section 7.9.

Section 5.13 No Burdensome Restrictions; Compliance with Agreements. Neither Borrower nor any Subsidiary of Borrower is (a) party or subject to any law, regulation, rule or order, or any Contractual Obligation, that (individually or in the aggregate) materially adversely affects the business, operations, Property or financial or other condition of Borrower and its Subsidiaries (individually or in the aggregate) or (b) in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement to which it is a party (including any Contractual Obligation), which default could materially adversely affects the business, operations, Property or financial or other condition of Borrower and its Subsidiaries (individually or in the aggregate).

Section 5.14 Full Disclosure. All information heretofore furnished by Borrower to the Administrative Agent or any Bank for purposes of or in connection with the Credit Documents or any transaction contemplated thereby is, and all such information hereafter furnished by Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects and not misleading.

Section 5.15 Solvency. Borrower and each of its Subsidiaries, individually and on a consolidated basis, is Solvent.

#### SECTION 6 CONDITIONS PRECEDENT.

The obligation of each Bank to effect a Borrowing shall be subject to the following conditions precedent:

Section 6.1 Initial Credit Event. Before or concurrently with the initial Credit Event:

(a) The Administrative Agent shall have received for each Bank the favorable written opinion of (i) Morgan, Lewis & Bockius LLP, counsel to Borrower, and (ii) General Counsel to the Borrower;

(b) The Administrative Agent shall have received for each Bank copies of Borrower's (i) Articles of Incorporation, together with all amendments and (ii) bylaws (or

comparable constituent documents) and any amendments thereto, certified in each instance by its Secretary or an Assistant Secretary;

(c) The Administrative Agent shall have received for each Bank copies of resolutions of Borrower's Board of Directors authorizing the execution and delivery of the Credit Documents and the consummation of the transactions contemplated thereby together with specimen signatures of the persons authorized to execute such documents on such Borrower's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(d) The Administrative Agent shall have received for each Bank such Bank's duly executed Note of Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.10(a) hereof;

(e) The Administrative Agent shall have received for each Bank a duly executed original of (i) this Agreement, and (ii) a list of Borrower's Authorized Representatives;

(f) All legal matters incident to the execution and delivery of the Credit Documents shall be satisfactory to the Banks;

(g) The Administrative Agent shall have received a duly executed original of the Fee Letter;

(h) The Administrative Agent shall have received a duly executed Compliance Certificate containing financial information as of June 30, 2002;

(i) With the exception of the \$75,000,000 First Mortgage Bonds issued by BHP, neither Borrower nor any of its Subsidiaries shall have, during the period from July 1, 2002 to the Effective Date, issued, incurred, assumed, created, become liable for, contingently or otherwise, any material Indebtedness;

(j) The Borrower shall have provided a certificate stating that the conditions set forth precedent set forth in this Section 6.1 have been satisfied;

(k) The Borrower shall have converted, continued or repaid each Loan previously outstanding so that the Effective Date is the first day of an Interest Period for all outstanding Loans; and

(l) The Borrower shall have paid to each Bank the applicable fees for providing its Commitment under this Agreement; and

(m) The Administrative Agent shall have received such other documents and information as it may reasonably request.

Section 6.2 All Credit Events. As of the time of each Credit Event hereunder:

(a) The Administrative Agent shall have received the notice required by Section 2.5 hereof;

(b) Each of the representations and warranties set forth in Section 5 hereof shall be and remain true and correct in all material respects as of said time, except that if any such representation or warranty relates solely to an earlier date it need only remain true as of such date; and

(c) Borrower shall be in full compliance with all of the terms and conditions hereof, and no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event.

Each request for a Credit Event shall be deemed to be a representation and warranty by Borrower on the date of such Credit Event as to the facts specified in paragraphs (b) and (c) of this Section 6.2.

#### SECTION 7 COVENANTS.

Borrower covenants and agrees that, so long as any Note or Loan is outstanding hereunder, or any Commitment is available to or in use by Borrower hereunder, except to the extent compliance in any case is waived in writing by the Required Banks:

Section 7.1 Corporate Existence; Subsidiaries. Borrower shall, and shall cause each of its Subsidiaries to, preserve and maintain its corporate existence, subject to the provisions of Section 7.12 hereof. Together with any financial statements delivered pursuant to Section 7.6 hereof, Borrower shall deliver an updated Schedule 5.2 to reflect any changes from the existing Schedule 5.2.

Section 7.2 Maintenance. Borrower will maintain, preserve and keep its plants, Properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such plants, Properties and equipment shall be reasonably preserved and maintained, and Borrower will cause each of its Subsidiaries to do so in respect of Property owned or used by it; provided, however, that nothing in this Section 7.2 shall prevent Borrower or a Subsidiary of Borrower from discontinuing the operation or maintenance of any such Properties if such discontinuance is not disadvantageous to the Banks or the holders of the Notes, does not materially impair the operations of Borrower or any Subsidiary of Borrower and is, in the judgment of Borrower, desirable in the conduct of its business or the business of its Subsidiaries.

Section 7.3 Taxes. Borrower will duly pay and discharge, and will cause each of its Subsidiaries duly to pay and discharge, all taxes, rates, assessments, fees and governmental charges upon or against it or against its Properties, in each case before the same becomes delinquent and before penalties accrue thereon, unless and to the extent that the same is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of Borrower.

Section 7.4 ERISA. Borrower will, and will cause each of its Subsidiaries to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets and will promptly notify the Administrative Agent of (i) the occurrence of any reportable

event (as defined in ERISA) affecting a Plan, other than any such event of which the PBGC has waived notice by regulation, (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its or any of its Subsidiaries' intention to terminate or withdraw from any Plan, and (iv) the occurrence of any event affecting any Plan which could result in the incurrence by Borrower or any of its Subsidiaries of any material liability, fine or penalty, or any material increase in the contingent liability of Borrower or any of its Subsidiaries under any post-retirement Welfare Plan benefit. The Administrative Agent will promptly distribute to each Bank any notice it receives from Borrower pursuant to this Section 7.4.

Section 7.5 Insurance. Borrower will insure, and keep insured, and will cause each of its Subsidiaries to insure, and keep insured, with good and responsible insurance companies, all insurable Property owned by it of a character usually insured by companies similarly situated and operating like Property. To the extent usually insured by companies similarly situated and conducting similar businesses, Borrower will also insure, and cause each of its Subsidiaries to insure, employers' and public and product liability risks with good and responsible insurance companies. Borrower will, upon request of any Bank, furnish to such Bank a summary setting forth the nature and extent of the insurance maintained pursuant to this Section 7.5.

Section 7.6 Financial Reports and Other Information. (a) Borrower will maintain a system of accounting in accordance with GAAP and will furnish to the Banks and their respective duly authorized representatives such information respecting the business and financial condition of Borrower and its Subsidiaries as any Bank may reasonably request; and without any request, the Borrower shall deliver to the Administrative Agent in form and detail satisfactory to the Administrative Agent, with copies for each Bank in form and substance satisfactory to them, each of the following:

(i) within 120 days after the end of each fiscal year of Borrower, a copy of Borrower financial statements for such fiscal year, including the consolidated balance sheet of Borrower and its Subsidiaries for such year and the related statements of income and statements of cash flow, each as certified by independent public accountants of recognized national standing selected by Borrower in accordance with GAAP with such accountants' unqualified opinion to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in all material respects in accordance with GAAP the consolidated financial position of Borrower and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances, provided that if Borrower files its annual report on Form 10-K for the applicable annual period, and such annual report contains the financial statements and accountants certifications, opinions and statements described above, the Borrower may satisfy the requirements of this Section 7.6(a)(i) by delivering a copy of such annual report to each Bank. Together with such information the Borrower shall provide to each Bank such consolidating information as may be necessary for the Banks to determine the Borrower's compliance with Section 7.17 hereof;

(ii) within 60 days after the end of each of the first three quarterly fiscal periods of Borrower, a consolidated unaudited balance sheet of Borrower and its Subsidiaries, and the related statements of income and statements of cash flow, as of the close of such period, all of the foregoing prepared by Borrower in reasonable detail in accordance with GAAP and certified by Borrower's chief financial officer or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby, provided that if Borrower files a Form 10-Q for the applicable quarterly period, and such quarterly report contains the financial statements and certifications described above, the Borrower may satisfy the requirements of this Section 7.6(a)(ii) by delivering a copy of such quarterly report to each Bank. Together with such information the Borrower shall provide to each Bank such consolidating information as may be necessary for the Banks to determine the Borrower's compliance with Section 7.17 hereof;

(iii) within the period provided in subsection (i) above, the written statement of the accountants who certified the audit report thereby required that in the course of their audit they have obtained no knowledge of any Default or Event of Default, or, if such accountants have obtained knowledge of any such Default or Event of Default, they shall disclose in such statement the nature and period of the existence thereof; and

(iv) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports Borrower or any of its Subsidiaries sends to their shareholders, and copies of all other regular, periodic and special reports and all registration statements Borrower or any of its Subsidiaries file with the SEC or any successor thereto, or with any national securities exchanges.

(b) Each financial statement furnished to the Banks pursuant to subsection (i) or (ii) of this Section 7.6 shall be accompanied by (A) a written certificate signed by Borrower's chief financial officer or corporate controller to the effect that (i) no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by Borrower to remedy the same, (ii) the representations and warranties contained in Section 5 hereof are true and correct in all material respects as though made on the date of such certificate (other than those made solely as of an earlier date, which need only remain true as of such date), except as otherwise described therein, and (B) a Compliance Certificate in the form of Exhibit B hereto showing Borrower's compliance with the covenants set forth in Sections 7.9, 7.11, 7.12 and 7.14 through 7.19 hereof.

(c) Borrower will promptly (and in any event within three Business Days after an officer of Borrower has knowledge thereof) give notice to the Administrative Agent and each Bank:

(i) of the occurrence of any Default or Event of Default;

(ii) any event or condition which could reasonably be expected to have a Material Adverse Effect;

(iii) of any litigation or governmental proceeding of the type described in Section 5.5 hereof;

(iv) of any material change in the information set forth on the Schedules hereto; and

(v) of the entering into of any Long-Term Guaranties, and Borrower shall promptly provide the Administrative Agent with a copy of any such Guarantee and any modification to such Guarantee.

Section 7.7 Bank Inspection Rights. For purposes of confirming compliance with the Credit Documents or after the occurrence and during the continuance of an Event of Default, upon reasonable notice from the Administrative Agent or the Required Banks, Borrower will, at Borrower's expense, permit such Banks (and such Persons as any Bank may designate) during normal business hours to visit and inspect, under Borrower's guidance, any of the Properties of Borrower or any of its Subsidiaries, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and with their independent public accountants (and by this provision Borrower authorizes such accountants to discuss with the Banks (and such Persons as any Bank may designate) the finances and affairs of Borrower and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested; provided, however, that except upon the occurrence and during the continuation of any Default or Event of Default, not more than one such visit and inspection may be conducted each calendar quarter.

Section 7.8 Conduct of Business. Neither Borrower nor any Subsidiary of Borrower will engage in any line of business other than business activities in the field of (i) cogeneration and related thermal uses, (ii) energy production, (iii) energy development, (iv) energy recovery, (v) utility operation and management, (vi) demand side management services, (vii) energy trading, (viii) management of investment funds which invest in energy related businesses and investments in such funds, (ix) hedging but not speculative activities relating to any of the foregoing lines of business, (x) telecommunications, (xi) management and operating services related to any of the foregoing lines of business, and (xii) other businesses not described in the foregoing so long as the Investments and expenses made in such other businesses does not exceed \$20,000,000.

Section 7.9 Liens. Borrower will not, and will not permit any of its Subsidiaries to, create, incur, permit to exist or to be incurred any Lien of any kind on any Property owned by the Borrower or any Subsidiary of Borrower; provided, however, that this Section 7.9 shall not apply to or operate to prevent:

(a) Liens arising by operation of law in respect of Property of Borrower or any of its Subsidiaries which are incurred in the ordinary course of business which do not in the aggregate materially detract from the value of such Property or materially impair the use thereof in the operation of the business of Borrower or any of its Subsidiaries;

(b) Liens securing Non-Recourse Indebtedness of any Subsidiary of Borrower, provided that any such Lien is limited to the Property being financed or

refinanced by such Indebtedness and the stock (or similar equity interest) of the Subsidiary which incurred such Non-Recourse Indebtedness;

(c) Liens for taxes or assessments or other government charges or levies on Borrower or any Subsidiary of Borrower or their respective Properties which are being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of Borrower; provided that the aggregate amount of liabilities (including interest and penalties, if any) of Borrower and its Subsidiaries secured by such Liens shall not exceed \$20,000,000 at any one time outstanding;

(d) Liens arising out of judgments or awards against Borrower or any Subsidiary of Borrower, or in connection with surety or appeal bonds in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or with respect to which such Borrower or such Subsidiary shall be prosecuting an appeal or proceeding for review, and with respect to which it shall have obtained a stay of execution pending such appeal or proceeding for review; provided that the aggregate amount of liabilities (including interest and penalties, if any) of Borrower and its Subsidiaries secured by such Liens shall not exceed \$20,000,000 at any one time outstanding;

(e) Survey exceptions or encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties which are necessary for the conduct of the activities of Borrower and any Subsidiary of Borrower or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of Borrower or any Subsidiary of Borrower;

(f) Liens existing on the date hereof and listed on Schedule 7.9 hereto;

(g) Liens securing (i) Indebtedness evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of Borrower or a Subsidiary of Borrower used in the ordinary course of business of Borrower or a Subsidiary of Borrower, (ii) Capitalized Lease Obligations, and (iii) the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds; provided, that such Liens shall only be permitted to the extent the aggregate amount of Indebtedness and other obligations secured by all such Liens does not exceed five percent (5%) of Consolidated Assets as reflected on the most recent balance sheet delivered by Borrower pursuant to Section 7.6;

(h) Liens in favor of carriers, warehousemen, mechanics, materialmen and landlords granted in the ordinary course of business for amounts not overdue or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;



(i) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits;

(j) Liens relating to synthetic lease arrangements of Borrower or a Subsidiary of Borrower, provided that (i) such Lien is limited to the Property being leased, and (ii) to the extent the lessor or any other Person has recourse to the Borrower, any Subsidiary or any of their Property (other than the Property being so leased), through a Guarantee (including a residual guarantee) or otherwise, such Lien shall be permitted if Borrower has included the recourse portion of such obligations as Indebtedness for all purposes (including financial covenant calculations) under the Credit Documents;

(k) Liens on assets of the Marketing Subsidiaries granted in the ordinary course of business securing the reimbursement obligations of Marketing Subsidiaries with respect to letters of credit and any working capital facility of the Marketing Subsidiaries so long as the holder of such reimbursement obligation or provider of such working capital facility has no recourse against Borrower or a Consolidated Subsidiary of Borrower other than such Marketing Subsidiary or any of their other assets (whether directly, through a Guarantee or otherwise) other than pursuant to a Guarantee permitted pursuant to Section 7.15(f);

(l) Liens securing Indebtedness issued pursuant to that certain Restated and Amended Indenture of Mortgage and Deed of Trust dated as of September 1, 1999 between Borrower and The Chase Manhattan Bank, as trustee (and any successor trustee thereunder); and

(m) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing paragraphs (a) through (j), inclusive, provided, however, that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to the Property which was subject to the Lien so extended, renewed or replaced.

provided, that the foregoing paragraphs shall not be deemed under any circumstance to permit a Lien to exist on any capital stock or other equity interests of the Material Subsidiaries.

Section 7.10 Use of Proceeds; Regulation U. The proceeds of each Borrowing, and the credit provided by Letters of Credit, will be used by Borrower solely (i) to provide liquidity support for Borrower's commercial paper program, (ii) to fund Borrower's working capital needs, and (iii) for general corporate purposes of Borrower. Borrower will not use any part of the proceeds of any of the Borrowings or of the Letters of Credit directly or indirectly to purchase or carry any margin stock (as defined in Section 5.10 hereof) or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

Section 7.11 Sales and Leasebacks. Borrower will not, nor will it permit any of its Subsidiaries to, enter into any arrangement with any bank, insurance company or other lender or investor providing for the leasing by Borrower or any Subsidiary of Borrower of any Property

theretofore owned by it and which has been or is to be sold or transferred by such owner to such lender or investor if the total amount of rent and other obligations of the Borrower and its Subsidiaries under such lease, when combined with all rent and other obligations of Borrower and its Subsidiaries under all such leases, would exceed \$30,000,000 in the aggregate, provided that Borrower and its Subsidiaries may engage in synthetic lease transactions so long as the Borrower's or such Subsidiary's, as applicable, obligations under such synthetic leases are included as Indebtedness for all purposes (including financial covenant calculations) under the Credit Documents.

#### Section 7.12 Mergers, Consolidations and Sales of Assets.

(a) Borrower will not, and will not permit any of its Material Subsidiaries to, (i) consolidate with or be a party to merger with any other Person or (ii) sell, lease or otherwise dispose of all or a "substantial part" of the assets of Borrower and its Subsidiaries; provided, however, that (w) the foregoing shall not prohibit any sale, lease, transfer or disposition to which the Required Banks have consented, such consent not to be unreasonably withheld if (A) such transaction does not result in a downgrade of either Borrower's S&P Rating or Moody's Rating, (B) such transaction is for cash consideration (or other consideration acceptable to the Required Banks) in an amount not less than the fair market value of the applicable assets, and (C) such transaction, when combined with all other such transactions, would not have a Material Adverse Effect, taken as a whole, (x) any Subsidiary of Borrower may merge or consolidate with or into or sell, lease or otherwise convey all or a substantial part of its assets to Borrower or any Subsidiary of which Borrower holds (directly or indirectly) at least the same percentage equity ownership; provided that in any such merger or consolidation involving Borrower, Borrower shall be the surviving or continuing corporation, (y) Borrower and its Subsidiaries may sell inventory, reserves and electricity in the ordinary course of business, and (z) Borrower may enter into a merger with, or acquisition of all of, another Person so long as:

- (1) Borrower is the surviving entity,
- (2) unless consented to by the Required Banks, no downgrade in the Borrower's S&P Rating or Moody's Rating would occur as a result of the consummation of such a transaction,
- (3) if such transaction is an acquisition, the Board of Directors (or similar governing body) of the Person being acquired has approved being so acquired,
- (4) no Default or Event of Default would have occurred and is continuing at the time of, or would occur as a result of, such transaction.

As used in this Section 7.12(a), a sale, lease, transfer or disposition of assets during any fiscal year shall be deemed to be of a "substantial part" of the consolidated assets of Borrower and its Subsidiaries if the net book value of such assets, when added to the net book value of all other assets sold, leased, transferred or disposed of by the Borrower and its Subsidiaries (excluding the Marketing Subsidiaries) during such fiscal year (other than inventory, reserves and electricity in the ordinary course of business) exceeds ten percent (10%) of the total assets of

Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of the last day of the immediately preceding fiscal year.

(b) Except as permitted pursuant to Section 7.14 hereof, Borrower will not sell, transfer or otherwise dispose of, or permit any of its Subsidiaries to issue, sell, transfer or otherwise dispose of, any shares of stock of any class (including as "stock" for purposes of this Section, any warrants, rights or options to purchase or otherwise acquire stock or other Securities exchangeable for or convertible into stock) of any Subsidiary of Borrower, except to Borrower or a Wholly-Owned Subsidiary of Borrower or except for the purpose of qualifying directors.

Section 7.13 Use of Property and Facilities; Environmental and Health and Safety Laws.

(a) Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with the requirements of all Environmental and Health Laws applicable to or pertaining to the Properties or business operations of Borrower or any Subsidiary of Borrower. Without limiting the foregoing, Borrower will not, and will not permit any Person to, except in accordance with applicable law, dispose of any Hazardous Material into, onto or upon any real property owned or operated by Borrower or any of its Subsidiaries.

(b) Borrower will promptly provide the Banks with copies of any notice or other instrument of the type described in Section 5.11(b) hereof, and in no event later than five (5) Business Days after an officer of Borrower or a Subsidiary of Borrower receives such notice or instrument.

Section 7.14 Investments, Acquisitions, Loans, Advances and Guaranties. Borrower will not, nor will it permit any Subsidiary of Borrower to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to, any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof, or be or become liable as endorser, guarantor, surety or otherwise (such as liability as a general partner) for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person (cumulatively, all of the foregoing "Investments"); provided, however, that the foregoing provisions shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America provided that any such obligation matures within one year from the date it is acquired by Borrower or Subsidiary;

(b) investments in commercial paper rated P-1 by Moody's Investors Services, Inc. or A-1 by Standard & Poor's Corporation maturing within one year of its date of issuance;

(c) investments in certificates of deposit issued by any Bank or any United States commercial bank having capital and surplus of not less than \$200,000,000 maturing within one year from the date of issuance thereof or in banker's acceptances endorsed by any Bank or other such commercial bank and maturing within six months of the date of acceptance;

(d) investments in repurchase obligations with a term of not more than seven (7) days for underlying securities of the types described in subsection (a) above entered into with any bank meeting the qualifications specified in subsection (c) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System;

(e) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in the immediately preceding subsections (a), (b), (c) and (d) above;

(f) ownership of stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to Borrower or any Subsidiary;

(g) endorsements of negotiable instruments for collection in the ordinary course of business;

(h) loans and advances to employees in the ordinary course of business for travel, relocation, and similar purposes;

(i) Investments (i) existing on the Effective Date in Subsidiaries of Borrower, (ii) existing on the Effective Date and identified in Schedule 7.14 hereof, or (iii) consisting of intercompany loans permitted pursuant to Section 7.15(e);

(j) Investments constituting (i) accounts receivable arising, (ii) trade debt granted, or (iii) deposits made in connection with the purchase price of goods or services, in each case in the ordinary course of business;

(k) Investments in Persons other than Marketing Subsidiaries engaged in lines of business related to the lines of business described in Section 7.8 so long as (i) both before and after giving effect to such Investment no Default of Event of Default shall have occurred and be continuing, (ii) such Investments do not permit any creditor of such Person recourse to Borrower or any other Subsidiary of Borrower or any of their assets (other than the assets and/or the stock or similar equity interest of such Person) and (iii) if such Investments are in Persons engaged in the lines of business described in clause (xii) of Section 7.8, such Investments and expenses in the aggregate do not exceed \$20,000,000 outstanding at any time;

(l) Guaranties, other than Long-Term Guaranties, so long as such Indebtedness is permitted pursuant to Section 7.15;

(m) acquisitions permitted pursuant to Section 7.12(a);

(n) Investments constituting Long-Term Guaranties other than Long-Term Guarantees of Indebtedness of the Marketing Subsidiaries;

(o) (i) Investments in Marketing Subsidiaries (other than Investments in Marketing Subsidiaries consisting of Guaranties of Indebtedness of Marketing Subsidiaries) existing on August 28, 2001 and listed on Schedule 7.14 and (ii) Investments consisting of Guaranties of Indebtedness of Marketing Subsidiaries in existence on the Effective Date and Investments in Marketing Subsidiaries made after the Effective Date (including through Guaranties (including Long-Term Guaranties)) provided, that the aggregate amount of Investments permitted by this clause (ii) when combined with the amount of intercompany Indebtedness owing by Marketing Subsidiaries permitted pursuant to Section 7.15(e)(iii) shall not in the aggregate exceed \$10,000,000 outstanding at any time (it being understood that any increase in the value of any such Investment attributable to the undistributed net earnings of the Marketing Subsidiaries shall not be deemed a violation of this Section 7.14(o)); and

(p) Investments consisting of promissory notes issued in consideration for the sale by the Borrower or a Subsidiary of a portion of the stock (or similar equity interests) of a Subsidiary where (i) such note is secured by the stock (or similar equity interest) sold, and (ii) one of the purposes of such sale is to ensure that such Subsidiary qualifies as a "qualifying facility" under the Public Utility Regulatory Policies Act of 1978, as amended

Any Investment which when made complies with the requirements of paragraphs (a) through (e) may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements;

In determining the amount of investments, acquisitions, loans, advances and guarantees permitted under this Section 7.14, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), loans and advances shall be taken at the principal amount thereof then remaining unpaid, and guarantees shall be taken at the amount of obligations guaranteed thereby.

Section 7.15 Restrictions on Indebtedness. Borrower will not, nor will it permit any Subsidiary of Borrower to, issue, incur, assume, create, become liable for, contingently or otherwise, or have outstanding any Indebtedness; provided, however, that the foregoing provisions shall not restrict nor operate to prevent the following Indebtedness, so long as the incurrence and maintenance of such Indebtedness would not cause the Borrower to be in violation of Section 7.17 hereof if compliance with such covenant were measured on the date of the incurrence of such Indebtedness:

(a) the Obligations;

(b) Non-Recourse Indebtedness of any Project Finance Subsidiary;

(c) so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving affect to, the incurrence of such Indebtedness), secured Indebtedness (excluding Indebtedness of the type described in (e),

(f), and (g) below but including the pledge of stock or similar equity interest of any Project Finance Subsidiary or any Subsidiary which is a special purpose entity whose sole purpose is to own the stock or similar equity interest of a Project Finance Subsidiary) (A) set forth on Schedule 7.15(b) hereto, and (B) (i) of BHP, (ii) evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of the Borrower or a Subsidiary of the Borrower used in the ordinary course of business of the Borrower or Subsidiary, (iii) constituting Capitalized Lease Obligations or with respect to synthetic (or similar type) lease arrangements, or (iv) incurred in connection with the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds; provided, that the aggregate amount of Indebtedness permitted by this clause (B) at any time outstanding shall not exceed 5% of Consolidated Assets as reflected on the most recent balance sheet delivered by the Borrower pursuant to Section 7.6, provided that Borrower shall promptly provide the Administrative Agent with a copy of any documentation evidencing such Indebtedness in excess of \$25,000,000 and any modification to such Indebtedness;

(d) so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving affect to, the incurrence of such Indebtedness), other Indebtedness (excluding Indebtedness of the type described in (e), (f), and (g) below) which is unsecured and either junior in right of payment to the Obligations or pari passu to the Obligations or is equally and ratably secured with the Obligations, provided that Borrower shall promptly provide the Administrative Agent with a copy of any documentation evidencing such Indebtedness in excess of \$25,000,000 and any modification to such Indebtedness;

(e) intercompany loans (i) from (x) Subsidiary to Borrower so long as such loans are subordinated to the Obligations on terms reasonably satisfactory to the Administrative Agent, and (y) Borrower to a Subsidiary of Borrower, (ii) among Wholly-Owned Subsidiaries, and (iii) from a Subsidiary of Borrower to a Marketing Subsidiary, so long as the aggregate amount of such loans from time to time owing by the Marketing Subsidiaries does not exceed the difference between (I) \$10,000,000, less (II) the sum of (A) the aggregate amount of Guaranties outstanding pursuant to Section 7.15(f), and (B) the aggregate amount of other Investments then made in the Marketing Subsidiaries pursuant to Section 7.14(o)(ii) (it being understood that to the extent such limit is exceeded solely as a result of an increase in the value of any such Investment attributable to the undistributed net earnings of the Marketing Subsidiaries, it shall not be deemed a violation of this Section 7.15(e));

(f) Indebtedness consisting of Guaranties of the Indebtedness of the Marketing Subsidiaries (including Long-Term Guaranties), provided that such Indebtedness shall only be permitted to the extent the aggregate amount of such Indebtedness, when added to the sum of (i) the aggregate amount of all intercompany loans made to the Marketing Subsidiaries pursuant to Section 7.15(e), plus (ii) the aggregate amount of all other Investments made in Marketing Subsidiaries pursuant to Section 7.14(o)(ii), does not exceed \$10,000,000 (it being understood that to the extent such limit is exceeded solely as a result of an increase in the value of any such

Investment attributable to the undistributed net earnings of the Marketing Subsidiaries, it shall not be deemed a violation of this Section 7.15(f)) provided, further that Borrower shall promptly provide the Administrative Agent with a copy of any such Guarantee and any modification to such Guarantee;

(g) Indebtedness of the Marketing Subsidiaries under Marketing Subsidiary Excluded Credit Facilities in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit;

(h) Permitted Derivative Obligations; and

(i) Indebtedness pursuant to Long-Term Guaranties (other than Long-Term Guaranties of Indebtedness of Marketing Subsidiaries).

Indebtedness shall only be permitted under (e), (f), (h), and (i) above to the extent such Indebtedness will have a priority of payment with the Obligations which is no greater than *pari passu*.

Section 7.16 Consolidated Net Worth. Borrower will at the end of each fiscal quarter maintain Consolidated Net Worth in an amount of not less than the sum of (i) \$425,000,000 and (ii) fifty percent (50%) of the aggregate Consolidated Net Income, if positive, for the period beginning April 1, 2002 and ending on the last day of such fiscal quarter.

Section 7.17 Recourse Leverage Ratio. Borrower will not at the end of any fiscal quarter permit the Recourse Leverage Ratio to exceed 0.65 to 1.00.

Section 7.18 Fixed Charge Coverage Ratio. Borrower will maintain a Fixed Charge Coverage Ratio of not less than 1.50:1.00, as determined at the end of each fiscal quarter.

Section 7.19 Dividends and Other Shareholder Distributions. (a) (a) Borrower shall not (i) declare or pay any dividends or make a distribution of any kind (including by redemption or purchase) on or relating to its outstanding capital stock, or (ii) repay (directly, through sinking fund payments or otherwise) any Indebtedness or other obligations owing to a shareholder unless in either circumstance no Default or Event of Default exists prior to or would result after giving effect to such action.

(b) Except (i) as set forth on Schedule 7.19 and (ii) in connection with Non-Recourse Indebtedness of a Project Finance Subsidiary, Borrower will not, and will not permit any of its Subsidiaries, directly or indirectly to create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to: (1) pay dividends or make any other distribution on any of such Subsidiary's capital stock owned by Borrower or any Subsidiary of Borrower; (2) pay any Indebtedness owed to Borrower or any other Subsidiary; (3) make loans or advances to Borrower or any other Subsidiary; or (4) transfer any of its property or assets to Borrower or any other Subsidiary.

Section 7.20 No Negative Pledge. Except (i) as set forth on Schedule 7.19 and (ii) in connection with Non-Recourse Indebtedness of a Project Finance Subsidiary, the Borrower will not, and will not permit any of its Subsidiaries (other than Project Finance Subsidiaries), directly

or indirectly to enter into or assume any agreement (other than customary non-assignment and no sub-letting provisions in leases consistent with Borrower's past practices and the Credit Documents and, solely with respect to the asset so financed, Capitalized Leases, to the extent such Indebtedness is permitted herein) prohibiting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired.

Section 7.21 Transactions with Affiliates. Borrower will not, and will not permit any of its Subsidiaries to, enter into or be a party to any material transaction or arrangement with any Affiliate of such Person (other than Borrower), including without limitation, the purchase from, sale to or exchange of Property with, any merger or consolidation with or into, or the rendering of any service by or for, any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Subsidiary's business and upon terms no less favorable to such Borrower or such Subsidiary than could be obtained in a similar transaction involving a third-party.

Section 7.22 Compliance with Laws. Without limiting any of the other covenants of Borrower in this Section 7, Borrower will, and will cause each of its Subsidiaries to, conduct its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities; provided, however, that neither Borrower nor any Subsidiary of Borrower shall be required to comply with any such law, regulation, ordinance or order if the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 7.23 Pari-Passu. Borrower will at all times cause the Obligations to rank at least pari passu with all other senior unsecured Indebtedness of Borrower.

Section 7.24 Certain Subsidiaries. Unless pursuant to Indebtedness which is authorized pursuant to this Agreement, Borrower will not, and the Subsidiaries of Borrower will not, permit any creditor of a Marketing Subsidiary or a Project Finance Subsidiary to have recourse to any Borrower or any Subsidiary of Borrower or any of their assets (other than (i) the stock or similar equity interest of the applicable Subsidiary and (ii) with respect to a Permitted Derivative Obligation) other than recourse under Guaranties permitted pursuant to Sections 7.15(f) and (i).

Section 7.25 Ratings. Borrower will at all times this Agreement is in effect maintain a S&P Rating and a Moody's Rating (or if one or both of such ratings are unavailable, rating(s) from such other recognized national rating agency or agencies as may be acceptable to the Administrative Agent and the Required Banks).

Section 7.26 Liquidity Covenant. Borrower will, as of the last day of each fiscal quarter commencing with the fiscal quarter ending December 31, 2002, maintain Liquid Assets of at least \$30,000,000.

## SECTION 8 EVENTS OF DEFAULT AND REMEDIES.

Section 8.1 Events of Default. Any one or more of the following shall constitute an Event of Default:



(a) (i) default in the payment when due of any fees, interest or of any other Obligation not covered by clause (ii) below and such payment default continues for three (3) days or (ii) default in the payment when due of the principal amount of any Loan;

(b) default by Borrower or any Subsidiary in the observance or performance of any covenant set forth in Section 7.1, Section 7.6(c), Section 7.9 through 7.12, Sections 7.14 through 7.21, 7.23, 7.24 and 7.25 hereof;

(c) default by Borrower or any Subsidiary in the observance or performance of any provision hereof or of any other Credit Document not mentioned in (a) or (b) above, which is not remedied within thirty (30) days after notice thereof shall have been given to the Borrower by the Administrative Agent;

(d) (i) failure to pay when due Indebtedness in an aggregate principal amount of (x) \$10,000,000 or more of Borrower or any Material Subsidiary, or (ii) default shall occur under one or more indentures, agreements or other instruments under which any Indebtedness of Borrower or any of its Material Subsidiary in an aggregate principal amount of \$10,000,000 or more may be issued or created and such default shall continue for a period of time sufficient to permit the holder or beneficiary of such Indebtedness or a trustee therefor to cause the acceleration of the maturity of any such Indebtedness or any mandatory unscheduled prepayment, purchase or funding thereof, or (iii) a default shall occur under the US Bank Credit Agreement or the Wells Fargo Credit Agreement;

(e) any representation or warranty made herein or in any other Credit Document by Borrower or any Subsidiary of Borrower, or in any statement or certificate furnished pursuant hereto or pursuant to any other Credit Document by Borrower or any Subsidiary of Borrower, or in connection with any Credit Document, proves untrue in any material respect as of the date of the issuance or making, or deemed making or issuance, thereof;

(f) Borrower or any Material Subsidiary shall (i) fail to pay its debts generally as they become due or admit in writing its inability to pay its debts generally as they become due, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (iv) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it or any analogous action is taken under any other applicable law relating to bankruptcy or insolvency, (v) take any corporate action (such as the passage by its board of directors of a resolution) in furtherance of any matter described in parts (i)-(iv) above, or (vi) fail to contest in good faith any appointment or proceeding described in Section 8.1(g) hereof;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for Borrower or any Material Subsidiary, or any substantial part of any of

their Property, or a proceeding described in Section 8.1(f)(iv) shall be instituted against Borrower or any Material Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days;

(h) Borrower or any Material Subsidiary shall fail within thirty (30) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$10,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution thereon;

(i) Borrower or any other member of the Controlled Group shall fail to pay when due an amount or amounts which it shall have become liable, to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$10,000,000 (collectively, a "Material Plan") shall be filed under Title IV of ERISA by Borrower or any Subsidiary of Borrower or any other member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against Borrower or any other member of the Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(j) Borrower or any Subsidiary of Borrower or any Person acting on behalf of Borrower, a Subsidiary or any governmental authority challenges the validity of any Credit Document or Borrower's or one of its Subsidiary's obligations thereunder or any Credit Document ceases to be in full force and effect or is modified other than in accordance with the terms thereof and hereof;

(k) a Change of Control Event shall have occurred; or

(l) Borrower shall for any reason cease to be wholly liable for the full amount of the Obligations.

Section 8.2 Non-Bankruptcy Defaults. When any Event of Default other than those described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, the Administrative Agent shall, if so directed by the Required Banks, by written notice to Borrower: (a) terminate the remaining Commitments and all other obligations of the Banks hereunder on the date stated in such notice (which may be the date thereof); and (b) declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, and all other Obligations, shall be and become immediately due and payable together with all other amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind. The Administrative Agent, after giving notice to Borrower pursuant to Section 8.1(c) or this Section 8.2, shall also promptly send a copy of such notice to the other Banks, but the failure to do so shall not impair or annul the effect of such notice.

Section 8.3 Bankruptcy Defaults. When any Event of Default described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, then all outstanding Notes, including both interest and principal thereon, and all other Obligations shall immediately become due and payable together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, the obligation of the Banks to extend further credit pursuant to any of the terms hereof shall immediately terminate and Borrower shall immediately pay to the Administrative Agent, subject to Section 8.4, the full amount then available for drawing, under all outstanding Letters of Credit, Borrower acknowledging that the Banks would not have an adequate remedy at law for failure by Borrower to honor any such demand and that the Banks, and the Administrative Agent on their behalf, shall have the right to require Borrower to specifically perform such undertaking whether or not any draws or other demands for payment have been made under any of the Letters of Credit.

Section 8.4 [Intentionally Omitted](a).

Section 8.5 Expenses. Borrower agrees to pay to the Administrative Agent and each Bank, and any other holder of any Note outstanding hereunder, all costs and expenses incurred or paid by the Administrative Agent or such Bank or any such holder, including attorneys' fees (including allocable fees of in-house counsel) and court costs, in connection with (i) any amendment or waiver to the Credit Documents requested by Borrower, (ii) any Default or Event of Default by Borrower hereunder, or (iii) the enforcement of any of the Credit Documents.

#### SECTION 9 CHANGE IN CIRCUMSTANCES.

Section 9.1 Change of Law. Notwithstanding any other provisions of this Agreement or any Note, if at any time after the date hereof any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Bank to make or continue to maintain Eurodollar Loans or to perform its obligations as contemplated hereby, such Bank shall promptly give notice thereof to Borrower and such Bank's obligations to make or maintain Eurodollar Loans under this Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain Eurodollar Loans. Borrower shall prepay on demand the outstanding principal amount of any such affected Eurodollar Loans, together with all interest accrued thereon at a rate per annum equal to the interest rate applicable to such Loan; provided, however, subject to all of the terms and conditions of this Agreement, Borrower may then elect to borrow the principal amount of the affected Eurodollar Loans from such Bank by means of Base Rate Loans from such Bank, which Base Rate Loans shall not be made ratably by the Banks but only from such affected Bank.

Section 9.2 Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. If on or prior to the first day of any Interest Period for any Borrowing of Eurodollar Loans:

(a) the Administrative Agent determines that deposits in U.S. Dollars (in the applicable amounts) are not being offered to major banks in the eurodollar interbank market for such Interest Period, or that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(b) Banks having more than 33% percent (33)% or more of the aggregate amount of the Commitments reasonably determine and so advise the Administrative Agent that LIBOR as reasonably determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks or Bank of funding their or its Eurodollar Loans or Loan for such Interest Period,

then the Administrative Agent shall forthwith give notice thereof to Borrower and the Banks, whereupon until the Administrative Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks or of the relevant Bank to make Eurodollar Loans shall be suspended.

#### Section 9.3 Increased Cost and Reduced Return.

(a) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the relevant jurisdiction) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Eurodollar Loans, its Notes or its obligation to make Eurodollar Loans, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Eurodollar Loans or any other amounts due under this Agreement in respect of its Eurodollar Loans or its obligation to make Eurodollar Loans (except for changes in the rate of tax on the overall net income or profits of such Bank or its Lending Office imposed by the jurisdiction in which such Bank or its lending office is incorporated in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurodollar Loans any such requirement included in an applicable Eurodollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurodollar Loans, its Notes, or its obligation to make Eurodollar Loans;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), Borrower shall be obligated to pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction. In the event any law, rule, regulation or interpretation described above is revoked, declared invalid or inapplicable or is otherwise rescinded, and as a

result thereof a Bank is determined to be entitled to a refund from the applicable authority for any amount or amounts which were paid or reimbursed by Borrower to such Bank hereunder, such Bank shall refund such amount or amounts to Borrower without interest.

(b) If, after the date hereof, any Bank or the Administrative Agent shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the applicable jurisdiction) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank that determines to seek compensation under this Section 9.3 shall notify Borrower and the Administrative Agent of the circumstances that entitle the Bank to such compensation pursuant to this Section 9.3 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 9.3 and setting forth the additional amount or amounts to be paid to it hereunder submitted to Borrower and the Administrative Agent by such Bank in good faith shall be prima facie evidence of the amount of such compensation. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4 Lending Offices. Each Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof (each a "Lending Office") for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to Borrower and the Administrative Agent, so long as such election does not increase costs or other amounts payable by Borrower to such Bank hereunder.

Section 9.5 Discretion of Bank as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Bank had actually funded and maintained each Eurodollar Loan through the purchase of deposits in the

eurodollar interbank market having a maturity corresponding to such Loan's Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

#### SECTION 10 THE AGENT.

Section 10.1 Appointment and Authorization of Administrative Agent. Each Bank hereby appoints ABN AMRO Bank N.V. as the Administrative Agent under the Credit Documents and hereby authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Credit Documents. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank, the holder of any Note or any other Person; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

Section 10.2 Administrative Agent and its Affiliates. The Administrative Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with Borrower or any Affiliate of Borrower as if it were not the Administrative Agent under the Credit Documents.

Section 10.3 Action by Administrative Agent. If the Administrative Agent receives from Borrower a written notice of an Event of Default pursuant to Section 7.6(c)(i) hereof, the Administrative Agent shall promptly give each of the Banks written notice thereof. The obligations of the Administrative Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Sections 8.2 and 8.3. In no event, however, shall the Administrative Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default exists unless notified to the contrary in writing by a Bank or Borrower. In all cases in which this Agreement and the other Credit Documents do not require the Administrative Agent to take certain actions, the Administrative Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

Section 10.4 Consultation with Experts. The Administrative Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 10.5 Liability of Administrative Agent; Credit Decision. Neither the Administrative Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of Borrower or any other party contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 6 hereof; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectibility hereof or of any other Credit Document or of any other documents or writing furnished in connection with any Credit Document; and the Administrative Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Administrative Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by it under the Credit Documents. The Administrative Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Administrative Agent signed by such payee in form satisfactory to the Administrative Agent. Each Bank acknowledges that it has independently and without reliance on the Administrative Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of Borrower and any other relevant Person, and the Administrative Agent shall have no liability to any Bank with respect thereto.

Section 10.6 Indemnity. The Banks shall ratably, in accordance with their respective Percentages, indemnify and hold the Administrative Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent the Administrative Agent is promptly reimbursed for the same by Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Banks under this Section 10.6 shall survive termination of this Agreement.

Section 10.7 Resignation of Administrative Agent and Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and Borrower. Upon any such resignation of the Administrative Agent, the Required Banks shall have the right to appoint a successor Administrative Agent with the consent of Borrower. If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall

have accepted such appointment, within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be any Bank hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$200,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring or removed Administrative Agent under the Credit Documents, and the retiring Administrative Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 10 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

#### SECTION 11 MISCELLANEOUS.

##### Section 11.1 Withholding Taxes.

(a) Payments Free of Withholding. Subject to Section 11.1 (b) hereof, each payment by Borrower under this Agreement or the other Credit Documents shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient). If any such withholding is so required, Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Administrative Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Bank or the Administrative Agent (as the case may be) would have received had such withholding not been made. If the Administrative Agent or any Bank pays any amount in respect of any such taxes, penalties or interest Borrower shall reimburse the Administrative Agent or that Bank for that payment on demand in the currency in which such payment was made. If Borrower pay any such taxes, penalties or interest, they shall deliver official tax receipts evidencing that payment or certified copies thereof to the Bank or Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Administrative Agent determines it has received or been granted a credit against or relief or remission for, or repayment of, any taxes paid or payable by it because of any taxes, penalties or interest paid by Borrower and evidenced by such a tax receipt, such Bank or Administrative Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to Borrower such amount as such Bank or Administrative Agent determines is attributable to such deduction or withholding and which will leave such Bank or Administrative Agent (after such payment) in no better or worse position than it would have been in if Borrower had not been required to make such deduction or withholding. Nothing in this Agreement shall interfere with the right of each Bank and the Administrative Agent to arrange its tax affairs in whatever manner it thinks fit nor obligate any Bank or the Administrative Agent to disclose any information relating to its tax affairs or any computations in connection with such taxes.



(b) U.S. Withholding Tax Exemptions. Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to Borrower and the Administrative Agent on or before the date of the initial Borrowing hereunder two duly completed and signed copies of either Form W8BEN (relating to such Bank and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) or Form W8ECI (relating to all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) of the United States Internal Revenue Service. Thereafter and from time to time, each Bank shall submit to Borrower and the Administrative Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (i) requested by Borrower in a written notice, directly or through the Administrative Agent, to such Bank and (ii) required under then current United States law or regulations to avoid or reduce United States withholding taxes on payments in respect of all amounts to be received by such Bank, including fees, pursuant to the Credit Documents or the Loans.

(c) Inability of Bank to Submit Forms. If any Bank determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that it is unable to submit to Borrower or Administrative Agent any form or certificate that such Bank is obligated to submit pursuant to subsection (b) of this Section 11.1 or that such Bank is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Bank shall promptly notify Borrower and Administrative Agent of such fact and the Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 11.2 No Waiver of Rights. No delay or failure on the part of the Administrative Agent or any Bank or on the part of the holder or holders of any Note in the exercise of any power or right under any Credit Document shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power or right, and the rights and remedies hereunder of the Administrative Agent, the Banks and the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 11.3 Non-Business Day. If any payment of principal or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to and including the next succeeding Business Day, on which the same shall be payable.

Section 11.4 Documentary Taxes. Borrower agrees that it will pay any documentary, stamp or similar taxes payable in respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 11.5 Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 11.6 Survival of Indemnities. All indemnities and all other provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Loans, including, but not limited to, Section 2.11, Section 9.3 and Section 11.15 hereof, shall survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations.

Section 11.7 Set-Off. (a) (a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank and each subsequent holder of any Note is hereby authorized by Borrower at any time or from time to time, without notice to Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, and in whatever currency denominated) and any other Indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of Borrower, whether or not matured, against and on account of the obligations and liabilities of Borrower to that Bank or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (a) that Bank or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

(b) Each Bank agrees with each other Bank a party hereto that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans in excess of its ratable share of payments on all such obligations then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Loans held by each such other Banks (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 11.8 Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including facsimile or other electronic communication) and shall be given to a party hereunder at its address or facsimile number set forth below or such other address or facsimile number as such party may hereafter specify by notice to the Administrative Agent and Borrower, given by courier, by United States certified or registered mail, or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Banks shall be addressed to their respective addresses, facsimile or telephone numbers set forth on the signature pages hereof or in the

assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof, and to Borrower and to the Administrative Agent to:

If to Borrower:

Black Hills Corporation  
625 9th Street  
Rapid City, South Dakota 57709  
Attention: Garner M. Anderson  
Facsimile: 605.721.2597  
Telephone: 605.721.2311

with copies to:

Black Hills Corporation  
625 9th Street  
Rapid City, South Dakota 57709  
Attention: Mark T. Thies  
Facsimile: 605.721.2599  
Telephone: 605.721.2331

Black Hills Corporation  
1075 Noel Avenue  
Wheeling, Illinois 60090  
Attention: Richard T. Ashbeck  
Facsimile: 847.459.4140  
Telephone: 847.465.3033

If to the Administrative Agent:

Notices shall be sent to the applicable address set forth on Part B of Schedule 4 hereto.

With copies of all such notices to:

ABN AMRO Bank N.V.  
135 South LaSalle Street  
Suite 710  
Chicago, Illinois 60603  
Attention: David B. Bryant/Saad Qais  
Facsimile: 312.904.1466  
Telephone: 312.904.2799 (Mr. Bryant)  
312.904.6473 (Mr. Qais)

Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this

Section 11.8 or on the signature pages hereof and a confirmation of receipt of such facsimile has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, three business days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Section 11.8; provided that any notice given pursuant to Section 2 hereof shall be effective only upon receipt.

Section 11.9 Counterparts. This Agreement may be executed in any number of counterpart signature pages, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument.

Section 11.10 Successors and Assigns. This Agreement shall be binding upon Borrower and its successors and assigns, and shall inure to the benefit of each of the Banks and the benefit of their permitted respective successors, and assigns, including any subsequent holder of any Note. Borrower may not assign any of its rights or obligations under any Credit Document unless (i) such assignment occurs in connection with a merger or acquisition by Borrower which is otherwise permitted under the terms of this Agreement and the appropriate Credit Document, if applicable and (ii) Borrower obtains the prior written consent of all of the Banks, which consent shall be in form and substance satisfactory to Administrative Agent.

Section 11.11 Participants and Note Assignees. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Loans made, Commitments held and/or participations in Letters of Credit, by such Bank at any time and from time to time, and to assign its rights under such Loans or the Note evidencing such Loans to a federal reserve bank; provided that (i) no such participation or assignment shall relieve any Bank of any of its obligations under this Agreement, (ii) no such assignee or participant shall have any rights under this Agreement except as provided in this Section 11.11, and (iii) the Administrative Agent shall have no obligation or responsibility to such participant or assignee, except that nothing herein is intended to affect the rights of an assignee of a Note to enforce the Note assigned. Any party to which such a participation or assignment has been granted shall have the benefits of Section 2.11 and Section 9.3, but shall not be entitled to receive any greater payment under either such Section than the Bank granting such participation would have been entitled to receive in connection with the rights transferred. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement that would (A) increase any Commitment of such Bank if such increase would also increase the participant's obligations, (B) forgive any amount of or postpone the date for payment of any principal of or interest on any Loan or of any fee payable hereunder in which such participant has an interest or (C) reduce the stated rate at which interest or fees in which such participant has an interest accrue hereunder.

Section 11.12 Assignment of Commitments by Banks. Each Bank shall have the right at any time, with the written consent of Administrative Agent, which consent shall not be unreasonably withheld, and, prior to the occurrence of a Default or Event of Default, Borrower,

to assign all or any part of its Commitment (including the same percentage of its Note and outstanding Loans, and provided that the same percentage of its commitment and loans outstanding under the 3-Year Credit Agreement are also assigned) to one or more other Persons; provided that such assignment is in an amount of at least \$5,000,000 or the entire Commitment of such Bank, and if such assignment is not for such Bank's entire Commitment then such Bank's Commitment after giving effect to such assignment shall not be less than \$5,000,000; and provided further that neither the consent of Borrower nor the Administrative Agent shall be required for any Bank to assign all or part of its Commitment to any Affiliate of the assigning Bank so long as the same percentage of such Bank's commitment under the 3-Year Credit Agreement are also assigned to such Affiliate. Each such assignment shall set forth the assignee's address for notices to be given under Section 11.8 hereof hereunder and its designated Lending Office pursuant to Section 9.4 hereof. Upon any such assignment, delivery to the Administrative Agent of an executed copy of such assignment agreement and the forms referred to in Section 11.1 hereof, if applicable, and the payment of a \$3,500 recordation fee to the Administrative Agent, the assignee shall become a Bank hereunder, all Loans, participations in Letters of Credit and the Commitment it thereby holds shall be governed by all the terms and conditions hereof and the Bank granting such assignment shall have its Commitment, and its obligations and rights in connection therewith, reduced by the amount of such assignment.

Section 11.13 Amendments. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) Borrower, (b) the Required Banks, and (c) if the rights or duties of the Administrative Agent are affected thereby, the Administrative Agent; provided that:

(i) no amendment or waiver pursuant to this Section 11.13 shall (A) increase, decrease or extend any Commitment of any Bank without the consent of such Bank or (B) reduce the amount of or postpone any fixed date for payment of any principal or of interest on any Loan or of any fee or other Obligation payable hereunder without the consent of each Bank; and

(ii) no amendment or waiver pursuant to this Section 11.13 shall, unless signed by each Bank, change this Section 11.13, or the definition of Required Banks, or affect the number of Banks required to take any action under the Credit Documents.

Anything in this Agreement to the contrary notwithstanding, if at any time when the conditions precedent set forth in Section 6.2 hereof to any Loan hereunder are satisfied, any Bank shall fail to fulfill its obligations to make such Loan (any such Bank, a "Defaulting Bank") then, for so long as such failure shall continue, the Defaulting Bank shall (unless Borrower, the Administrative Agent and the Required Banks (determined as if the Defaulting Bank were not a Bank hereunder) shall otherwise consent in writing) be deemed for all purposes related to amendments, modifications, waivers or consents under this Agreement (other than amendments or waivers referred to in clause (i) and (ii) above) to have no Loans or Commitments and shall not be treated as a Bank hereunder when performing the computation of the Required Banks. To the extent the Administrative Agent receives any payments or other amounts for the account of a Defaulting Bank such Defaulting Bank shall be deemed to have requested that the Administrative Agent use such payment or other amount to fulfill its obligations to make such Loan.

Section 11.14 Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 11.15 Legal Fees, Other Costs and Indemnification. Borrower agrees to pay all reasonable costs and expenses of the Arrangers in connection with the preparation and negotiation of the Credit Documents (including past and future reasonable out-of-pocket expenses incurred by the Arrangers in connection with the syndication of the transaction), including without limitation, the reasonable fees and disbursements of counsel to the Arrangers, in connection with the preparation and execution of the Credit Documents, and any amendment, waiver or consent related hereto, whether or not the transactions contemplated herein are consummated. Borrower further agrees to indemnify each Bank, the Administrative Agent, and their respective directors, agents, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may incur or reasonably pay arising out of or relating to any Credit Document (including any relating to a misrepresentation by Borrower under any Credit Document) or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any loan, other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. Borrower, upon demand by any of the Administrative Agent or a Bank at any time, shall reimburse the Administrative Agent or Bank for any reasonable legal or other expenses (including allocable fees and expenses of in-house counsel) incurred in connection with investigating or defending against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified, provided that with respect to legal costs and expenses incurred in connection with the enforcement of the Banks rights hereunder or any work-out or similar situation, Borrower shall only be obligated to pay the legal fees of the Administrative Agent and not of any other Bank.

Section 11.16 Entire Agreement. The Credit Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or contemporaneous agreements, whether written or oral, with respect thereto are superseded thereby.

Section 11.17 Construction. The parties hereto acknowledge and agree that neither this Agreement nor the other Credit Documents shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement and the other Credit Documents.

Section 11.18 Governing Law. This Agreement and the other Credit Documents, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of New York.

Section 11.19 SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL. BORROWER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF

OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 11.20 Replacement of Bank. Each Bank agrees that, upon the occurrence of any event set forth in Sections 9.1, 9.3 and 11.1, such Bank will use reasonable efforts to book and maintain its Loans through a different Lending Office or to transfer its Loans to an Affiliate with the objective of avoiding or minimizing the consequences of such event; provided that such booking or transfer is not otherwise disadvantageous to such Bank as determined by such Bank in its sole and absolute discretion. If any Bank has demanded to be paid additional amounts pursuant to Sections 9.1, 9.3 and 11.1, and the payment of such additional amounts are, and are likely to continue to be, more onerous in the reasonable judgment of Borrower than with respect to the other Banks, then Borrower shall have the right at any time when no Default or Event of Default shall have occurred and be continuing to seek one or more financial institutions which are not Affiliates of Borrower (each, a "Replacement Bank") to purchase with the written consent of the Administrative Agent (which consent shall not be (x) required if such proposed Replacement Bank is already a Bank, or an Affiliate of a Bank, or (y) unreasonably delayed or withheld) the outstanding Loans and Commitments of such Bank (the "Affected Bank"), and if Borrower locate a Replacement Bank, the Affected Bank shall, upon

- i. prior written notice to the Administrative Agent,
- ii. (i) payment to the Affected Bank of the purchase price agreed between it and the Replacement Bank (or, failing such agreement, a purchase price in the amount of the outstanding principal amount of the Affected Bank's Loans and accrued interest thereon to the date of payment) by the Replacement Bank plus (ii) payment by Borrower of all Obligations (other than principal and interest with respect to Loans) then due to the Affected Bank or accrued for its account hereunder or under any other Loan Document,
- iii. satisfaction of the provisions set forth in Section 11.12, and
- iv. payment by Borrower to the Affected Bank and the Administrative Agent of all reasonable out-of-pocket expenses in connection with such assignment and assumption (including the recordation fee described in Section 11.12),

assign and delegate all its rights and obligations under this Agreement and any other Credit Document to which it is a party (including its outstanding Loans) to the Replacement Bank (such assignment to be made without recourse, representation or warranty), and the Replacement Bank

shall assume such rights and obligations, whereupon the Replacement Bank shall in accordance with Section 11.12 become a party to each Credit Document to which the Affected Bank is a party and shall have the rights and obligations of a Bank thereunder and the Affected Bank shall be released from its obligations hereunder and each other Credit Document to the extent of such assignment and delegation.

Section 11.21 Confidentiality. The Administrative Agent and the Banks shall hold all non-public information provided to them by Borrower pursuant to or in connection with this Agreement in accordance with their customary procedures for handling confidential information of this nature, but may make disclosure to any of their examiners, regulators, Affiliates, outside auditors, counsel and other professional advisors in connection with this Agreement or any other Credit Document or as reasonably required by any potential bona fide transferee, participant or assignee, or in connection with the exercise of remedies under a Credit Document, or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 11.21), or to any nationally recognized rating agency that requires access to information about a Bank's investment portfolio in connection with ratings issued with respect to such Bank, or as requested by any governmental agency or representative thereof or pursuant to legal process; provided, however, that unless specifically prohibited by applicable law or court order, the Administrative Agent and each Bank shall use reasonable efforts to promptly notify Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of the Administrative Agent or such Bank by such governmental agency) for disclosure of any such non-public information and, where practicable, prior to disclosure of such information. Prior to any such disclosure pursuant to this Section 11.21, the Administrative Agent and each Bank shall require any such bona fide transferee, participant and assignee receiving a disclosure of non-public information to agree, for the benefit of Borrower, in writing to be bound by this Section 11.21; and to require such Person to require any other Person to whom such Person discloses such non-public information to be similarly bound by this Section 11.21.

Section 11.22 Rights and Liabilities of Documentation Agents and Syndication Agents. Neither Documentation Agents nor Syndication Agents have any special rights, powers, obligations, liabilities, responsibilities or duties under this Agreement as a result of acting in the capacity of Documentation Agents or Syndication Agents, as applicable, other than those applicable to them in their capacity as Banks hereunder. Without limiting the foregoing, neither Documentation Agents nor Syndication Agents shall have or be deemed to have a fiduciary relationship with any Bank. Each Bank hereby makes the same acknowledgments and undertakings with respect to Documentation Agents and the Syndication Agents as it makes with respect to the Administrative Agent and any directors, officers, agents and employees of the Administrative Agent in Section 10.5.

Section 11.23 Amendment and Restatement of Existing 364-Day Credit Agreement. This Agreement amends and restates the Existing 364-Day Credit Agreement in its entirety. From and after the date hereof any financial institution that was a "Bank" under the Existing 364-Day Credit Agreement but which is not a party to this Agreement shall have no obligation to make



loans to the Borrower either under the Existing 364-Day Credit Agreement, this Agreement or any other Credit Document.

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[Signature Page Follows]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their duly authorized officers as of the day and year first above written.

BLACK HILLS CORPORATION, a  
South Dakota corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Commitment: \$[\_\_\_\_\_]

ABN AMRO BANK N.V., in its individual capacity as a Bank and as Administrative Agent

By: \_\_\_\_\_  
Name: David B. Bryant  
Title: Senior Vice President & Managing Director

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address for notices:

ABN AMRO Bank N.V.  
135 South LaSalle Street  
Suite 710  
Chicago, Illinois 60603  
Attention: David B. Bryant/Saad Qais  
Facsimile: 312.904.1466  
Telephone: 312.904.2799 (Mr. Bryant)  
312.904.6473 (Mr. Qais)

With copy to:

ABN AMRO Bank N.V.  
208 South LaSalle Street  
Suite 1500  
Chicago, Illinois 60604-1003  
Attention: Ken Keck  
Facsimile: (312) 992-5111  
Telephone: (312) 992-5134

Lending Offices: Same as above

Base Rate Loans: Same as above

Eurocurrency Loans: Same as above

Commitment: \$[\_\_\_\_\_]

UNION BANK OF CALIFORNIA, N.A.

By: \_\_\_\_\_  
Name: Robert J. Cole  
Title: Vice President

Address for notices:

1980 Saturn St.  
Monterey Park, CA 91754

Attention: Ruby Gonzales  
Phone: (323) 720-7055  
Fax: (323) 724-6198

Lending Offices:

445 South Figueroa St., 15th Floor  
Los Angeles, CA 90071

Attention: Bryan Read

Base Rate Loans:

Same as address for notices.

Eurocurrency Loans:

Same as address for notices.

Commitment: \$[\_\_\_\_\_]

U.S. BANK, NATIONAL  
ASSOCIATION, in its individual capacity  
as a Bank and as Documentation Agent

By: \_\_\_\_\_  
Name: Sandra Vollmer  
Title: Senior Lender

Address for notices:

U.S. Bank, National Association  
701 St. Joseph Street  
Rapid City, South Dakota 57701  
Attention: Ms. Sandra Vollmer  
Facsimile: 605.394.5500  
Telephone: 605.394.2019

Lending Offices: Same as above  
Base Rate Loans: Same as above  
Eurocurrency Loans: Same as above

Commitment: \$[\_\_\_\_\_]

BANK OF MONTREAL

By: \_\_\_\_\_  
Name: Ian M. Plester  
Title: Director

Address for notices:

115 South LaSalle St.  
Floor: 111-17W  
Chicago, Illinois 60603  
Attention: Client Services  
Phone: (312) 750 3771  
Fax: (312) 750 6061

Lending Offices:

Base Rate Loans:

115 South LaSalle St.  
Floor: 111-17W  
Chicago, Illinois 60603

Eurocurrency Loans:

115 South LaSalle St.  
Floor: 111-17W  
Chicago, Illinois 60603

Commitment: \$[\_\_\_\_\_]

THE BANK OF NOVA SCOTIA

By: \_\_\_\_\_  
Name: F.C.H. Ashby  
Title: Senior Manager Loan Operations

Address for notices:

600 Peachtree Street, N.E.  
Suite 2700  
Atlanta, Georgia 30308  
Attention: Demetria January  
Phone: (404) 877-1578  
Fax: (404) 888-8998

Lending Offices:

Base Rate Loans:

Same As Above

Eurocurrency Loans:

Same As Above

Comitment: \$[\_\_\_\_\_]

CIBC INC., as a Lender

By: \_\_\_\_\_  
Name: M. Sanjeeva Senanayake  
Title: Executive Director  
CIBC World Markets Corp. As Agent

Address for notices:

CIBC Inc.  
425 Lexington Avenue  
New York, NY 10017  
Attention: Sanjeeva Senanayake  
Phone: (212) 856-3595  
Fax: (212) 885-4911

Lending Offices:

Base Rate Loans:

CIBC Inc.  
2727 Paces Ferry Road, Suite 1200  
Atlanta, GA 30339  
Attention: Miriam McCart  
Facsimile No.: (770) 319-4950

Eurocurrency Loans:

CIBC Inc.  
2727 Paces Ferry Road, Suite 1200  
Atlanta, GA 30339  
Attention: Miriam McCart  
Facsimile No.: (770) 319-4950



Commitment: \$[\_\_\_\_\_]

COBANK, ACB

By: \_\_\_\_\_  
Name: Cathleen Reed  
Title: Assistant Vice President

Address for notices:

5500 S. Quebec St.  
Greenwood Village, CO 80111  
Attention: Cathleen Reed  
Phone: 303-740-4101  
Fax: 303-224-2590

Lending Offices:

5500 S. Quebec St.  
Greenwood Village, CO 80111

Base Rate Loans:

5500 S. Quebec St.  
Greenwood Village, CO 80111

Eurocurrency Loans:

5500 S. Quebec St.  
Greenwood Village, CO 80111

Commitment: \$[\_\_\_\_\_]

WELLS FARGO BANK, N.A.

By: \_\_\_\_\_  
Name: Thomas M. Focannon  
Title: Senior Vice President

Address for notices:

Wells Fargo Bank, N.A.  
Energy Department  
MAC C7301-046  
1740 Broadway  
Denver, CO 80274  
Attention: Thomas M. Focannon  
Phone: 303.863.5017  
Fax: 303.863.5196

Lending Offices: Same as above

Base Rate Loans: Same as above

Eurocurrency Loans: Same as above

Commitment: \$[\_\_\_\_\_]

THE DAI-ICHI KANGYO BANK, LTD.

By: \_\_\_\_\_  
Name: Nobuyasu Fukatsu  
Title: General Manager

Address for notices:

10 South Wacker Drive, Suite 2600  
Chicago, IL 60606

Attention: J. Richard Cummings  
Phone: 312-715-6386  
Fax: 312-876-2011

Lending Offices:

Base Rate Loans:

Loan Operations Department  
1 World Trade Center, Suite 4911  
New York, NY 10048-0487

Eurocurrency Loans:

Loan Operations Department  
1 World Trade Center, Suite 4911  
New York, NY 10048-0487

Commitment: \$[\_\_\_\_\_]

THE FUJI BANK, LIMITED

By: \_\_\_\_\_  
Name: Peter L. Chinnic  
Title: Senior Vice President & Group Head

Address for notices:

Suite 2000  
225 W. Wacker Drive  
Chicago, IL 60606  
Attention: Takeyuki Kuroki  
Phone: (312) 621-0534  
Fax: (312) 621-3386

Lending Offices:

Two World Trade Center  
New York, NY 10048  
Attention: Tina Catapana  
Phone: (212) 898-2069  
Fax: (212) 775-1460

Base Rate Loans:

Two World Trade Center  
New York, NY 10048  
Attention: Tina Catapana  
Phone: (212) 898-2069  
Fax: (212) 775-1460

Eurocurrency Loans:

Two World Trade Center  
New York, NY 10048  
Attention: Tina Catapana  
Phone: (212) 898-2069  
Fax: (212) 775-1460

Commitment: \$[\_\_\_\_\_]

NATIONAL CITY BANK OF  
MICHIGAN/ILLINOIS

By: \_\_\_\_\_  
Name: Mark R. Long  
Title: Senior Vice President

Address for notices:

National City Bank of Michigan/Illinois  
2021 Spring Road, Suite 600  
Oak Brook, IL 60523  
Attention: Donna Benson  
Phone: 630-954-3189  
Fax: 630-954-5570

Lending Offices:

National City Bank of Michigan/Illinois  
2021 Spring Road, Suite 600  
Oak Brook, IL 60523

Base Rate Loans:

National City Bank of Michigan/Illinois  
2021 Spring Road, Suite 600  
Oak Brook, IL 60523

Eurocurrency Loans:

National City Bank of Michigan/Illinois  
2021 Spring Road, Suite 600  
Oak Brook, IL 60523

Commitment: \$[\_\_\_\_\_]

NORDEUTSCHE LANDESBANK  
GIROZENTRALE NEW YORK/  
CAYMAN ISLANDS BRANCH

By: \_\_\_\_\_  
Name: Stephanie Finnen  
Title: Vice President

By: \_\_\_\_\_  
Name: Joseph Haas  
Title: Vice President

Address for notices:

Norddeutsche Landesbank Girozentrale  
1114 Avenue of the Americas, 37th Floor  
New York, NY 10036  
Attention: Stephanie Finnen  
Phone: 212-812-6806  
Fax: 212-812-6860

Lending Offices:

Base Rate Loans:

Norddeutsche Landesbank Girozentrale  
1114 Avenue of the Americas, 37th Floor  
New York, NY 10036  
Attention: Andrea Johann  
Phone: 212-812-6830  
Fax: 212-812-6930

Eurocurrency Loans:

Norddeutsche Landesbank Girozentrale  
1114 Avenue of the Americas, 37th Floor  
New York, NY 10036  
Attention: Andrea Johann  
Phone: 212-812-6830  
Fax: 212-812-6930

EXHIBIT A

364-DAY NOTE

August [\_\_], 2002

FOR VALUE RECEIVED, the undersigned, Black Hills Corporation, a South Dakota corporation ("Borrower"), promises to pay to the order of [\_\_\_\_\_] (the "Bank") on the Termination Date of the hereinafter defined Credit Agreement, at the principal office of ABN AMRO Bank N.V., in New York, New York, in accordance with Section 4.1 of the Credit Agreement (as hereafter defined), the aggregate unpaid principal amount of all Loans made by the Bank to Borrower pursuant to the Credit Agreement, together with interest on the principal amount of each Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates, specified in the Credit Agreement.

The Bank shall record on its books or records or on a schedule attached to this Note, which is a part hereof, each Loan made by it pursuant to the Credit Agreement, together with all payments of principal and interest and the principal balances from time to time outstanding hereon, whether the Loan is a Base Rate Loan or a Eurodollar Loan, and the interest rate and Interest Period applicable thereto, provided that prior to the transfer of this Note all such amounts shall be recorded on a schedule attached to this Note. The record thereof, whether shown on such books or records or on a schedule to this Note, shall be prima facie evidence of the same; provided, however, that the failure of the Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of Borrower to repay all Loans made to it pursuant to the Credit Agreement together with accrued interest thereon.

This Note is one of the Notes referred to in the Amended and Restated 364-Day Credit Agreement dated as of August 27, 2002, among Borrower, ABN AMRO Bank N.V., as Administrative Agent, U.S. Bank, National Association and The Bank of Nova Scotia as Documentation Agents, Union Bank of California, N.A. and Bank of Montreal, as Syndication Agents and the financial institutions party thereto (the "Credit Agreement"), and this Note and the holder hereof are entitled to all the benefits provided for thereby or referred to therein, to which Credit Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Credit Agreement. This Note shall be governed by and construed in accordance with the internal laws of the State of New York.

Prepayments may be made hereon and this Note may be declared due prior to the expressed maturity hereof, all in the events, on the terms and in the manner as provided for in the Credit Agreement.

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[Signature Page Follows]

The Borrower hereby waives demand, presentment, protest or notice of any kind hereunder.

BLACK HILLS CORPORATION, a  
South Dakota corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



EXHIBIT B  
COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished to ABN AMRO Bank N.V., as Administrative Agent pursuant to the Amended and Restated 364-Day Credit Agreement dated as of August 27, 2002, among Black Hills Corporation, a South Dakota corporation ("Borrower"), ABN AMRO Bank N.V., as Administrative Agent, U.S. Bank, National Association and The Bank of Nova Scotia, as Documentation Agents, Union Bank of California, N.A., and Bank of Montreal, as Syndication Agents and the financial institutions party thereto (the "Credit Agreement"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Credit Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected or appointed \_\_\_\_\_ of Borrower;
2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or an Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and
4. Schedule 1 attached hereto sets forth financial data and computations evidencing compliance with certain covenants of the Credit Agreement, all of which data and computations are true, complete and correct. All computations are made in accordance with the terms of the Credit Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

\_\_\_\_\_  
\_\_\_\_\_

The foregoing certifications, together with the computations set forth in Schedule 1 hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this \_\_\_\_\_ day of \_\_\_\_\_, 200\_.

SCHEDULE 1 TO COMPLIANCE CERTIFICATE

Compliance Calculations for Credit Agreement

CALCULATION AS OF \_\_\_\_\_, 200\_

A. Liens (Sec. 7.9(c), (d), and (g))

1. Liens securing taxes or assessments or other government charges or levies equal to or less than \$20,000,000 (Section 7.9(c)) \_\_\_\_\_ (Answer should be yes)

2. Liens securing judgments or awards or surety or appeal bonds issued in connection therewith equal to or less than \$20,000,000 (Section 7.9(d)) \_\_\_\_\_ (Answer should be yes)

3. Is the aggregate amount of Indebtedness and other obligations consisting of (i) the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of Borrower used in the ordinary course of business of such Borrower, (ii) Capitalized Lease Obligations, and (iii) the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds which is secured by Liens equal to or less than 5% of Consolidated Assets as reflected on the most recent balance sheet delivered by Borrower (Section 7.9(g)). \_\_\_\_\_ (Answer should be yes)

B. Sale and Leasebacks (Section 7.11)

1. Aggregate obligations under all Sale and Leasebacks arrangements (other than synthetic lease transactions excluded by Section 7.11) \$ \_\_\_\_\_ (Line B1 not to exceed \$30,000,000)

C. Sale of Assets (Section 7.12)

1. Net book value of assets (other than inventory, reserves and electricity in the ordinary course of business) sold during this fiscal year \$ \_\_\_\_\_ (Line C1 not to exceed 10% of total consolidated assets)

D. Permitted Investments (Section 7.14)		
1.	Aggregate amount of Investments in Marketing Subsidiaries made after the August 28, 2001 (Section 7.14(o)(ii))	\$ _____
2.	Investments consisting of Guaranties of Indebtedness of Marketing Subsidiaries existing on the Effective Date	\$ _____
3.	Intercompany loans permitted pursuant to Section 7.15(e)(iii) owing by Marketing Subsidiaries (Line E3)	\$ _____ Line E3
4.	Sum of Lines D1, D2 and D3	\$ _____
5.	Is Line D4 equal to or less than \$10,000,000?	_____ (Answer should be yes)
6.	Aggregate amount of Investments in Persons engaged in the lines of business described in clause (xii) of Section 7.8 (Section 7.14(k))	\$ _____ (Line D6 not to exceed \$20,000,000)

E. Permitted Indebtedness (Section 7.15)		
1.	Secured Indebtedness except as set forth on Schedule 7.15(b): (i) of BHP (ii) evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of Borrower or a Subsidiary used in the ordinary course of business of the Borrower or a Subsidiary, (iii) constituting Capitalized Lease Obligations or with respect to synthetic (or similar type) lease transactions, or (iv) incurred in connection with the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds (Section 7.15(c))	\$ _____ (Line E1 not to exceed 5% of Consolidated Assets)
2.	Intercompany loans owing by Borrower (Section 7.15(e)(i)(x))	\$ _____ (Must be subordinated to Obligations)

3.	Intercompany Indebtedness owing by Marketing Subsidiaries to Subsidiaries (Section 7.15(e)(iii))	\$ _____	(Line E3 not to exceed the difference between (i) \$10,000,000 less (ii) the sum of Lines E4 and D1)
4.	Indebtedness consisting of Guarantees (including Long-Term Guaranties) of Marketing Subsidiary Indebtedness (Section 7.15(f))	\$ _____	(Line E4 not to exceed the difference between (i) \$10,000,000 less (ii) the sum of Lines E3 and D1)
5.	Indebtedness of Marketing Subsidiaries under Marketing Subsidiary Excluded Credit Facilities (Section 7.15(g))	\$ _____	(Line E5 not to exceed Marketing Subsidiary Indebtedness Limit)
F.	Consolidated Net Worth (Section 7.16)		
1.	Consolidated Net Worth	\$ _____	
2.	50% of aggregate Consolidated Net Income, if positive, from and including April 1, 2002	\$ _____	
3.	Does Line F1 exceed sum of (i) \$425,000,000 plus (ii) line F2	_____	(Answer should be yes)
G.	Recourse Leverage Ratio (Section 7.17)		
1.	consolidated Indebtedness	\$ _____	
2.	Non-Recourse Indebtedness	\$ _____	
3.	Recourse Indebtedness (Line G1 minus Line G2)	\$ _____	
4.	Indebtedness of Marketing Subsidiaries under Marketing Subsidiary Excluded Credit Facilities (Line E5)	\$ _____	(Not to exceed Marketing Subsidiary Indebtedness Limit)
5.	Consolidated Net Worth	\$ _____	
6.	Capital (Line G3 minus Line G4 plus Line G5)	\$ _____	
7.	Recourse Leverage Ratio	_____ :1.00	(ratio of (A) difference between (x) Line G3 minus (y) Line G4 to (B) Line G6 not to exceed 0.65 to 1.00)
H.	Fixed Charge Coverage Ratio (Section 7.18)		

1.	Consolidated Net Income for past four fiscal quarters	\$ _____	
2.	Income taxes for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
3.	Consolidated Interest Expense for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	Insert amount from Line H18
4.	Amortization expense for intangible assets for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
5.	Depreciation expense for past four fiscal quarters (to the extent subtracted in calculating H1)		
6.	Losses on sales of assets (excluding sales in the ordinary course of business) and other extraordinary losses for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
7.	Interest income for past four fiscal quarters arising from traditional investment activities with banks, investment banks and other financial institutions or relating to governmental or other marketable securities (to the extent added in calculating H1)	\$ _____	
8.	Gains on sales of assets (excluding sales in the ordinary course of business) and other extraordinary gains for past four fiscal quarters (to the extent added in calculating H1)	\$ _____	
9.	Capital Expenditures for past four fiscal quarters	\$ _____	
10.	Without duplication, any payments made by a Consolidated Subsidiary constituting a repayment of principal Indebtedness (other than (x) the Obligations and (y) repayments of principal made with the proceeds of a refinancing of such Indebtedness otherwise permitted pursuant to this Agreement) or with respect to a reserve, and	\$ _____	

11.	Without duplication, any other mandatory payment made by a Consolidated Subsidiary in such period not included as an expense or loss in calculating Consolidated Net Income	\$ _____
12.	Consolidated EBITDA (sum of Lines H1, H2, H3, H4, H5 and H6 less sum of Lines H7, H8, H9, H10 and H11)	\$ _____
13.	Restricted Earnings for the past four fiscal quarters	\$ _____
14.	Adjusted Consolidated EBITDA (Line H12 minus Line H13)	\$ _____
15.	All interest charges (including capitalized interest, imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense and other deferred financing charges) of the Borrower and its Subsidiaries on a consolidated basis for such period determined in accordance with GAAP, other than interest charges relating to Non-Recourse Indebtedness	\$ _____
16.	All commitment or other fees payable in respect of the issuance of standby letters of credit or other credit facilities for the account of the Borrower or its Subsidiaries	\$ _____
17.	Net costs/expenses incurred by the Borrower and its Subsidiaries under Derivative Arrangements	\$ _____
18.	Consolidated Interest Expense (Sum of Lines H15, H16 and H17)	\$ _____
19.	The aggregate amount of all mandatory scheduled payments (whether designated as payments or prepayments) and scheduled sinking fund payments with respect to principal of any Recourse Indebtedness of the Borrower or its Subsidiaries (including payments in the nature of principal under Capital Leases) for the last 4 quarters	\$ _____
20.	Consolidated Fixed Charges (Sum of Lines H18 and H19)	\$ _____

21.	Fixed Charge Coverage Ratio (ratio of Lines H14 to (ii) Line H20)	_____1.00	(ratio must not be less than 1.50 to 1.00)
I. Liquidity Covenant (Section 7.26)			
1.	Unrestricted cash at Borrower	\$ _____	
2.	Unused availability of senior unsecured credit facilities available to Borrower	\$ _____	
3.	Liquid Assets (Line I1 plus Line I2)	\$ _____	(amount must exceed \$30,000,000)

SCHEDULE 1  
PRICING GRID

If the Level Status Is	The Facility Fee Rate is:	The Utilization Fee Rate is:	The Eurodollar Margin is:	The Base Rate Margin is:
Level I Status	0.080%	0.100%	0.420%	0.000%
Level II Status	0.100%	0.125%	0.500%	0.000%
Level III Status	0.125%	0.150%	0.625%	0.000%
Level IV Status	0.150%	0.200%	0.725%	0.000%
Level V Status	0.200%	0.250%	0.800%	0.000%
Level VI Status	0.600%	0.500%	1.400%	0.400%

Each change in a rating shall be effective as of the date it is announced by the applicable rating agency.

In the event that the Moody's Rating and the S&P Rating fall in consecutive Levels, the rating falling in the lower Level (with Level I being the highest Level and Level VI being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid. In the event that the Moody's Rating and the S&P Rating fall in non-consecutive Levels, the Level immediately above the Level in which the lower rating falls (with Level I being the highest Level and Level VI being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid.



SCHEDULE 4  
ADMINISTRATIVE AGENT'S NOTICE AND PAYMENT INFORMATION

Part A - Payments

Loan Repayments, Interest, Fees:

ABN AMRO Bank N.V.  
New York, NY  
ABA # 026009580  
F/O ABN AMRO Bank, N.V.  
Chicago Branch CPU  
Account # 650-001-1789-41  
Reference: Agency Services Black Hills Corporation

Part B - Notices

Notices related to commitments, covenants or extensions of expiry/termination dates:

ABN AMRO Bank N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Agency Services  
E-Mail: [beata.konopko@abnamro.com](mailto:beata.konopko@abnamro.com)  
FAX: (312)-992-5157

ABN AMRO Bank N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Credit Administration  
E-Mail: [kenneth.keck@abnamro.com](mailto:kenneth.keck@abnamro.com)  
FAX: 312-992-5111

ABN AMRO Bank N.V.  
135 South LaSalle Street, Suite 710  
Chicago, Illinois 60603  
Attn: Thomas Sterr  
E-Mail: [thomas.sterr@abnamro.com](mailto:thomas.sterr@abnamro.com)  
FAX: (312)-904-6387

Notices related to Loans, Letters of Credit and Fees:

ABN AMRO Bank N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Agency Services

E-Mail: beata.konopko@abnamro.com  
FAX: 312-992-5157

Address for all Required Executed Documentation and Financial Information:

ABN AMRO Bank N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Credit Administration  
E-Mail: kenneth.keck@abnamro.com  
FAX: 312-992-5111

SCHEDULE 5.2

BLACK HILLS CORPORATION SUBSIDIARIES

	Subsidiary Name	State of Origin	BHC's Ownership	Description of Subsidiary's Authorized Capital Stock, if not wholly owned
1.	Acquisition Partners, L.P.	New York	100%	N/A
2.	Adirondack Hydro Development Corporation	Delaware	100%	N/A
3.	Adirondack Hydro-Fourth Branch, LLC	New York	100%	N/A
4.	Adirondack Operating Services, LLC	New York	100%	N/A
5.	Black Hills Berkshire, LLC	Delaware	100%	N/A
6.	Black Hills Capital Development, Inc.	Illinois	100%	N/A
7.	Black Hills Colorado, LLC	Delaware	100%	N/A
8.	Black Hills Energy Capital, Inc.	Delaware	100%	N/A
9.	Black Hills Energy Pipeline, LLC	Delaware	100%	N/A
10.	Black Hills Energy Resources, Inc.	South Dakota	100%	N/A
11.	Black Hills Energy Terminal, LLC	South Dakota	100%	N/A
12.	Black Hills Energy, Inc.	South Dakota	100%	N/A
13.	Black Hills Exploration and Production, Inc.	Wyoming	100%	N/A
14.	Black Hills Fiber Systems, Inc.	South Dakota	100%	N/A
15.	Black Hills Fibercom, LLC	South Dakota	51%	Black Hills Fibercom, LLC has a single class of units of membership of which 41 units are issued and outstanding. Black Hills Fiber Systems, Inc. holds 21 units.
16.	Black Hills Fountain Valley, LLC	Delaware	100%	N/A
17.	Black Hills Generation, Inc.	Wyoming	100%	N/A
18.	Black Hills Harbor, LLC	Delaware	83.3%	Black Hills Harbor, LLC has

				a single class of units of membership. 100 units of which are currently issued and outstanding. Black Hills Corporation indirectly holds interests in 83.3% of the units.
19.	Black Hills High Desert, Inc.	Delaware	100%	N/A
20.	Black Hills Idaho Operations, LLC	Delaware	100%	N/A
21.	Black Hills Independent Power Fund, Inc.	Texas	100%	N/A
22.	Black Hills Kilgore Energy Pipeline, LLC	Delaware	100%	N/A
23.	Black Hills Kilgore Pipeline, Inc.	Delaware	100%	N/A
24.	Black Hills Kilgore Pipeline Company, L.P.	Texas	100%	N/A
25.	Black Hills Long Beach, Inc.	Delaware	100%	N/A
26.	Black Hills Millennium Pipeline, Inc.	South Dakota	100%	N/A
27.	Black Hills Millennium Terminal, Inc.	South Dakota	100%	N/A
28.	Black Hills Nevada Operations, LLC	Delaware	100%	N/A
29.	Black Hills Nevada Real Estate Holdings, LLC	Delaware	100%	N/A
30.	Black Hills Nevada, LLC	Delaware	100%	N/A
31.	Black Hills North America, Inc.	Delaware	100%	N/A
32.	Black Hills Operating Company, LLC	Delaware	100%	
33.	Black Hills Ontario, LLC	Delaware	50%	Black Hills Ontario, LLC has a single class of units of membership, of which 100 units are issued and outstanding.
34.	Black Hills Power, Inc.	South Dakota	100%	N/A
35.	Black Hills Southwest, LLC	Delaware	100%	N/A
36.	Black Hills Valmont Colorado, Inc.	Delaware	100%	N/A
37.	DAKSOFI, Inc.	South Dakota	100%	N/A
38.	Desert Arc I, LLC	Delaware	50%	Desert Arc I, LLC has a single class of units of membership, of which

					Black Hills Corporation indirectly holds 50%.
39.	Desert Arc II, LLC	Delaware	50%		Desert Arc II, LLC has a single class of unites of membership, of which Black Hills Corporation indirectly holds 50%.
40.	EIF Investors, Inc.	Delaware	100%		N/A
41.	E-Next A Equipment Leasing Company, LLC	Delaware	100%		N/A
42.	Enserco Energy, Inc.	South Dakota	100%		N/A
43.	Fountain Valley Power, L.L.C.	Delaware	100%		N/A
44.	Harbor Cogeneration Company	California	83.3%		Harbor Cogeneration Company is a California general partnership. Black Hills Corporation has an indirect ownership interest of 83.3%
45.	Hudson Falls, LLC	New York	100%		N/A
46.	ICPM, Inc.	Illinois	100%		N/A
47.	Indeck Auburndale, LLC	Delaware	100%		N/A
48.	Indeck Gordonsville, LLC	Delaware	100%		N/A
49.	Indeck North American Power Fund, LP	Delaware	81.9%		Indeck North American Power Fund, L.P. is a limited. Black Hills Corporation holds direct and indirect general and limited partnership interests totaling up to 81.9%.
50.	Indeck Hills North American Power Partners, LP	Delaware	85.7%		Indeck North American Power Partners, LP is a limited. Black Hills Corporation holds direct and indirect general and limited partnership interests totaling up to 85.7%
51.	Indeck Pepperell Power Associates, Inc.	Delaware	82.9%		Indeck Pepperell Power Associates, Inc. has a single class of stock with 100 shares issued and outstanding. Black

				Hills Corporation indirectly owns 82.9% of the capital stock of Indeck Pepperell, by and through its interests in Indeck North American Power Fund, L.P.
52.	Landrica Development Company	South Dakota	100%	N/A
53.	Las Vegas Cogeneration Energy Financing, LLC	Delaware	100%	N/A
54.	Las Vegas Cogeneration II, LLC	Delaware	100%	N/A
55.	Las Vegas Cogeneration Limited Partnership	Nevada	50%	Las Vegas Cogeneration Limited Partnership has an 85% general partnership interest, of which Black Hills Corporation indirectly owns 50%, and a 15% limited partnership interest, of which Black Hills Corporation indirectly owns 50%.
56.	Middle Falls Corporation	New York	100%	N/A
57.	Middle Falls II, LLC	New York	100%	N/A
58.	Middle Falls Limited Partnership	New York	50%	Middle Falls Limited Partnership has a 2% general partnership interest, of which Black Hills Corporation indirectly holds 1%, and a 98% limited partnership interest, of which Black Hills Corporation indirectly holds 49%
59.	Middle Falls Partners, LLC	New York	50%	Middle Falls Partners, LLC has a single class of units of membership, of which Black Hills Corporation indirectly

60.	Millennium Pipeline Company, L.P.	Texas	100%	holds 50%.
61.	Millennium Terminal Company, L.P.	Texas	100%	
62.	NHP, L.P.	New York	100%	N/A
63.	North American Funding, L.L.C.	Delaware	100%	N/A
64.	Northern Electric Power Company, L.P.	New York	37%	Northern Electric Power Company, L.P. has a 99% limited partnership interest, of which Black Hills Corporation indirectly owns 36.5% and a 1% general partnership interest, of which Black Hills Corporation indirectly owns 0.5%.
65.	NYSD Limited Partnership	New York	100%	N/A
66.	NYSD Partners, LLC	New York	100%	N/A
67.	Sissonville Corporation	New York	100%	N/A
68.	Sissonville II, LLC	New York	100%	N/A
69.	Sissonville Limited Partnership	New York	100%	N/A
70.	Sissonville Partners, LLC	New York	100%	N/A
71.	South Glens Falls, L.P.	New York	30.2%	South Glens Falls, L.P. has a 99% limited partnership interest, of which Black Hills Corporation indirectly owns 29.7% and a 1% general partnership interest, of which Black Hills Corporation indirectly owns 0.5%.
72.	South Glens Falls, LLC	New York	100%	N/A
73.	State Dam Corporation	New York	100%	N/A
74.	State Dam II, LLC	New York	100%	N/A
75.	Sunco, Ltd., a limited liability company	Nevada	100%	N/A
76.	VariFuel, LLC	South Dakota	100%	N/A
77.	Warrensburg Corporation	New York	100%	N/A
78.	Warrensburg Hydro Power Limited Partnership	New York	100%	N/A

79.	Warrensburg II Corporation	New York	100%	N/A
80.	Wyodak Resources Development Corp.	Delaware	100%	N/A



SCHEDULE 5.5

LITIGATION AND LABOR CONTROVERSIES

Black Hills Harbor, LLC - City of Long Beach

In June of 2000, the City of Long Beach, a municipal corporation in the State of California, acting for the Port of Long Beach ("City"), brought an action against Black Hills Harbor, LLC (formerly known as Indeck Harbor, LLC) ("Fund"), alleging breaches of a partnership interest purchase agreement dated as of January 1, 1995 ("Agreement"), relating to the amount and timing of certain contingent payments, if any, due the City resulting in claims by the City in excess of \$9 million. The court ordered that the disputes raised in litigation must be resolved by arbitration in accordance with the terms of the Agreement. Representatives of the City and the Fund engaged in mediation to attempt to resolve the disputes involving a transportation tax for natural gas delivered to a power facility located in Long Beach and owned by the Fund. Because the parties were unable to reach resolution of the dispute, they have pursued arbitration.

Grizzly Gulch Fire

On June 29, 2002, a forest fire began near Deadwood, South Dakota. Before being contained more than eight days later, the fire consumed over 10,000 acres of public and private land, mostly consisting of rugged forested areas. The fire destroyed 7 homes, and approximately 15 outbuildings. There are no reported personal injuries at this time. In addition, the fire burned to the edge of the City of Deadwood, forcing the evacuation of the City of Deadwood, and an adjacent City of Lead, South Dakota. These communities are active in the tourist and gaming industries. Individuals were ordered to leave their homes and motels, and businesses were closed for a short period of time. On July 16, 2002, the State of South Dakota announced the results of its investigation of the cause and origin of the fire. The State concluded that the fire was caused by tree encroachment into and contact with a transmission line owned and maintained by Black Hills Power, Inc.

Black Hills Power is in the process of completing its own investigation of the fire, and will request access to the materials that form the basis for the State's conclusions. This investigation is not complete. Depending on the outcome of this process, it is possible that claims will be made against Black Hills Power for damages allegedly caused by the fire, for fire suppression costs and costs of remediation of burned areas, for individual and business losses relating to injury to personal and real property, and lost income. No civil action or regulatory proceeding is pending at this time.

SCHEDULE 5.11

ENVIRONMENTAL MATTERS

None.

SCHEDULE 7.9

EXISTING LIENS

1. Enserco Energy Inc. has granted a security interest in favor of Fortis Capital Corp., with respect to Enserco Energy Inc.'s personal property assets to secure the \$135,000,000 credit facility referred to in on Schedule 7.15.
2. Black Hills Energy Resources, Inc. has granted a security interest in favor of Fortis Capital Corp., with respect to Black Hills Energy Resources, Inc.'s personal property assets to secure the \$25,000,000 credit facility referred to on Schedule 7.15.
3. Black Hills Power, Inc. Indenture of Mortgage and Deed of Trust has a first mortgage lien on substantially all of the properties used in the electric utility business excluding "Excepted Property." Excepted property includes all cash and securities; all contracts, leases and other agreements; all permits, licenses, franchises and rights granted by governmental entities; all movable equipment and parts including motor vehicles; all materials, supplies and merchandise offered for sale in the ordinary course of business, fuel and other consumables; all office furniture and office equipment, communications equipment and computer equipment; all minerals, crops and timber harvested or extracted from land; all leasehold interests; and all property not used in the electric utility business.
4. Black Hills Exploration and Production has granted security interests in various certificates of deposits for oil & gas leases and operations totaling less than \$150,000 in aggregate.
5. Wyodak Resources Development Corp. has granted a security interest in a certificate of deposit in the amount of \$397,000 to securitize its self-insurance permit for black lung liability.

Schedule 7.14  
Existing Investments

1. Landrica Development Company holds 700,000 registered and unrestricted shares of the common stock of KFx, Inc. and 1,300,000 warrants to purchase a single share of the common stock of KFx at \$3.48 at any time prior to April 30, 2005.
2. Landrica Development Company holds a \$450,000 equity investment in Phase Technology, LLC.
3. Landrica Development Company holds a \$50,000 equity investment in Genesis Equity Fund, LLC.
4. Black Hills Corporation holds investments in life insurance policies and nonqualified deferred compensation plans in the amount of \$2,363,000.
5. Black Hills Power, Inc. holds investments in life insurance policies and nonqualified deferred compensation plans in the amount of \$2,586,000.
6. Wyodak Resources Development Corp. holds investments in life insurance policies in the amount of \$451,000.
7. Black Hills Exploration and Production, Inc. holds investments in life insurance policies in the amount of \$72,000.
8. Black Hills FiberCom, LLC holds investments in life insurance policies in the amount of \$108,000.
9. Daksoft, Inc. holds investments in life insurance policies in the amount of \$149,000.
10. Black Hills Energy Capital, Inc. has an equity investment in Black Hills Idaho Operations, LLC in the amount of \$2,968,000.
11. Black Hills Energy Capital, Inc. has an equity investment in EIF Funds in the amount of \$9,888,000.
12. Black Hills Energy Capital, Inc. holds other various notes receivable in the aggregate amount of \$1,676,000.
13. Black Hills Fiber Systems, Inc. holds a convertible debenture note in the amount of \$40,000,000 due from Black Hills FiberCom, LLC.

SCHEDULE 7.15  
PERMITTED INDEBTEDNESS

(A) Indebtedness of Marketing Subsidiaries

1.	Enserco Energy Inc. Credit Facility with Fortis Capital Corp.	\$135,000,000
2.	Black Hills Energy Resources, Inc. Credit Facility with Fortis Capital Corp. (In addition there is a \$12,500,000 overdraft line).	\$25,000,000

(B) Other Indebtedness

1.	Black Hills Power, Inc./Black Hills Generation, Inc. Note Payable to Bear Paw Energy, LLC.	\$992,909
2.	Credit Agreement between Black Hills Colorado, LLC, the Bank Nova Scotia, and various other banks.	\$135,000,000
3.	Black Hills Corporation First Mortgage Bonds.	\$187,835,904
4.	Black Hills Power, Inc. Pollution Control Revenue Bonds.	\$24,500,000
5.	Black Hills Power, Inc. Environmental Improvement Revenue Bonds (Floating Rate).	\$2,855,000
6.	Wyodak Resources Development Corp. reclamation bond obligations relating to its mining permits.	\$21,644,000
7.	Landrica Development Company reclamation bond obligation relating to its mining permits.	\$3,794,997
8.	Black Hills Exploration and Production, Inc. miscellaneous performance bonds and letters of credit relating to oil and gas well leases and operations.	\$500,000
9.	Black Hills Corporation and Black Hills Nevada, LLC bridge loan secured by the Las Vegas Cogen II facility.	\$50,000,000
10.	Term loan and letter of credit facility between Black Hills Fountain Valley, LLC, Fountain Valley Power, LLC, and E-Next A Equipment Leasing Company, LLC and various banks (including Union Bank of California as agent bank).	\$164,471,218
11.	Northern Electric Power Co. L.P. project financing term loan secured by the Hudson Falls generating plant.	\$66,878,240
12.	South Glens Falls LP project financing term loan secured by the South Glens Falls generating plant.	\$22,878,498
13.	Black Hills Corporation guarantee of lease payments on the Wygen 1 facility.	\$140,000,000
14.	Black Hills Corporation guarantee in favor of Cheyenne Light, Fuel and Power in connection with performance of the Wygen 1 Power Purchase Agreement.	\$5,000,000
15.	Black Hills Corporation guarantee in favor of Cheyenne Light, Fuel and Power in connection with performance of Black Hills Generation under the Gillette Turbine Power Purchase Agreement.	\$10,000,000

16.	Black Hills Corporation guarantee in favor of Las Vegas Cogen II interconnection agreement with Nevada Power Company.	\$749,970
17.	Black Hills Corporation completion guarantee in favor of Bank of Nova Scotia in connection with expanded Colorado facilities.	All payments
18.	Black Hills Corporation guarantee in favor of UBS AG in connection with Enserco Energy, Inc.'s Derivative, Power and Gas Agreements with UBS AG.	\$3,000,000
19.	Black Hills Corporation guarantee in favor of Koch Exploration Company, LLC in connection with Enserco Energy, Inc. agreements with Koch Exploration Company, LLC.	\$4,500,000

All indebtedness balances are as of June 30, 2002 (except for inclusion of additional \$75,000,000 on First Mortgage Bonds issued August 8, 2002).

SCHEDULE 7.19

RESTRICTIONS ON DISTRIBUTIONS AND EXISTING NEGATIVE PLEDGES

1. Enserco Energy Inc. has granted a security interest in favor of Fortis Capital Corp., with respect to Enserco Energy Inc.'s personal property assets to secure the \$135,000,000 credit facility referred to in on Schedule 7.15.
2. Black Hills Energy Resources, Inc. has granted a security interest in favor of Fortis Capital Corp., with respect to Black Hills Energy Resources, Inc.'s personal property assets to secure the \$25,000,000 credit facility referred to on Schedule 7.15.
3. Black Hills Power, Inc. Indenture of Mortgage and Deed of Trust contains a provision which prohibits the payment of dividends should the Company's retained earnings amount not meet certain minimal levels. Currently the Company is required to maintain a retained earnings level of greater than \$318,000 for dividend payments to be allowed under the indenture.
4. Substantially all of Black Hills Energy Capital, Inc.'s project finance subsidiaries' nonrecourse debt contain restrictions which prohibit distributions unless certain financial covenants limits are met.

Dividends on Black Hills Corporation's preferred stock must be paid or declared and set apart for payment before any dividends may be paid or declared and set apart for payment on the Company's common stock. The Company's preferred stock is cumulative.





TERM CREDIT AGREEMENT

DATED AS OF

SEPTEMBER 25, 2002

AMONG

BLACK HILLS CORPORATION,  
as Borrower,

THE FINANCIAL INSTITUTIONS PARTY HERETO,  
as Banks,

AND

CREDIT LYONNAIS NEW YORK BRANCH,  
as Administrative Agent,

TABLE OF CONTENTS

(This Table of Contents is not part of the Agreement)

	PAGE
SECTION 1	DEFINITIONS; INTERPRETATION.....1
Section 1.1	Definitions.....1
Section 1.2	Interpretation.....12
SECTION 2	THE CREDITS.....12
Section 2.1	The Term Loan.....12
Section 2.2	[Intentionally Omitted].....13
Section 2.3	Applicable Interest Rates. (a) Base Rate Loans.....13
Section 2.4	Minimum Borrowing Amounts.....14
Section 2.5	Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans 15
Section 2.6	Interest Periods.....16
Section 2.7	Maturity of Loans.....17
Section 2.8	Prepayments.....17
Section 2.9	Default Rate.....17
Section 2.10	The Notes.....18
Section 2.11	Funding Indemnity.....18
SECTION 3	FEES.....19
Section 3.1	Fees.....19
SECTION 4	PLACE AND APPLICATION OF PAYMENTS.....19
Section 4.1	Place and Application of Payments.....19
SECTION 5	REPRESENTATIONS AND WARRANTIES.....19
Section 5.1	Corporate Organization and Authority.....19
Section 5.2	Subsidiaries.....20
Section 5.3	Corporate Authority and Validity of Obligations.....20
Section 5.4	Financial Statements.....20
Section 5.5	No Litigation; No Labor Controversies.....21
Section 5.6	Taxes.....21
Section 5.7	Approvals.....21
Section 5.8	ERISA.....21
Section 5.9	Government Regulation.....21
Section 5.10	Margin Stock; Use of Proceeds.....22
Section 5.11	Licenses and Authorizations; Compliance with Laws. (a).....22
Section 5.12	Ownership of Property; Liens.....22
Section 5.13	No Burdensome Restrictions; Compliance with Agreements.....23
Section 5.14	Full Disclosure.....23
Section 5.15	Solvency.....23
SECTION 6	CONDITIONS PRECEDENT.....23
Section 6.1	Initial Credit Event.....23
Section 6.2	All Credit Events.....24
SECTION 7	COVENANTS.....25
Section 7.1	Corporate Existence; Subsidiaries.....25
Section 7.2	Maintenance.....25
Section 7.3	Taxes.....25

Section 7.4	ERISA.....	25
Section 7.5	Insurance.....	26
Section 7.6	Financial Reports and Other Information.....	26
Section 7.7	Bank Inspection Rights.....	28
Section 7.8	Conduct of Business.....	28
Section 7.9	Liens.....	28
Section 7.10	Use of Proceeds; Regulation U.....	28
Section 7.11	Sales and Leasebacks.....	28
Section 7.12	Mergers, Consolidations and Sales of Assets.....	29
Section 7.13	Use of Property and Facilities; Environmental and Health and Safety Laws.....	30
Section 7.14	Investments, Acquisitions, Loans, Advances and Guaranties.....	30
Section 7.15	Restrictions on Indebtedness.....	32
Section 7.16	Consolidated Net Worth.....	34
Section 7.17	Recourse Leverage Ratio.....	34
Section 7.18	Fixed Charge Coverage Ratio.....	34
Section 7.19	Dividends and Other Shareholder Distributions.....	34
Section 7.20	No Negative Pledge.....	34
Section 7.21	Transactions with Affiliates.....	35
Section 7.22	Compliance with Laws.....	35
Section 7.23	Pari-Passu.....	35
Section 7.24	Certain Subsidiaries.....	35
Section 7.25	Ratings.....	35
Section 7.26	Liquidity Covenant.....	35
Section 7.27	Existing Credit Agreements.....	35
SECTION 8	EVENTS OF DEFAULT AND REMEDIES.....	35
Section 8.1	Events of Default.....	36
Section 8.2	Non-Bankruptcy Defaults.....	37
Section 8.3	Bankruptcy Defaults.....	38
Section 8.4	[Intentionally Omitted].....	38
Section 8.5	Expenses.....	38
SECTION 9	CHANGE IN CIRCUMSTANCES.....	38
Section 9.1	Change of Law.....	38
Section 9.2	Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR.....	38
Section 9.3	Increased Cost and Reduced Return.....	39
Section 9.4	Lending Offices.....	40
Section 9.5	Discretion of Bank as to Manner of Funding.....	40
SECTION 10	THE AGENT.....	40
Section 10.1	Appointment and Authorization of Administrative Agent.....	40
Section 10.2	Administrative Agent and its Affiliates.....	41
Section 10.3	Action by Administrative Agent.....	41
Section 10.4	Consultation with Experts.....	41
Section 10.5	Liability of Administrative Agent; Credit Decision.....	41
Section 10.6	Indemnity.....	42
Section 10.7	Resignation of Administrative Agent and Successor Administrative Agent.....	42

SECTION 11 MISCELLANEOUS .....43

Section 11.1 Withholding Taxes.....43

Section 11.2 No Waiver of Rights.....44

Section 11.3 Non-Business Day.....44

Section 11.4 Documentary Taxes.....44

Section 11.5 Survival of Representations.....44

Section 11.6 Survival of Indemnities.....45

Section 11.7 Set-Off.....45

Section 11.8 Notices.....45

Section 11.9 Counterparts.....46

Section 11.10 Successors and Assigns.....46

Section 11.11 Participants and Note Assignees.....47

Section 11.12 Assignments by Banks.....47

Section 11.13 Amendments.....48

Section 11.14 Headings.....48

Section 11.15 Legal Fees, Other Costs and Indemnification.....48

Section 11.16 Entire Agreement.....49

Section 11.17 Construction.....49

Section 11.18 Governing Law.....49

Section 11.19 SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.....49

Section 11.20 Replacement of Bank.....49

Section 11.21 Confidentiality.....50

EXHIBITS

A	-	Form of Note
B	-	Form of Compliance Certificate

SCHEDULES

SCHEDULE 1	Pricing Grid
SCHEDULE 4	Administrative Agent Notice and Payment Info
SCHEDULE 5.2	Schedule of Existing Subsidiaries
SCHEDULE 5.5	Litigation and Labor Controversies
SCHEDULE 5.11	Environmental Matters
SCHEDULE 7.9	Existing Liens
SCHEDULE 7.14	Existing Investments
SCHEDULE 7.15(a)	Marketing Subsidiary Indebtedness
SCHEDULE 7.15(b)	Existing Secured Indebtedness
SCHEDULE 7.19	Restrictions on Distributions and Existing Negative Pledges

TERM CREDIT AGREEMENT

TERM CREDIT AGREEMENT, dated as of September 25, 2002 among Black Hills Corporation, a South Dakota corporation ("Borrower"), the financial institutions from time to time party hereto (each a "Bank," and collectively the "Banks"), and Credit Lyonnais New York Branch in its capacity as agent for the Banks hereunder (in such capacity, the "Administrative Agent").

WITNESSETH THAT:

WHEREAS, the Borrower desires to obtain the several commitments of the Banks to make available a term loan, as described herein; and

WHEREAS, the Banks are willing to extend such commitments subject to all of the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth.

NOW, THEREFORE, in consideration of the recitals set forth above and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1 DEFINITIONS; INTERPRETATION.

Section 1.1 Definitions. The following terms when used herein have the following meanings:

"Adjusted Consolidated EBITDA" means, for any period, (A) Consolidated EBITDA less (B) Restricted Earnings.

"Adjusted LIBOR" is defined in Section 2.3(b) hereof.

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with their correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event for purposes of this definition: (i) any Person which owns directly or indirectly twenty percent (20%) or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or twenty percent (20%) or more of the partnership or other ownership interests of any other Person will be deemed to control such corporation or other Person; and (ii) each director and executive officer of Borrower or any Subsidiary of Borrower shall be deemed an Affiliate of Borrower and each of its Subsidiaries.

"Administrative Agent" is defined in the first paragraph of this Agreement and includes any successor Administrative Agent pursuant to Section 10.7 hereof.

"Agreement" means this Term Credit Agreement, including all Exhibits and Schedules hereto, as it may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Applicable Margin" means, at any time (i) with respect to Base Rate Loans, the Base Rate Margin and (ii) with respect to Eurodollar Loans, the Eurodollar Margin.

"Applicable Telerate Page" is defined in Section 2.3(b) hereof.

"Authorized Representative" means those persons shown on the list of officers provided by Borrower pursuant to Section 6.1(e) hereof, or on any updated such list provided by Borrower to the Administrative Agent, or any further or different officer of Borrower so named by any Authorized Representative of Borrower in a written notice to the Administrative Agent.

"Bank" and "Banks" are defined in the first paragraph of this Agreement.

"Base Rate" is defined in Section 2.3(a) hereof.

"Base Rate Loan" means a Loan bearing interest prior to maturity at a rate specified in Section 2.3(a) hereof.

"Base Rate Margin" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"BHP" means Black Hills Power, Inc., a South Dakota corporation.

"Borrower" is defined in the first paragraph of this Agreement.

"Borrowing" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by the Banks on a single date and for a single Interest Period. Borrowings of Loans are made by and maintained ratably for each of the Banks according to their Percentages. A Borrowing is "advanced" on the day Banks advance funds comprising such Borrowing to Borrower, is "continued" on the date a new Interest Period for the same type of Loans commences for such Borrowing and is "converted" when such Borrowing is changed from one type of Loan to the other, all as requested by Borrower pursuant to Section 2.5(a).

"Business Day" means any day other than a Saturday or Sunday on which Banks are not authorized or required to close in New York, New York or Rapid City, South Dakota and, if the applicable Business Day relates to the borrowing or payment of a Eurodollar Loan, on which banks are dealing in U.S. Dollars in the interbank market in London, England.

"Capital" means, as of any date of determination thereof, without duplication, the sum of (A) Consolidated Net Worth plus (B) all Recourse Indebtedness (provided that for purposes of clause (B) of this definition, to the extent otherwise included, Indebtedness of Marketing Subsidiaries in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit incurred under Marketing Subsidiary Excluded Credit Facilities shall not be deemed to be Recourse Indebtedness).

"Capital Lease" means at any date any lease of Property which, in accordance with GAAP, would be required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligations" means, for any Person, the amount of such Person's liabilities under Capital Leases determined at any date in accordance with GAAP.

"Change of Control Event" means one or more of the following events:

(a) less than a majority of the members of the Board of Directors of Borrower shall be persons who either (i) were serving as directors on the Effective Date or (ii) were nominated as directors and approved by the vote of the majority of the directors who are directors referred to in clause (i) above or this clause (ii); or

(b) the stockholders of Borrower shall approve any plan or proposal for the liquidation or dissolution of Borrower; or

(c) a Person or group of Persons acting in concert (other than the direct or indirect beneficial owners of the Voting Stock of Borrower as of the Effective Date) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the direct or indirect beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time) of Voting Stock of Borrower representing more than ten percent (10%) of the combined voting power of the outstanding Voting Stock or other ownership interests for the election of directors or shall have the right to elect a majority of the Board of Directors of Borrower; or

(d) Except as permitted by Section 7.12, Borrower ceases at any time to own one hundred percent (100%) of the Voting Stock and other equity interest of any Material Subsidiary.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" and "Commitments" are defined in Section 2.1 hereof.

"Compliance Certificate" means a certificate in the form of Exhibit B hereto.

"Consolidated Assets" means all assets which should be listed on the consolidated balance sheet of Borrower and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated EBITDA" means, for any period, for Borrower and its Consolidated Subsidiaries on a consolidated basis, (A) the sum of the amounts for such period of (i) Consolidated Net Income, (ii) to the extent deducted in arriving at Consolidated Net Income, net federal, state and local income taxes in respect of such period, (iii) to the extent deducted in arriving at Consolidated Net Income, Consolidated Interest Expense, (iv) to the extent deducted in arriving at Consolidated Net Income, the amount charged for the amortization of intangible assets, (v) to the extent deducted in arriving at Consolidated Net Income, the amount charged for the depreciation of assets, and (vi) to the extent deducted in arriving at Consolidated Net Income, losses on sales of assets (excluding sales in the ordinary course of business) and other

extraordinary losses, less (B) the amount for such period of (i) to the extent added in arriving at Consolidated Net Income, interest income arising from traditional investment activities with banks, investments banks and other financial institutions or relating to governmental or other marketable securities, (ii) to the extent added in arriving at Consolidated Net Income, gains on sales of assets (excluding sales in the ordinary course of business) and other extraordinary gains, all as determined on a consolidated basis in accordance with GAAP, (iii) any maintenance capital expenditures made by the Borrower or its Consolidated Subsidiaries in such period, (iv) without duplication, any payments made by a Consolidated Subsidiary constituting a repayment of principal Indebtedness (other than (x) the Obligations and (y) repayments of principal made with the proceeds of a refinancing of such Indebtedness otherwise permitted pursuant to this Agreement) or with respect to a reserve, and (v) without duplication, any other mandatory payment made by a Consolidated Subsidiary in such period not included as an expense or loss in calculating Consolidated Net Income.

"Consolidated Fixed Charges" means, for any period and without duplication the sum of (i) the aggregate amount of Consolidated Interest Expense with respect to Recourse Indebtedness paid or scheduled to be paid for such period, and (ii) the aggregate amount of all mandatory scheduled payments (whether designated as payments or prepayments) and scheduled sinking fund payments with respect to principal of any Recourse Indebtedness of the Borrower or its Subsidiaries (including payments in the nature of principal under Capital Leases).

"Consolidated Interest Expense" means, with reference to any period of the Borrower and its Subsidiaries, the sum of (i) all interest charges (including capitalized interest, imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense and other deferred financing charges) of the Borrower and its Subsidiaries on a consolidated basis for such period determined in accordance with GAAP, other than interest charges relating to Non-Recourse Indebtedness, (ii) all commitment or other fees payable in respect of the issuance of standby letters of credit or other credit facilities for the account of the Borrower or its Subsidiaries, and (iii) net costs/expenses incurred by the Borrower and its Subsidiaries under Derivative Arrangements.

"Consolidated Net Income" means, for any period of the Borrower and its Consolidated Subsidiaries, the amount for such period of consolidated net income (or net loss) of the Borrower and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, as of any time the same is to be determined, the total shareholders' equity (including capital stock, additional paid-in-capital and retained earnings after deducting treasury stock, but excluding (to the extent otherwise included in calculating shareholders' equity), minority interests in Subsidiaries) which would appear on the consolidated balance sheet of Borrower determined on a consolidated basis in accordance with GAAP.

"Consolidated Subsidiary" means, as to any Person, each subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated, with the financial statements of such Person in accordance with GAAP, including principles of consolidation.



"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its Property is bound.

"Controlled Group" means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control that, together with Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Credit Documents" means this Agreement, the Notes, the Fee Letter and all other documents executed in connection herewith or therewith.

"Credit Event" means any Borrowing.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Derivative Arrangement" means any agreement (including any master agreement and any agreement, whether or not in writing, relating to any single transaction) that is an interest rate swap agreement, basis swap, forward rate agreement, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, forward foreign exchange agreement, rate cap, collar or floor agreement, future agreement, currency swap agreement, cross-currency rate swap agreement, swaption, currency option, that relates to fluctuations in raw material prices or utility or energy prices or other costs, or any other similar agreement, including any option to enter into any of the foregoing, or any combination of any of the foregoing. "Derivative Arrangements" shall include all such agreements or arrangements made or entered into at any time, or in effect at any time, whether or not related to a Loan.

"Derivative Obligations" means, with respect to any Person, all liabilities of such Person under any Derivative Arrangement (including but not limited to obligations and liabilities arising in connection with or as a result of early or premature termination of a Derivative Arrangement, whether or not occurring as a result of a default thereunder), absolute or contingent, now or hereafter existing or incurred or due or to become due.

"Effective Date" means September 25, 2002.

"Environmental and Health Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, judgments, permits and other governmental rules or restrictions relating to human health, safety (including without limitation occupational safety and health standards), or the environment or to emissions, discharges or releases of pollutants, contaminants, hazardous or toxic substances, wastes or any other controlled or regulated substance into the environment, including without limitation Hazardous Material, ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances, wastes or any other controlled or regulated substance or the clean-up or other remediation thereof.

"ERISA" is defined in Section 5.8 hereof.

"Eurodollar Loan" means a Loan bearing interest prior to its maturity at the rate specified in Section 2.3(b) hereof.

"Eurodollar Margin" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"Eurodollar Reserve Percentage" is defined in Section 2.3(b) hereof.

"Event of Default" means any of the events or circumstances specified in Section 8.1 hereof.

"Existing Credit Agreements" means that certain Amended and Restated 364-Day Credit Agreement dated as of August 27, 2002 and that certain 3-Year Credit Agreement dated as of August 28, 2001, each among the Borrower, the financial institutions from time to time party thereto, U.S. Bank and ScotiaBank, in their capacity as documentation agents for the Banks thereunder (in such capacity, "Documentation Agents"), UBOC and BMO, in their capacity as syndication agents for the Banks thereunder (in such capacity, "Syndication Agents") and ABN AMRO Bank N.V. in its capacity as Administrative Agent for such financial institutions.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to:

(a) the weighted average of the rates on overnight federal funds transactions with members of the United States Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the United States Federal Reserve Bank of New York; or

(b) if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means that certain letter among the Administrative Agent and Borrower pertaining to fees to be paid by Borrower to the Administrative Agent for its sole account and benefit.

"Fixed Charge Coverage Ratio" means, for any period of four consecutive quarters of the Borrower ending with the most recently completed such fiscal quarter, the ratio of (A) Adjusted Consolidated EBITDA to (B) Consolidated Fixed Charges for such period.

"GAAP" means generally accepted accounting principles as in effect in the United States from time to time, applied by Borrower and its Subsidiaries on a basis consistent with the preparation of Borrower's financial statements furnished to the Banks as described in Section 5.4 hereof.

"Guarantee" means, in respect of any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligations of another Person, including, without limitation, by means of an agreement to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to maintain financial

covenants, or to assure the payment of such Indebtedness by an agreement to make payments in respect of goods or services regardless of whether delivered, or otherwise, provided, that the term "Guarantee" shall not include endorsements for deposit or collection in the ordinary course of business; and such term when used as a verb shall have a correlative meaning.

"Hazardous Material" means any substance or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls, dioxins and petroleum or its by-products or derivatives (including crude oil or any fraction thereof) and (b) any other material or substance classified or regulated as "hazardous" or "toxic" pursuant to any Environmental and Health Law.

"Immaterial Subsidiary" shall mean, any direct or indirect subsidiary of Borrower (i) whose total assets (as determined in accordance with GAAP) do not represent at least five percent (5%) of the total assets (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis or (ii) whose total revenues (as determined in accordance with GAAP) do not represent at least five percent (5%) of the total revenues (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis, provided that no subsidiary shall be deemed an Immaterial Subsidiary to the extent (a) the total assets of such subsidiary, when combined with the total assets of other subsidiaries which are Immaterial Subsidiaries, represent at least ten percent (10%) of the total assets (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis or (ii) the total revenues of such subsidiary, when combined with the total revenues of other Immaterial Subsidiaries, (as determined in accordance with GAAP) represent at least ten percent (10%) of the total revenues (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis. As used in this definition "subsidiary" shall mean any Person whose financial statements are consolidated into the financial statements of Borrower in accordance with GAAP.

"Indebtedness" means, as to any Person, without duplication: (i) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (ii) all obligations of such Person for the deferred purchase price of property or services (other than in respect of trade accounts payable arising in the ordinary course of business which are not past-due); (iii) all Capitalized Lease Obligations of such Person; (iv) all Indebtedness of others secured by a Lien on any properties, assets or revenues of such Person (other than stock, partnership interests or other equity interests of Borrower or any Subsidiary of Borrower in other entities) to the extent of the lesser of the value of the property subject to such Lien or the amount of such Indebtedness; (v) all Guarantees issued by such Person, provided that Long-Term Guaranties shall not be deemed "Indebtedness" for purposes of calculating Borrower's compliance with the financial covenants set forth in Sections 7.16, 7.17 and 7.18 hereof; (vi) all obligations of such Person, contingent or otherwise, in respect of any letters or credit (whether commercial or standby) or bankers' acceptances, (vii) all Derivative Obligations of such Person, provided that for purposes of determining Borrower's compliance with the financial covenants set forth herein, only Borrower's Derivative Obligations under Derivative Arrangements which must be marked-to-market in accordance with GAAP shall be included as Indebtedness of Borrower, and (viii) all obligations of such Person under synthetic (and similar type) lease arrangements, provided that for purposes of calculating such Person's Indebtedness under such synthetic (or similar type) lease arrangements, such lease arrangement shall be treated as if it were a Capitalized Lease.

"Interest Period" is defined in Section 2.6 hereof.

"Investments" is defined in Section 7.14.

"L/C Obligations" has the same meaning herein as in the 3-Year Credit Agreement.

"Lending Office" is defined in Section 9.4 hereof.

"Level I Status" means Borrower's S&P Rating is BBB or higher and its Moody's Rating is Baa2 or higher.

"Level II Status" means Level I Status does not exist, but Borrower's S&P Rating is BBB- or higher and its Moody's Rating is Baa3 or higher.

"Level III Status" means neither Level I Status nor Level II Status exists.

"LIBOR" is defined in Section 2.3(b) hereof.

"Lien" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a "Lien."

"Liquid Assets" means, as the date of any calculation thereof, the sum of (i) the amount of unrestricted cash which the Borrower then has available, plus (ii) the aggregate amount of then available (meaning the Borrower is entitled to borrow such amounts pursuant to the applicable documentation) unused capacity under the Borrower's senior unsecured credit facilities (including the Existing Credit Agreements).

"Loan" and "Loans" are defined in Section 2.1 hereof and includes a Base Rate Loan or Eurodollar Loan, each of which is a "type" of Loan hereunder.

"Long-Term Guarantee" means (i) any Guarantee issued by Borrower or its Subsidiaries under which the holder or beneficiary of such Guarantee is not permitted under any circumstance or contingency to make demand or exercise any other remedies under such Guarantee prior to the Termination Date, as extended from time to time in accordance with the terms hereof and (ii) any coal mining reclamation bonds or contingent indemnity or reimbursement obligations with respect to such reclamation bonds (so long as such reclamation bonds have not been called upon).

"Marketing Subsidiary" means each of Black Hills Energy Resources, Inc. a South Dakota corporation, and Enserco Energy, Inc., a South Dakota corporation, and their respective subsidiaries.

"Marketing Subsidiary Excluded Credit Facilities" means those certain credit facilities of the Marketing Subsidiaries described on Schedule 7.15(a) hereof, as such credit facilities are in effect on the Effective Date, provided that such credit facilities shall cease to be Marketing Subsidiary Excluded Credit Facilities to the extent availability thereunder is increased, any substantive term thereof is materially modified, or such credit facility is extended more than once in any fiscal year for a period of more than one year. Any replacement credit facility of a Marketing Subsidiary Excluded Credit Facility shall be deemed a Marketing Subsidiary Excluded Credit Facility only if such replacement credit facility contains terms substantially the same as the Marketing Subsidiary Excluded Credit Facility being replaced (including tenor) or is approved in writing by the Required Banks.

"Marketing Subsidiary Indebtedness Limit" means the sum of (i) aggregate amount of credit availability (used or unused) under Marketing Subsidiary Excluded Credit Facilities as of the Effective Date and (ii) \$25,000,000.

"Material Adverse Effect" means a material adverse effect on (i) the business, financial position or results of operations of Borrower or Borrower and its Subsidiaries taken as a whole, (ii) the ability of Borrower to perform its material obligations under the Credit Documents, (iii) the validity or enforceability of the material obligations of Borrower under any Credit Document, (iv) the rights and remedies of the Banks or the Administrative Agent against Borrower; or (v) the timely payment of the principal of and interest on the Loans or other amounts payable by Borrower hereunder, provided, that a downgrade of Borrower's S&P Rating and/or Moody's Rating shall not, in and of itself, be deemed a "Material Adverse Effect" for purposes of this Agreement.

"Material Subsidiaries" means BHP, Black Hills Energy, Inc., a South Dakota corporation, Wyodak Resources Development Corp., a Delaware corporation, Black Hills Energy Capital, Inc., a Delaware corporation and any other Subsidiary of Borrower which is not either an Immaterial Subsidiary or a Project Finance Subsidiary.

"Moody's Rating" means the rating assigned by Moody's Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term indebtedness of a Person (or if neither Moody's Investors Service, Inc. nor any such successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the United States of America as mutually agreed between the Required Banks and Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as currently defined by Moody's Investors Service, Inc. (or such a successor) and shall be deemed to refer to the equivalent rating if such rating system changes.

"Non-Recourse Indebtedness" means, without duplication, all Indebtedness of Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP incurred in connection with project financings (including project financings of existing assets the proceeds of which are used to refinance such assets) as to which the holder of such Indebtedness has recourse solely against the assets which were purchased or refinanced with, or leased in connection with, such Indebtedness and not against Borrower or a Consolidated Subsidiary of Borrower other than a Project Finance Subsidiary or any of their other assets (whether directly, through a Guarantee or otherwise), other than the pledge of the stock (or similar equity interest)

of the Project Finance Subsidiary which incurred such Indebtedness. For purposes of clarification, any Indebtedness of a Project Finance Subsidiary which would otherwise constitute Non-Recourse Indebtedness but for the issuance by the Borrower or a Consolidated Subsidiary of the Borrower of a Guarantee or other document which provides recourse with respect to such Indebtedness, such Indebtedness shall for all purposes of this Agreement be deemed Non-Recourse Indebtedness so long as (i) the Borrower's or such Consolidated Subsidiary's obligations under such Guarantee or other document are treated for all purposes as Recourse Indebtedness hereunder, (ii) such Recourse Indebtedness of the Borrower or such Consolidated Subsidiary is unsecured and is otherwise permitted by this Agreement, and (iii) such Recourse Indebtedness of the Borrower or such Consolidated Subsidiary does not in the aggregate exceed \$100,000,000 at any one time outstanding.

"Note" is defined in Section 2.10(a) hereof.

"Obligations" means all fees payable hereunder, all obligations of Borrower to pay principal or interest on Loans, fees, expenses, indemnities, and all other payment obligations of Borrower arising under or in relation to any Credit Document.

"Percentage" means, for each Bank, the percentage held by such Bank of the aggregate principal amount of all outstanding Obligations.

"Permitted Derivative Obligations" means all Derivative Obligations as to which the Derivative Arrangements giving rise to such Derivative Obligation are entered into in the ordinary course of business to hedge interest rate risk, currency risk, commodity price risk or the production of Borrower or its Subsidiaries (and not for speculative purposes) and if such Derivative Obligation is an obligation of Borrower, such Derivative Obligation ranks no greater than pari passu to the Obligations.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan " means at any time an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"PBG" is defined in Section 5.8 hereof.

"Project Finance Subsidiary" means any special purpose Subsidiary of Borrower created to limit the recourse of the creditors of such Subsidiary and as to which the creditors and other holders of Indebtedness of such Subsidiary have recourse solely against the assets of such Subsidiary and not against Borrower or any other Subsidiary of Borrower or any of their other assets (whether directly, through a Guarantee or otherwise) other than (i) pursuant to a Guarantee permitted hereunder and (ii) the stock of such special purpose Subsidiary (or similar equity interest).

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Recourse Indebtedness" means, without duplication, all Indebtedness of Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP other than Non-Recourse Indebtedness.

"Recourse Leverage Ratio" means, as of any time the same is to be determined, the ratio of the amount of (A) Recourse Indebtedness outstanding at such time (provided that for purposes of clause (A) of this definition, to the extent otherwise included, Indebtedness of Marketing Subsidiaries in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit incurred under Marketing Subsidiary Excluded Credit Facilities shall not be deemed to be Recourse Indebtedness) to (B) the amount of Capital at such time.

"Required Banks" means, as of the date of determination thereof, any Banks holding in the aggregate more than fifty percent (50%) of the Percentages, provided, that at any time there are two (2) or less Banks, Required Banks shall mean Banks holding one hundred percent (100%) of the Percentages.

"Restricted Earnings" means, for any period, the amount of all Consolidated Net Income earned by each of Borrower's Consolidated Subsidiaries during such period which may not be distributed or dividended to Borrower due to contractual or other restrictions on such distributions or dividends.

"SEC" means the United States Securities and Exchange Commission.

"Security" has the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"S&P Rating" means the rating assigned by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term indebtedness of a Person (or, if neither such division nor any successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the United States as mutually agreed between the Required Banks and Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as currently defined by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. (or such a successor) and shall be deemed to refer to the equivalent rating if such rating system changes.

"Solvent" means that (a) the fair value of a Person's assets is in excess of the total amount of such Person's debts, as determined in accordance with the United States Bankruptcy Code, and (b) the present fair saleable value of a Person's assets is in excess of the amount that will be required to pay such Person's debts as they become absolute and matured. As used in this definition, the term "debts" includes any legal liability, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent, as determined in accordance with the United States Bankruptcy Code.

"Subsidiary" means, as to Borrower, any corporation or other entity (i) which is consolidated into the financial statements of such Borrower in accordance with GAAP or (ii) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the Board of Directors of such corporation or similar governing body in the case of a non-corporation (irrespective of whether or not, at the time, stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such Borrower or by one or more of its Subsidiaries.

"Telerate Service" means the Dow Jones Telerate Service.

"Termination Date" means September 30, 2004.

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"U.S. Dollars" and "\$" each means the lawful currency of the United States of America.

"Voting Stock" of any Person means capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person.

"Welfare Plan" means a "welfare plan", as defined in Section 3(1) of ERISA.

"Wholly-Owned" when used in connection with any Subsidiary means a Subsidiary of which all of the issued and outstanding shares of stock or other equity interests (other than directors' qualifying shares as required by law) shall be owned by Borrower and/or one or more of its Wholly-Owned Subsidiaries.

Section 1.2 Interpretation. The foregoing definitions shall be equally applicable to both the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to New York, New York time unless otherwise specifically provided. The word "including" means including without limiting the generality of any description preceding such term. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP in effect on the Effective Date, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement.

## SECTION 2 THE CREDITS.

Section 2.1 The Term Loan. Subject to the terms and conditions hereof (including Sections 6.1 and 6.2), each Bank, by its acceptance hereof, severally agrees to make a loan (individually a "Loan" and collectively "Loans") to Borrower on the Effective Date in U.S.



Dollars in an aggregate amount equal to the amount of its commitment set forth on the applicable signature page hereof (for each Bank, its "Commitment" and, cumulatively for all the Banks, the "Commitments"). After the making of such Loans on the Effective Date, the Commitments shall terminate and no Bank shall have any further obligation to advance any new Borrowings. Each Borrowing of Loans shall be made ratably from the Banks in proportion to their respective Percentages. As provided in Section 2.5(a) hereof, Borrower may elect that each Borrowing of Loans be either Base Rate Loans or Eurodollar Loans. Any Loans repaid may not be reborrowed. Unless an earlier maturity is provided for hereunder, all Loans shall mature and be due and payable on the Termination Date.

Section 2.2 [Intentionally Omitted].

Section 2.3 Applicable Interest Rates. (a) Base Rate Loans. Each Base Rate Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed (x) at all times the Base Rate is based on the rate described in clause (i) of the definition thereof, on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed or (y) at all times the Base Rate is based on the rate described in clause (ii) of the definition thereof, on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Eurodollar Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect, payable on the last day of its Interest Period and at maturity (whether by acceleration or otherwise).

"Base Rate" means for any day the greater of:

(i) the rate of interest announced by the Administrative Agent from time to time as its prime rate, or equivalent, for U.S. Dollar loans within the United States as in effect on such day, with any change in the Base Rate resulting from a change in said prime rate to be effective as of the date of the relevant change in said prime rate; and

(ii) the sum of (x) the Federal Funds Rate, plus (y) 1/2 of 1% (0.50%).

(b) Eurodollar Loans. Each Eurodollar Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued, or created by conversion from a Base Rate Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period.

"Adjusted LIBOR" means, for any Borrowing of Eurodollar Loans, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurodollar Reserve Percentage}}$$

"LIBOR" means, for an Interest Period for a Borrowing of Eurodollar Loans, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetical average of the rates of interest per annum (rounded upwards, if necessary, to the nearest one-sixteenth of one percent) at which deposits in U.S. Dollars, in immediately available funds are offered to the Administrative Agent at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurodollar market for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the smallest Eurodollar Loan scheduled to be made by a Lender as part of such Borrowing.

"LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one-sixteenth of one percent) for deposits in U.S. Dollars for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the smallest Eurodollar Loan scheduled to be made by a Lender as part of such Borrowing, which appears on the Applicable Telerate Page as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period.

"Applicable Telerate Page" means the display page designated as "Page 3750" on the Telerate Service (or such other pages as may replace any such page on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for deposits in U.S. Dollars).

"Eurodollar Reserve Percentage" means for any Borrowing of Eurodollar Loans from any Bank, the daily average for the applicable Interest Period of the actual effective rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are maintained by such Bank during such Interest Period pursuant to Regulation D of the Board of Governors of the Federal Reserve System (or any successor) on "eurocurrency liabilities", as defined in such Board's Regulation D (or in respect of any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Loans is determined or any category of extensions of credit or other assets that include loans by non-United States offices of any Bank to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurodollar Loans shall be deemed to be "eurocurrency liabilities" as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

(c) Rate Determinations. The Administrative Agent shall determine each interest rate applicable to Obligations, and a determination thereof by the Administrative Agent shall be conclusive and binding except in the case of manifest error.

Section 2.4 Minimum Borrowing Amounts. Each Borrowing of Base Rate Loans and Eurodollar Loans shall be in an amount not less than (i) if such Borrowing is comprised of Base Rate Loans, \$1,000,000 and integral multiples of \$500,000 in excess thereof, and (ii) if such Borrowing is comprised of Eurodollar Loans, \$2,000,000 and integral multiples of \$1,000,000 in excess thereof.

Section 2.5 Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans. (a) Notice to the Administrative Agent. (a) The Borrower shall give notice to the Administrative Agent by no later than 12:00 noon (New York time) on the Effective Date specifying the amount of Loans it desires to borrow pursuant to this Agreement. The initial Borrowing of Loans shall be Base Rate Loans. Thereafter, Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to Section 2.4's minimum amount requirement for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurodollar Loans, on the last day of the Interest Period applicable thereto, Borrower may continue part or all of such Borrowing as Eurodollar Loans for an Interest Period or Interest Periods specified by Borrower or convert part or all of such Borrowing into Base Rate Loans, and (ii) if such Borrowing is of Base Rate Loans, on any Business Day, Borrower may convert all or part of such Borrowing into Eurodollar Loans for an Interest Period or Interest Periods specified by Borrower. Borrower shall give all such notices requesting the continuation or conversion of a Borrowing to the Administrative Agent by telephone or telecopy (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing). Notices of the continuation of a Borrowing of Eurodollar Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of Eurodollar Loans into Base Rate Loans or of Base Rate Loans into Eurodollar Loans must be given by no later than 12:00 noon (New York time) at least three (3) Business Days before the date of the requested continuation or conversion. All such notices concerning the continuation or conversion of a Borrowing shall be irrevocable once given and shall specify the date of the requested continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be continued or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurodollar Loans, the Interest Period applicable thereto. Borrower agrees that the Administrative Agent may rely on any such telephonic or telecopy notice given by any person it in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon. There may be no more than six different Interest Periods in effect at any one time, provided that for purposes of determining the number of Interest Periods in effect at any one time, all Base Rate Loans shall be deemed to have one and the same Interest Period.

(b) Notice to the Banks. The Administrative Agent shall give prompt telephonic or telecopy notice to each Bank of any notice from Borrower received pursuant to Section 2.5(a) above. The Administrative Agent shall give notice to Borrower and each Bank by like means of the interest rate applicable to each Borrowing of Eurodollar Loans.

(c) Borrower' Failure to Notify. Any outstanding Borrowing of Base Rate Loans shall, subject to Section 6.2 hereof, automatically be continued for an additional Interest Period on the last day of its then current Interest Period unless Borrower has notified the Administrative Agent within the period required by Section 2.5(a) that it intends to convert such Borrowing into a Borrowing of Eurodollar Loans or notifies the Administrative Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing. If Borrower fails to give notice pursuant to Section 2.5(a) above of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurodollar Loans before the last day of its then current Interest Period within the period required by Section 2.5(a) and has not notified the Administrative Agent within

the period required by Section 2.8(a) that it intends to prepay such Borrowing, such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans, subject to Section 6.2 hereof. The Administrative Agent shall promptly notify the Banks of Borrower's failure to so give a notice under Section 2.5(a).

(d) Disbursement of Loans. Not later than 2:00 p.m. (New York time) on the Effective Date, subject to Section 6 hereof, each Bank shall make available its Loan comprising part of the initial Borrowing in funds immediately available at the principal office of the Administrative Agent in New York, New York. The Administrative Agent shall make available to Borrower Loans at the Administrative Agent's principal office in New York, New York or such other office as the Administrative Agent has previously agreed in writing to with Borrower, in each case in the type of funds received by the Administrative Agent from the Banks.

(e) Administrative Agent Reliance on Bank Funding. Unless the Administrative Agent shall have been notified by a Bank before the date on which such Bank is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Bank does not intend to make such payment, the Administrative Agent may assume that such Bank has made such payment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to Borrower the proceeds of the Loan to be made by such Bank and, if any Bank has not in fact made such payment to the Administrative Agent, such Bank shall, on demand, pay to the Administrative Agent the amount made available to Borrower attributable to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to Borrower and ending on (but excluding) the date such Bank pays such amount to the Administrative Agent at a rate per annum equal to (i) from the date the related payment was made by the Administrative Agent to the date two (2) Business Days after payment by such Bank is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Bank to the date such payment is made by such Bank, the Base Rate in effect for each such day. If such amount is not received from such Bank by the Administrative Agent immediately upon demand, Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan.

Section 2.6 Interest Periods. As provided in Section 2.5(a) hereof, at the time of each request of a Borrowing of Eurodollar Loans, Borrower shall select an Interest Period applicable to such Loans from among the available options. The term "Interest Period" means the period commencing on the date a Borrowing of Loans is advanced, continued, or created by conversion and ending: (a) in the case of Base Rate Loans, on the last Business Day of the calendar quarter in which such Borrowing is advanced, continued, or created by conversion (or on the last day of the following calendar quarter if such Loan is advanced, continued or created by conversion on the last Business Day of a calendar quarter), and (b) in the case of Eurodollar Loans, 1, 2, 3, or 6 months thereafter; provided, however, that:

(a) any Interest Period for a Borrowing of Base Rate Loans that otherwise would end after the Termination Date shall end on the Termination Date;

(b) for any Borrowing of Eurodollar Loans, Borrower may not select an Interest Period that extends beyond the Termination Date;

(c) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, provided that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurodollar Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(d) for purposes of determining an Interest Period for a Borrowing of Eurodollar Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.7 Maturity of Loans. Unless an earlier maturity is provided for hereunder (whether by acceleration or otherwise), all Obligations (including principal and interest on all outstanding Loans) shall mature and become due and payable by Borrower on the Termination Date.

Section 2.8 Prepayments. (a) (a) Borrower may prepay without premium or penalty and in whole or in part (but, if in part, then (i) in an amount not less than \$5,000,000 and integral multiples of \$1,000,000 in excess thereof, and (ii) in an amount such that the minimum amount required for a Borrowing pursuant to Section 2.4 hereof remains outstanding) any Borrowing of Eurodollar Loans upon three (3) Business Days' prior irrevocable notice to the Administrative Agent or, in the case of a Borrowing of Base Rate Loans, irrevocable notice delivered to the Administrative Agent no later than 12:00 noon (New York time) on the date of prepayment, such prepayment to be made by the payment of the principal amount to be prepaid and accrued interest thereon to the date fixed for prepayment. In the case of Eurodollar Loans, any amounts owing under Section 2.11 hereof as a result of such prepayment shall be paid contemporaneously with such prepayment. The Administrative Agent will promptly advise each Bank of any such prepayment notice it receives from Borrower. Any amount paid or prepaid before the Termination Date may not be borrowed again.

Section 2.9 Default Rate. If any payment of principal or interest on any Loan, or payment of any other Obligation, is not made when due (whether by acceleration or otherwise), such principal, interest or other Obligation shall bear interest (computed on the basis of a year of 360 days and actual days elapsed or, if based on the rate described in clause (i) of the definition of Base Rate, on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed) from the date such payment was due until paid in full, payable on demand, at a rate per annum equal to:

(a) for any Obligation other than a Eurodollar Loan (including principal and interest relating to Base Rate Loans and interest on Eurodollar Loans), the sum of two

percent (2%) plus the Applicable Margin plus the Base Rate from time to time in effect; and

(b) for the principal of any Eurodollar Loan, the sum of two percent (2%) plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the sum of two percent (2%) plus the Applicable Margin plus the Base Rate from time to time in effect.

Section 2.10 The Notes. (a) The Loans made to Borrower by each Bank shall be evidenced by a single promissory note of Borrower issued to such Bank in the form of Exhibit A hereto. Each such promissory note is hereinafter referred to as a "Note" and collectively such promissory notes are referred to as the "Notes."

(a) Each Bank shall record on its books and records or on a schedule to its Note the amount of each Loan advanced, continued, or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan, and, for any Eurodollar Loan, the Interest Period and the interest rate applicable thereto. The record thereof, whether shown on such books and records of a Bank or on a schedule to any Note, shall be prima facie evidence of the same; provided, however, that the failure of any Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of Borrower to repay all Loans made hereunder together with accrued interest thereon. At the request of any Bank and upon such Bank tendering to Borrower the Note to be replaced, Borrower shall furnish a new Note to such Bank to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.11 Funding Indemnity. If any Bank shall incur any loss, cost or expense (including, without limitation, any loss, cost or expense (excluding loss of margin) incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Eurodollar Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

(a) any payment (whether by acceleration or otherwise), prepayment or conversion of a Eurodollar Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section 6 or otherwise) by Borrower to borrow or continue a Eurodollar Loan, or to convert a Base Rate Loan into a Eurodollar Loan, on the date specified in a notice given pursuant to Section 2.5(a) or established pursuant to Section 2.5(c) hereof,

(c) any failure by Borrower to make any payment or prepayment of principal on any Eurodollar Loan when due (whether by acceleration or otherwise), or

(d) any acceleration of the maturity of a Eurodollar Loan as a result of the occurrence of any Event of Default hereunder, then, upon the demand of such Bank, Borrower shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense. If any Bank makes such a claim for compensation, it shall provide to

Borrower, with a copy to the Administrative Agent, a certificate executed by an officer of such Bank setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) and the amounts shown on such certificate if reasonably calculated shall be prima facie evidence of the amount of such loss, cost or expense.

#### SECTION 3 FEES.

##### Section 3.1 Fees.

(a) Administrative Agent Fees. Borrower shall pay to the Administrative Agent, for the Administrative Agent's sole account, the fees agreed to in the Fee Letter, which fees shall be fully earned and non-refundable once paid.

#### SECTION 4 PLACE AND APPLICATION OF PAYMENTS.

Section 4.1 Place and Application of Payments. All payments of principal of and interest on the Loans, and of all other Obligations and other amounts payable by Borrower under the Credit Documents, shall be made by Borrower in U.S. Dollars to the Administrative Agent by no later than 2:00 p.m. (New York time) on the due date thereof at the principal office of the Administrative Agent in New York, New York pursuant to the payment instructions set forth on Part A of Schedule 4 hereof (or such other location in the, United States as the Administrative Agent may designate to Borrower) for the benefit of the Person or Persons entitled thereto. Any payments received after such time shall be deemed to have been received by the Administrative Agent on the next Business Day. All such payments shall be made free and clear of, and without deduction for, any set-off, defense, counterclaim, levy, or any other deduction of any kind in immediately available funds at the place of payment. The Administrative Agent, will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans or applicable fees ratably to the Banks and like funds relating to the payment of any other amount payable to any Person to such Person, in each case to be applied in accordance with the terms of this Agreement.

#### SECTION 5 REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warrants to each Bank as to itself and, where the following representations and warranties apply to its Subsidiaries, as to each Subsidiary of Borrower, as follows:

Section 5.1 Corporate Organization and Authority. Borrower is duly organized and existing in good standing under the laws of the state of South Dakota; has all necessary corporate power to carry on its present business; and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing, qualification or good standing necessary and in which the failure to be so licensed, qualified or in good standing would have a Material Adverse Effect.

Section 5.2 Subsidiaries. Schedule 5.2 (as updated from time to time pursuant to Section 7.1) hereto identifies each Subsidiary of Borrower, the jurisdiction of incorporation, the percentage of issued and outstanding shares of each class of its capital stock owned by the Borrower and its Subsidiaries and, if such percentage is not one hundred percent (100%) (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and the number of shares of each class issued and outstanding. Each Subsidiary is duly incorporated and existing in good standing as a corporation under the laws of the jurisdiction of its incorporation, has all necessary corporate power to carry on its present business, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing or qualification necessary and in which the failure to be so licensed or qualified would have a Material Adverse Effect. All of the issued and outstanding shares of capital stock of each Subsidiary owned directly or indirectly by Borrower are validly issued and outstanding and fully paid and nonassessable except as set forth on Schedule 5.2 hereto. All such shares owned by Borrower are owned beneficially, and of record, free of any Lien, except as permitted in Section 7.9.

Section 5.3 Corporate Authority and Validity of Obligations. Borrower has full right and authority to enter into this Agreement and the other Credit Documents to which it is a party, to make the borrowings herein provided for, to issue its Notes in evidence thereof, to apply (and to have applied), and to perform all of its obligations under the Credit Documents to which it is a party. Each Credit Document to which it is a party has been duly authorized, executed and delivered by Borrower and constitutes valid and binding obligations of Borrower enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law). No Credit Document, nor the performance or observance by Borrower of any of the matters or things therein provided for, contravenes any provision of law or any charter or by-law provision of Borrower or any material Contractual Obligation of or affecting Borrower or any of Borrower's Properties or results in or requires the creation or imposition of any Lien on any of the Properties or revenues of Borrower.

Section 5.4 Financial Statements. All financial statements heretofore delivered to the Banks showing historical performance of Borrower for Borrower's fiscal years ending on or before December 31, 2001, have been prepared in accordance generally accepted accounting principles applied on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year. The unaudited financial statements for the fiscal period ended June 30, 2002 have been prepared in accordance generally accepted accounting principles applicable to interim financial statements applied on a basis consistent, except as otherwise noted therein, with the previous same fiscal period of Borrower in the prior fiscal year (subject to normal year-end adjustments). Each of such financial statements fairly presents on a consolidated basis the financial condition of Borrower and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby. Borrower and its Subsidiaries have no material contingent liabilities other than those disclosed in such financial statements referred to in this Section 5.4 or in comments or footnotes thereto, or in any report supplementary thereto, heretofore furnished to the Banks. Since December 31, 2001, there has been no event or series



of events which has resulted in, or reasonably could be expected to result in, a Material Adverse Effect.

Section 5.5 No Litigation; No Labor Controversies.(a) Except as set forth on Schedule 5.5, there is no litigation or governmental proceeding pending, or to the knowledge of Borrower, threatened, against Borrower or any Subsidiary of Borrower in which there is a reasonable possibility of an adverse decision which, if adversely determined, could (individually or in the aggregate) have a Material Adverse Effect.

(b) Except as set forth on Schedule 5.5, there are no labor controversies pending or, to the best knowledge of Borrower, threatened against Borrower or any Subsidiary of Borrower which could (individually or in the aggregate) have a Material Adverse Effect.

Section 5.6 Taxes. Borrower and its Subsidiaries have filed all United States federal tax returns, and all other foreign, state, local and other tax returns, required to be filed and have paid all taxes due pursuant to such returns or pursuant to any assessment received by Borrower or any Subsidiary of Borrower, except such taxes, if any, as are being contested in good faith and for which adequate reserves have been provided. No notices of tax liens have been filed and no claims are being asserted concerning any such taxes, which liens or claims are material to the financial condition of Borrower or any of its Subsidiaries (individually or in the aggregate). The charges, accruals and reserves on the books of Borrower and its Subsidiaries for any taxes or other governmental charges are adequate and in conformance with GAAP.

Section 5.7 Approvals. No authorization, consent, approval, license, exemption, filing or registration with any court or governmental department, agency or instrumentality, nor any approval or consent of the stockholders of Borrower or any Subsidiary of Borrower or from any other Person, is necessary to the valid execution, delivery or performance by Borrower or any Subsidiary of Borrower of any Credit Document to which it is a party.

Section 5.8 ERISA. With respect to each Plan, Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and with the Code to the extent applicable to it and has not incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Neither Borrower nor any Subsidiary of Borrower has any contingent liabilities for any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

Section 5.9 Government Regulation. Neither Borrower nor any Subsidiary of Borrower is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "registered holding company", or a "Subsidiary company" of a "registered holding company", or an "affiliate" of a "registered holding company" or of a "Subsidiary company" of a "registered holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.10 Margin Stock; Use of Proceeds. Neither Borrower nor any Subsidiary of Borrower is engaged principally, or as one of its primary activities, in the business of extending

credit for the purpose of purchasing or carrying margin stock ("margin stock" to have the same meaning herein as in Regulation U of the Board of Governors of the Federal Reserve System). The proceeds of the Loans are to be used solely (i) to provide liquidity support for Borrower's commercial paper program, (ii) to fund Borrower's working capital needs, and (iii) for general corporate purposes of Borrower. Borrower will not use the proceeds of any Loan in a manner that violates any provision of Regulation U or X of the Board of Governors of the Federal Reserve System.

Section 5.11 Licenses and Authorizations; Compliance with Laws. (a) (a) Borrower and each of its Subsidiaries has all necessary licenses, permits and governmental authorizations to own and operate its Properties and to carry on its business as currently conducted and contemplated. Borrower and each of its Subsidiaries is in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities except for any such law, regulation, ordinance or order which, the failure to comply therewith, could not reasonably be expected to have a Material Adverse Effect.

(b) In the ordinary course of its business, Borrower and each of its Subsidiaries conduct an ongoing review of the effect of Environmental and Health Laws on the Properties and all aspects of the business and operations of Borrower and its Subsidiaries in the course of which such Borrower identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of Properties currently or previously owned or used, any capital or operating expenditures required to achieve or maintain compliance with standards imposed by law and any actual or potential liabilities to third parties, including employees or governmental entities, and any related costs and expenses). On the basis of this review, Borrower has reasonably concluded that Environmental and Health Laws are unlikely to have any Material Adverse Effect.

(c) Except as set forth on Schedule 5.11 (as amended from time to time in accordance with the provisions hereof), neither the Borrower nor any Subsidiary of Borrower has given, nor is it required to give, nor has it received, any notice, letter, citation, order, warning, complaint, inquiry, claim or demand to or from any governmental entity or in connection with any court proceeding which could reasonably have a Material Adverse Effect claiming that: (i) Borrower or any Subsidiary of Borrower has violated, or is about to violate, any Environmental and Health Law; (ii) there has been a release, or there is a threat of release, of Hazardous Materials from Borrower's or any of its Subsidiary's Property, facilities, equipment or vehicles; (iii) Borrower or any of its Subsidiary may be or is liable, in whole or in part, for the costs of cleaning up, remediating or responding to a release of Hazardous Materials; or (iv) any of Borrower's or any of its Subsidiary's Property or assets are subject to a Lien in favor of any governmental entity for any liability, costs or damages, under any Environmental and Health Law arising from, or costs incurred by such governmental entity in response to, a release of a Hazardous Materials.

Section 5.12 Ownership of Property; Liens. Borrower and each Subsidiary of Borrower has good title to or valid leasehold interests in all its Property. None of Borrower's or any Subsidiary's Property is subject to any Lien, except as permitted in Section 7.9.

Section 5.13 No Burdensome Restrictions; Compliance with Agreements. Neither Borrower nor any Subsidiary of Borrower is (a) party or subject to any law, regulation, rule or

order, or any Contractual Obligation, that (individually or in the aggregate) materially adversely affects the business, operations, Property or financial or other condition of Borrower and its Subsidiaries (individually or in the aggregate) or (b) in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement to which it is a party (including any Contractual Obligation), which default could materially adversely affects the business, operations, Property or financial or other condition of Borrower and its Subsidiaries (individually or in the aggregate).

Section 5.14 Full Disclosure. All information heretofore furnished by Borrower to the Administrative Agent or any Bank for purposes of or in connection with the Credit Documents or any transaction contemplated thereby is, and all such information hereafter furnished by Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects and not misleading.

Section 5.15 Solvency. Borrower and each of its Subsidiaries, individually and on a consolidated basis, is Solvent.

#### SECTION 6 CONDITIONS PRECEDENT.

The obligation of each Bank to effect a Borrowing shall be subject to the following conditions precedent:

Section 6.1 Initial Credit Event. Before or concurrently with the initial Credit Event:

(a) The Administrative Agent shall have received for each Bank the favorable written opinion of (i) Morgan, Lewis & Bockius LLP, counsel to Borrower, and (ii) General Counsel to the Borrower;

(b) The Administrative Agent shall have received for each Bank copies of Borrower's (i) Articles of Incorporation, together with all amendments and (ii) bylaws (or comparable constituent documents) and any amendments thereto, certified in each instance by its Secretary or an Assistant Secretary;

(c) The Administrative Agent shall have received for each Bank copies of resolutions of Borrower's Board of Directors authorizing the execution and delivery of the Credit Documents and the consummation of the transactions contemplated thereby together with specimen signatures of the persons authorized to execute such documents on such Borrower's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(d) The Administrative Agent shall have received for each Bank such Bank's duly executed Note of Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.10(a) hereof;

(e) The Administrative Agent shall have received for each Bank a duly executed original of (i) this Agreement, and (ii) a list of Borrower's Authorized Representatives;

(f) All legal matters incident to the execution and delivery of the Credit Documents shall be satisfactory to the Banks;

(g) The Administrative Agent shall have received a duly executed original of the Fee Letter;

(h) The Administrative Agent shall have received a duly executed Compliance Certificate containing financial information as of June 30, 2002;

(i) With the exception of the \$75,000,000 First Mortgage Bonds issued by BHP, the extensions of the maturity date of the \$50,000,000 Bridge Credit Agreement between Borrower and ABN AMRO Bank N.V. relating to the Las Vegas Cogeneration II, L.L.C. project, and the Amended and Restated 364-Day Credit Agreement, neither Borrower nor any of its Subsidiaries shall have, during the period from July 1, 2002 to the Effective Date, issued, incurred, assumed, created, become liable for, contingently or otherwise, any material Indebtedness;

(j) The Borrower shall have provided a certificate stating that the conditions set forth precedent set forth in this Section 6.1 have been satisfied;

(k) The Borrower shall have paid to each Bank the applicable fees for providing its Commitment under this Agreement; and

(l) The Borrower's S&P Rating shall be BBB or better and its Moody's Rating shall be Baa2 or better; and

(m) The Administrative Agent shall have received such other documents and information as it may reasonably request.

Section 6.2 All Credit Events. As of the time of each Credit Event hereunder:

(a) The Administrative Agent shall have received the notice required by Section 2.5 hereof;

(b) Each of the representations and warranties set forth in Section 5 hereof shall be and remain true and correct in all material respects as of said time, except that if any such representation or warranty relates solely to an earlier date it need only remain true as of such date; and

(c) Borrower shall be in full compliance with all of the terms and conditions hereof, and no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event.

Each request for a Credit Event shall be deemed to be a representation and warranty by Borrower on the date of such Credit Event as to the facts specified in paragraphs (b) and (c) of this Section 6.2.

#### SECTION 7 COVENANTS.

Borrower covenants and agrees that, so long as any Note or Loan is outstanding hereunder, except to the extent compliance in any case is waived in writing by the Required Banks:

Section 7.1 Corporate Existence; Subsidiaries. Borrower shall, and shall cause each of its Subsidiaries to, preserve and maintain its corporate existence, subject to the provisions of Section 7.12 hereof. Together with any financial statements delivered pursuant to Section 7.6 hereof, Borrower shall deliver an updated Schedule 5.2 to reflect any changes from the existing Schedule 5.2.

Section 7.2 Maintenance. Borrower will maintain, preserve and keep its plants, Properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such plants, Properties and equipment shall be reasonably preserved and maintained, and Borrower will cause each of its Subsidiaries to do so in respect of Property owned or used by it; provided, however, that nothing in this Section 7.2 shall prevent Borrower or a Subsidiary of Borrower from discontinuing the operation or maintenance of any such Properties if such discontinuance is not disadvantageous to the Banks or the holders of the Notes, does not materially impair the operations of Borrower or any Subsidiary of Borrower and is, in the judgment of Borrower, desirable in the conduct of its business or the business of its Subsidiaries.

Section 7.3 Taxes. Borrower will duly pay and discharge, and will cause each of its Subsidiaries duly to pay and discharge, all taxes, rates, assessments, fees and governmental charges upon or against it or against its Properties, in each case before the same becomes delinquent and before penalties accrue thereon, unless and to the extent that the same is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of Borrower.

Section 7.4 ERISA. Borrower will, and will cause each of its Subsidiaries to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets and will promptly notify the Administrative Agent of (i) the occurrence of any reportable event (as defined in ERISA) affecting a Plan, other than any such event of which the PBGC has waived notice by regulation, (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its or any of its Subsidiaries' intention to terminate or withdraw from any Plan, and (iv) the occurrence of any event affecting any Plan which could result in the incurrence by Borrower or any of its Subsidiaries of any material liability, fine or penalty, or any material increase in the contingent liability of Borrower or any of its Subsidiaries under any post-retirement Welfare Plan benefit. The Administrative Agent will promptly distribute to each Bank any notice it receives from Borrower pursuant to this Section 7.4.

Section 7.5 Insurance. Borrower will insure, and keep insured, and will cause each of its Subsidiaries to insure, and keep insured, with good and responsible insurance companies, all insurable Property owned by it of a character usually insured by companies similarly situated and operating like Property. To the extent usually insured by companies similarly situated and conducting similar businesses, Borrower will also insure, and cause each of its Subsidiaries to

insure, employers' and public and product liability risks with good and responsible insurance companies. Borrower will, upon request of any Bank, furnish to such Bank a summary setting forth the nature and extent of the insurance maintained pursuant to this Section 7.5.

Section 7.6 Financial Reports and Other Information. (a) Borrower will maintain a system of accounting in accordance with GAAP and will furnish to the Banks and their respective duly authorized representatives such information respecting the business and financial condition of Borrower and its Subsidiaries as any Bank may reasonably request; and without any request, the Borrower shall deliver to the Administrative Agent in form and detail satisfactory to the Administrative Agent, with copies for each Bank in form and substance satisfactory to them, each of the following:

(i) within 120 days after the end of each fiscal year of Borrower, a copy of Borrower financial statements for such fiscal year, including the consolidated balance sheet of Borrower and its Subsidiaries for such year and the related statements of income and statements of cash flow, each as certified by independent public accountants of recognized national standing selected by Borrower in accordance with GAAP with such accountants' unqualified opinion to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in all material respects in accordance with GAAP the consolidated financial position of Borrower and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances, provided that if Borrower files its annual report on Form 10-K for the applicable annual period, and such annual report contains the financial statements and accountants certifications, opinions and statements described above, the Borrower may satisfy the requirements of this Section 7.6(a)(i) by delivering a copy of such annual report to each Bank. Together with such information the Borrower shall provide to each Bank such consolidating information as may be necessary for the Banks to determine the Borrower's compliance with Section 7.17 hereof;

(ii) within 60 days after the end of each of the first three quarterly fiscal periods of Borrower, a consolidated unaudited balance sheet of Borrower and its Subsidiaries, and the related statements of income and statements of cash flow, as of the close of such period, all of the foregoing prepared by Borrower in reasonable detail in accordance with GAAP and certified by Borrower's chief financial officer or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby, provided that if Borrower files a Form 10-Q for the applicable quarterly period, and such quarterly report contains the financial statements and certifications described above, the Borrower may satisfy the requirements of this Section 7.6(a)(ii) by delivering a copy of such quarterly report to each Bank. Together with such information the Borrower shall provide to each Bank such consolidating information as may be necessary for the Banks to determine the Borrower's compliance with Section 7.17 hereof;

(iii) within the period provided in subsection (i) above, the written statement of the accountants who certified the audit report thereby required that in the course of their audit they have obtained no knowledge of any Default or Event of Default, or, if such accountants have obtained knowledge of any such Default or Event of Default, they shall disclose in such statement the nature and period of the existence thereof; and

(iv) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports Borrower or any of its Subsidiaries sends to their shareholders, and copies of all other regular, periodic and special reports and all registration statements Borrower or any of its Subsidiaries file with the SEC or any successor thereto, or with any national securities exchanges.

(b) Each financial statement furnished to the Banks pursuant to subsection (i) or (ii) of this Section 7.6 shall be accompanied by (A) a written certificate signed by Borrower's chief financial officer or corporate controller to the effect that (i) no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by Borrower to remedy the same, (ii) the representations and warranties contained in Section 5 hereof are true and correct in all material respects as though made on the date of such certificate (other than those made solely as of an earlier date, which need only remain true as of such date), except as otherwise described therein, and (B) a Compliance Certificate in the form of Exhibit B hereto showing Borrower's compliance with the covenants set forth in Sections 7.9, 7.11, 7.12 and 7.14 through 7.19 hereof.

(c) Borrower will promptly (and in any event within three Business Days after an officer of Borrower has knowledge thereof) give notice to the Administrative Agent and each Bank:

(i) of the occurrence of any Default or Event of Default;

(ii) any event or condition which could reasonably be expected to have a Material Adverse Effect;

(iii) of any litigation or governmental proceeding of the type described in Section 5.5 hereof;

(iv) of any material change in the information set forth on the Schedules hereto; and

(v) of the entering into of any Long-Term Guaranties, and Borrower shall promptly provide the Administrative Agent with a copy of any such Guarantee and any modification to such Guarantee.

Section 7.7 Bank Inspection Rights. For purposes of confirming compliance with the Credit Documents or after the occurrence and during the continuance of an Event of Default, upon reasonable notice from the Administrative Agent or the Required Banks, Borrower will, at Borrower's expense, permit such Banks (and such Persons as any Bank may designate) during normal business hours to visit and inspect, under Borrower's guidance, any of the Properties of

Borrower or any of its Subsidiaries, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and with their independent public accountants (and by this provision Borrower authorizes such accountants to discuss with the Banks (and such Persons as any Bank may designate) the finances and affairs of Borrower and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested; provided, however, that except upon the occurrence and during the continuation of any Default or Event of Default, not more than one such visit and inspection may be conducted each calendar quarter.

Section 7.8 Conduct of Business. Neither Borrower nor any Subsidiary of Borrower will engage in any line of business other than business activities in the field of (i) cogeneration and related thermal uses, (ii) energy production, (iii) energy development, (iv) energy recovery, (v) utility operation and management, (vi) demand side management services, (vii) energy trading, (viii) management of investment funds which invest in energy related businesses and investments in such funds, (ix) hedging but not speculative activities relating to any of the foregoing lines of business, (x) telecommunications, (xi) management and operating services related to any of the foregoing lines of business, and (xii) other businesses not described in the foregoing so long as the Investments and expenses made in such other businesses does not exceed \$20,000,000.

Section 7.9 Liens. To the extent Borrower or any of its Subsidiaries grants a Lien on any of their Property to secure Borrower's obligations under the Existing Credit Agreements, Borrower will, or will cause such Subsidiary to, concurrently with the granting of such Lien, grant a pari passu Lien to the Administrative Agent for the benefit of the Banks to secure the Obligations.

Section 7.10 Use of Proceeds; Regulation U. The proceeds of each Borrowing will be used by Borrower solely to fund Borrower's working capital needs, and (ii) for general corporate purposes of Borrower. Borrower will not use any part of the proceeds of any of the Borrowings directly or indirectly to purchase or carry any margin stock (as defined in Section 5.10 hereof) or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

Section 7.11 Sales and Leasebacks. Borrower will not, nor will it permit any of its Subsidiaries to, enter into any arrangement with any bank, insurance company or other lender or investor providing for the leasing by Borrower or any Subsidiary of Borrower of any Property theretofore owned by it and which has been or is to be sold or transferred by such owner to such lender or investor if the total amount of rent and other obligations of the Borrower and its Subsidiaries under such lease, when combined with all rent and other obligations of Borrower and its Subsidiaries under all such leases, would exceed \$30,000,000 in the aggregate, provided that Borrower and its Subsidiaries may engage in synthetic lease transactions so long as the Borrower's or such Subsidiary's, as applicable, obligations under such synthetic leases are included as Indebtedness for all purposes (including financial covenant calculations) under the Credit Documents.

Section 7.12 Mergers, Consolidations and Sales of Assets.



(a) Borrower will not, and will not permit any of its Material Subsidiaries to, (i) consolidate with or be a party to merger with any other Person or (ii) sell, lease or otherwise dispose of all or a "substantial part" of the assets of Borrower and its Subsidiaries; provided, however, that (w) the foregoing shall not prohibit any sale, lease, transfer or disposition to which the Required Banks have consented, such consent not to be unreasonably withheld if (A) such transaction does not result in a downgrade of either Borrower's S&P Rating or Moody's Rating, (B) such transaction is for cash consideration (or other consideration acceptable to the Required Banks) in an amount not less than the fair market value of the applicable assets, and (C) such transaction, when combined with all other such transactions, would not have a Material Adverse Effect, taken as a whole, (x) any Subsidiary of Borrower may merge or consolidate with or into or sell, lease or otherwise convey all or a substantial part of its assets to Borrower or any Subsidiary of which Borrower holds (directly or indirectly) at least the same percentage equity ownership; provided that in any such merger or consolidation involving Borrower, Borrower shall be the surviving or continuing corporation, (y) Borrower and its Subsidiaries may sell inventory, reserves and electricity in the ordinary course of business, and (z) Borrower may enter into a merger with, or acquisition of all of, another Person so long as:

- (1) Borrower is the surviving entity,
- (2) unless consented to by the Required Banks, no downgrade in the Borrower's S&P Rating or Moody's Rating would occur as a result of the consummation of such a transaction,
- (3) if such transaction is an acquisition, the Board of Directors (or similar governing body) of the Person being acquired has approved being so acquired,
- (4) no Default or Event of Default has occurred and is continuing at the time of, or would occur as a result of, such transaction.

As used in this Section 7.12(a), a sale, lease, transfer or disposition of assets during any fiscal year shall be deemed to be of a "substantial part" of the consolidated assets of Borrower and its Subsidiaries if the net book value of such assets, when added to the net book value of all other assets sold, leased, transferred or disposed of by the Borrower and its Subsidiaries (excluding the Marketing Subsidiaries) during such fiscal year (other than inventory, reserves and electricity in the ordinary course of business) exceeds ten percent (10%) of the total assets of Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of the last day of the immediately preceding fiscal year.

(b) Except as permitted pursuant to Section 7.14 hereof, Borrower will not sell, transfer or otherwise dispose of, or permit any of its Subsidiaries to issue, sell, transfer or otherwise dispose of, any shares of stock of any class (including as "stock" for purposes of this Section, any warrants, rights or options to purchase or otherwise acquire stock or other Securities exchangeable for or convertible into stock) of any Subsidiary of Borrower, except to Borrower or a Wholly-Owned Subsidiary of Borrower or except for the purpose of qualifying directors.

Section 7.13 Use of Property and Facilities; Environmental and Health and Safety Laws.

(a) Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with the requirements of all Environmental and Health Laws applicable to or pertaining to the Properties or business operations of Borrower or any Subsidiary of Borrower. Without limiting the foregoing, Borrower will not, and will not permit any Person to, except in accordance with applicable law, dispose of any Hazardous Material into, onto or upon any real property owned or operated by Borrower or any of its Subsidiaries.

(b) Borrower will promptly provide the Banks with copies of any notice or other instrument of the type described in Section 5.11(c) hereof, and in no event later than five (5) Business Days after an officer of Borrower or a Subsidiary of Borrower receives such notice or instrument.

Section 7.14 Investments, Acquisitions, Loans, Advances and Guaranties. Borrower will not, nor will it permit any Subsidiary of Borrower to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to, any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof, or be or become liable as endorser, guarantor, surety or otherwise (such as liability as a general partner) for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person (cumulatively, all of the foregoing "Investments"); provided, however, that the foregoing provisions shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America provided that any such obligation matures within one year from the date it is acquired by Borrower or Subsidiary;

(b) investments in commercial paper rated P-1 by Moody's Investors Services, Inc. or A-1 by Standard & Poor's Corporation maturing within one year of its date of issuance;

(c) investments in certificates of deposit issued by any Bank or any United States commercial bank having capital and surplus of not less than \$200,000,000 maturing within one year from the date of issuance thereof or in banker's acceptances endorsed by any Bank or other such commercial bank and maturing within six months of the date of acceptance;

(d) investments in repurchase obligations with a term of not more than seven (7) days for underlying securities of the types described in subsection (a) above entered into with any bank meeting the qualifications specified in subsection (c) above, provided

all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System;

(e) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in the immediately preceding subsections (a), (b), (c) and (d) above;

(f) ownership of stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to Borrower or any Subsidiary;

(g) endorsements of negotiable instruments for collection in the ordinary course of business;

(h) loans and advances to employees in the ordinary course of business for travel, relocation, and similar purposes;

(i) Investments (i) existing on the Effective Date in Subsidiaries of Borrower, (ii) existing on the Effective Date and identified in Schedule 7.14 hereof, or (iii) consisting of intercompany loans permitted pursuant to Section 7.15(e);

(j) Investments constituting (i) accounts receivable arising, (ii) trade debt granted, or (iii) deposits made in connection with the purchase price of goods or services, in each case in the ordinary course of business;

(k) Investments in Persons other than Marketing Subsidiaries engaged in lines of business related to the lines of business described in Section 7.8 so long as (i) both before and after giving effect to such Investment no Default of Event of Default shall have occurred and be continuing, (ii) such Investments do not permit any creditor of such Person recourse to Borrower or any other Subsidiary of Borrower or any of their assets (other than the assets and/or the stock or similar equity interest of such Person) and (iii) if such Investments are in Persons engaged in the lines of business described in clause (xii) of Section 7.8, such Investments and expenses in the aggregate do not exceed \$20,000,000 outstanding at any time;

(l) Guaranties, other than Long-Term Guaranties, so long as such Indebtedness is permitted pursuant to Section 7.15;

(m) acquisitions permitted pursuant to Section 7.12(a);

(n) Investments constituting Long-Term Guaranties other than Long-Term Guarantees of Indebtedness of the Marketing Subsidiaries;

(o) (i) Investments in Marketing Subsidiaries (other than Investments in Marketing Subsidiaries consisting of Guaranties of Indebtedness of Marketing Subsidiaries) existing on August 28, 2001 and listed on Schedule 7.14 and (ii) Investments consisting of Guaranties of Indebtedness of Marketing Subsidiaries in existence on the Effective Date and Investments in Marketing Subsidiaries made after the Effective Date (including through Guaranties (including Long-Term Guaranties)) provided, that the aggregate amount of Investments permitted by this clause (ii) when

combined with the amount of intercompany Indebtedness owing by Marketing Subsidiaries permitted pursuant to Section 7.15(e)(iii) shall not in the aggregate exceed \$10,000,000 outstanding at any time (it being understood that any increase in the value of any such Investment attributable to the undistributed net earnings of the Marketing Subsidiaries shall not be deemed a violation of this Section 7.14(o)); and

(p) Investments consisting of promissory notes issued in consideration for the sale by the Borrower or a Subsidiary of a portion of the stock (or similar equity interests) of a Subsidiary where (i) such note is secured by the stock (or similar equity interest) sold, and (ii) one of the purposes of such sale is to ensure that such Subsidiary qualifies as a "qualifying facility" under the Public Utility Regulatory Policies Act of 1978, as amended.

Any Investment which when made complies with the requirements of paragraphs (a) through (e) may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements;

In determining the amount of investments, acquisitions, loans, advances and guarantees permitted under this Section 7.14, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), loans and advances shall be taken at the principal amount thereof then remaining unpaid, and guarantees shall be taken at the amount of obligations guaranteed thereby.

Section 7.15 Restrictions on Indebtedness. Borrower will not, nor will it permit any Subsidiary of Borrower to, issue, incur, assume, create, become liable for, contingently or otherwise, or have outstanding any Indebtedness; provided, however, that the foregoing provisions shall not restrict nor operate to prevent the following Indebtedness, so long as the incurrence and maintenance of such Indebtedness would not cause the Borrower to be in violation of Section 7.17 hereof if compliance with such covenant were measured on the date of the incurrence of such Indebtedness:

(a) the Obligations;

(b) Non-Recourse Indebtedness of any Project Finance Subsidiary;

(c) so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving affect to, the incurrence of such Indebtedness), secured Indebtedness (excluding Indebtedness of the type described in (e), (f), and (g) below but including the pledge of stock or similar equity interest of any Project Finance Subsidiary or any Subsidiary which is a special purpose entity whose sole purpose is to own the stock or similar equity interest of a Project Finance Subsidiary) (A) set forth on Schedule 7.15(b) hereto, and (B) (i) of BHP, (ii) evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of the Borrower or a Subsidiary of the Borrower used in the ordinary course of business of the Borrower or Subsidiary, (iii) constituting Capitalized Lease Obligations or with respect to synthetic (or similar type) lease arrangements, or (iv) incurred in connection with the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary

course of business or to secure obligations on performance bonds; provided, that the aggregate amount of Indebtedness permitted by this clause (B) at any time outstanding shall not exceed 5% of Consolidated Assets as reflected on the most recent balance sheet delivered by the Borrower pursuant to Section 7.6, provided that Borrower shall promptly provide the Administrative Agent with a copy of any documentation evidencing such Indebtedness in excess of \$25,000,000 and any modification to such Indebtedness;

(d) so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving affect to, the incurrence of such Indebtedness), other Indebtedness (excluding Indebtedness of the type described in (e), (f), and (g) below) which is unsecured and either junior in right of payment to the Obligations or *pari passu* to the Obligations or is equally and ratably secured with the Obligations, provided that Borrower shall promptly provide the Administrative Agent with a copy of any documentation evidencing such Indebtedness in excess of \$25,000,000 and any modification to such Indebtedness;

(e) intercompany loans (i) from (x) Subsidiary to Borrower so long as such loans are subordinated to the Obligations on terms reasonably satisfactory to the Administrative Agent, and (y) Borrower to a Subsidiary of Borrower, (ii) among Wholly-Owned Subsidiaries, and (iii) from a Subsidiary of Borrower to a Marketing Subsidiary, so long as the aggregate amount of such loans from time to time owing by the Marketing Subsidiaries does not exceed the difference between (I) \$10,000,000, less (II) the sum of (A) the aggregate amount of Guaranties outstanding pursuant to Section 7.15(f), and (B) the aggregate amount of other Investments then made in the Marketing Subsidiaries pursuant to Section 7.14(o)(ii) (it being understood that to the extent such limit is exceeded solely as a result of an increase in the value of any such Investment attributable to the undistributed net earnings of the Marketing Subsidiaries, it shall not be deemed a violation of this Section 7.15(e));

(f) Indebtedness consisting of Guaranties of the Indebtedness of the Marketing Subsidiaries (including Long-Term Guaranties), provided that such Indebtedness shall only be permitted to the extent the aggregate amount of such Indebtedness, when added to the sum of (i) the aggregate amount of all intercompany loans made to the Marketing Subsidiaries pursuant to Section 7.15(e), plus (ii) the aggregate amount of all other Investments made in Marketing Subsidiaries pursuant to Section 7.14(o)(ii), does not exceed \$10,000,000 (it being understood that to the extent such limit is exceeded solely as a result of an increase in the value of any such Investment attributable to the undistributed net earnings of the Marketing Subsidiaries, it shall not be deemed a violation of this Section 7.15(f)) provided, further that Borrower shall promptly provide the Administrative Agent with a copy of any such Guarantee and any modification to such Guarantee;

(g) Indebtedness of the Marketing Subsidiaries under Marketing Subsidiary Excluded Credit Facilities in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit;

(h) Permitted Derivative Obligations; and

(i) Indebtedness pursuant to Long-Term Guaranties (other than Long-Term Guaranties of Indebtedness of Marketing Subsidiaries).

Indebtedness shall only be permitted under (e), (f), (h), and (i) above to the extent such Indebtedness will have a priority of payment with the Obligations which is no greater than *pari passu*.

Section 7.16 Consolidated Net Worth. Borrower will at the end of each fiscal quarter maintain Consolidated Net Worth in an amount of not less than the sum of (i) \$425,000,000 and (ii) fifty percent (50%) of the aggregate Consolidated Net Income, if positive, for the period beginning April 1, 2002 and ending on the last day of such fiscal quarter.

Section 7.17 Recourse Leverage Ratio. Borrower will not at the end of any fiscal quarter permit the Recourse Leverage Ratio to exceed 0.65 to 1.00.

Section 7.18 Fixed Charge Coverage Ratio. Borrower will maintain a Fixed Charge Coverage Ratio of not less than 1.50:1.00, as determined at the end of each fiscal quarter.

Section 7.19 Dividends and Other Shareholder Distributions. (a) (a) Borrower shall not (i) declare or pay any dividends or make a distribution of any kind (including by redemption or purchase) on or relating to its outstanding capital stock, or (ii) repay (directly, through sinking fund payments or otherwise) any Indebtedness or other obligations owing to a shareholder unless in either circumstance no Default or Event of Default exists prior to or would result after giving effect to such action.

(b) Except (i) as set forth in the Existing Credit Agreements or on Schedule 7.19 and (ii) in connection with Non-Recourse Indebtedness of a Project Finance Subsidiary, Borrower will not, and will not permit any of its Subsidiaries, directly or indirectly to create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to: (1) pay dividends or make any other distribution on any of such Subsidiary's capital stock owned by Borrower or any Subsidiary of Borrower; (2) pay any Indebtedness owed to Borrower or any other Subsidiary; (3) make loans or advances to Borrower or any other Subsidiary; or (4) transfer any of its property or assets to Borrower or any other Subsidiary.

Section 7.20 No Negative Pledge. Except (i) as set forth in the Existing Credit Agreements or on Schedule 7.19 and (ii) in connection with Non-Recourse Indebtedness of a Project Finance Subsidiary, the Borrower will not, and will not permit any of its Subsidiaries (other than Project Finance Subsidiaries), directly or indirectly to enter into or assume any agreement (other than customary non-assignment and no sub-letting provisions in leases consistent with Borrower's past practices and the Credit Documents and, solely with respect to the asset so financed, Capitalized Leases, to the extent such Indebtedness is permitted herein) prohibiting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired.

Section 7.21 Transactions with Affiliates. Borrower will not, and will not permit any of its Subsidiaries to, enter into or be a party to any material transaction or arrangement with any Affiliate of such Person (other than Borrower), including without limitation, the purchase from,

sale to or exchange of Property with, any merger or consolidation with or into, or the rendering of any service by or for, any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Subsidiary's business and upon terms no less favorable to such Borrower or such Subsidiary than could be obtained in a similar transaction involving a third-party.

Section 7.22 Compliance with Laws. Without limiting any of the other covenants of Borrower in this Section 7, Borrower will, and will cause each of its Subsidiaries to, conduct its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities; provided, however, that neither Borrower nor any Subsidiary of Borrower shall be required to comply with any such law, regulation, ordinance or order if the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 7.23 Pari-Passu. Borrower will at all times cause the Obligations to rank at least pari passu with all other senior unsecured Indebtedness of Borrower.

Section 7.24 Certain Subsidiaries. Unless pursuant to Indebtedness which is authorized pursuant to this Agreement, Borrower will not, and the Subsidiaries of Borrower will not, permit any creditor of a Marketing Subsidiary or a Project Finance Subsidiary to have recourse to any Borrower or any Subsidiary of Borrower or any of their assets (other than (i) the stock or similar equity interest of the applicable Subsidiary and (ii) with respect to a Permitted Derivative Obligation) other than recourse under Guaranties permitted pursuant to Sections 7.15(f) and (i).

Section 7.25 Ratings. Borrower will at all times this Agreement is in effect maintain a S&P Rating and a Moody's Rating (or if one or both of such ratings are unavailable, rating(s) from such other recognized national rating agency or agencies as may be acceptable to the Administrative Agent and the Required Banks).

Section 7.26 Liquidity Covenant. Borrower will, as of the last day of each fiscal quarter commencing with the fiscal quarter ending December 31, 2002, maintain Liquid Assets of at least \$30,000,000.

Section 7.27 Existing Credit Agreements. Borrower will not make any modification(s) to the Existing Credit Agreements which is favorable to the lenders thereunder (other than pricing) unless the same modification(s) is made to this Agreement. In the event the Borrower makes any such modification to the Existing Credit Agreements, the terms of this Agreement shall be automatically modified to incorporate such favorable provision(s) for the benefit of the Banks into this Agreement. At the request of the Administrative Agent, Borrower shall execute such documentation as Administrative Agent may request to evidence any such modification to this Agreement.

## SECTION 8 EVENTS OF DEFAULT AND REMEDIES.

Section 8.1 Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) (i) default in the payment when due of any fees, interest or of any other Obligation not covered by clause (ii) below and such payment default continues for three (3) days or (ii) default in the payment when due of the principal amount of any Loan;

(b) default by Borrower or any Subsidiary in the observance or performance of any covenant set forth in Section 7.1, Section 7.6(c), Section 7.9 through 7.12, Sections 7.14 through 7.21, 7.23, 7.24 and 7.25 hereof;

(c) default by Borrower or any Subsidiary in the observance or performance of any provision hereof or of any other Credit Document not mentioned in (a) or (b) above, which is not remedied within thirty (30) days after notice thereof shall have been given to the Borrower by the Administrative Agent;

(d) (i) failure to pay when due Indebtedness in an aggregate principal amount of (x) \$10,000,000 or more of Borrower or any Material Subsidiary, (ii) default shall occur under one or more indentures, agreements or other instruments under which any Indebtedness of Borrower or any of its Material Subsidiary in an aggregate principal amount of \$10,000,000 or more may be issued or created and such default shall continue for a period of time sufficient to permit the holder or beneficiary of such Indebtedness or a trustee therefor to cause the acceleration of the maturity of any such Indebtedness or any mandatory unscheduled prepayment, purchase or funding thereof, or (iii) a default shall occur under either of the Existing Credit Agreements;

(e) any representation or warranty made herein or in any other Credit Document by Borrower or any Subsidiary of Borrower, or in any statement or certificate furnished pursuant hereto or pursuant to any other Credit Document by Borrower or any Subsidiary of Borrower, or in connection with any Credit Document, proves untrue in any material respect as of the date of the issuance or making, or deemed making or issuance, thereof;

(f) Borrower or any Material Subsidiary shall (i) fail to pay its debts generally as they become due or admit in writing its inability to pay its debts generally as they become due, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (iv) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it or any analogous action is taken under any other applicable law relating to bankruptcy or insolvency or any such order for relief is in fact granted, (v) take any corporate action (such as the passage by its board of directors of a resolution) in furtherance of any matter described in parts (i)-(iv) above, or (vi) fail to contest in good faith any appointment or proceeding described in Section 8.1(g) hereof;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for Borrower or any Material Subsidiary, or any substantial part of any of



their Property, or a proceeding described in Section 8.1(f)(iv) shall be instituted against Borrower or any Material Subsidiary, and such appointment continues undismissed or such proceeding continues undismissed or unstayed for a period of sixty (60) days;

(h) Borrower or any Material Subsidiary shall fail within thirty (30) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$10,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution thereon;

(i) Borrower or any other member of the Controlled Group shall fail to pay when due an amount or amounts which it shall have become liable, to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$10,000,000 (collectively, a "Material Plan") shall be filed under Title IV of ERISA by Borrower or any Subsidiary of Borrower or any other member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against Borrower or any other member of the Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(j) Borrower or any Subsidiary of Borrower or any Person acting on behalf of Borrower, a Subsidiary or any governmental authority challenges the validity of any Credit Document or Borrower's or one of its Subsidiary's obligations thereunder or any Credit Document ceases to be in full force and effect or is modified other than in accordance with the terms thereof and hereof;

(k) a Change of Control Event shall have occurred; or

(l) Borrower shall for any reason cease to be wholly liable for the full amount of the Obligations.

Section 8.2 Non-Bankruptcy Defaults. When any Event of Default other than those described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, the Administrative Agent shall, if so directed by the Required Banks, by written notice to Borrower: declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, and all other Obligations, shall be and become immediately due and payable together with all other amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind. The Administrative Agent, after giving notice to Borrower pursuant to Section 8.1(c) or this Section 8.2, shall also promptly send a copy of such notice to the other Banks, but the failure to do so shall not impair or annul the effect of such notice.

Section 8.3 Bankruptcy Defaults. When any Event of Default described in subsections (f) or (g) of Section 8.1 hereof has occurred, then all outstanding Notes, including both interest and principal thereon, and all other Obligations shall immediately become due and payable

together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind.

Section 8.4 [Intentionally Omitted](a).

Section 8.5 Expenses. Borrower agrees to pay to the Administrative Agent and each Bank, and any other holder of any Note outstanding hereunder, all costs and expenses incurred or paid by the Administrative Agent or such Bank or any such holder, including attorneys' fees (including allocable fees of in-house counsel) and court costs, in connection with (i) any amendment or waiver to the Credit Documents requested by Borrower, (ii) any Default or Event of Default by Borrower hereunder, or (iii) the enforcement of any of the Credit Documents.

#### SECTION 9 CHANGE IN CIRCUMSTANCES.

Section 9.1 Change of Law. Notwithstanding any other provisions of this Agreement or any Note, if at any time after the date hereof any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Bank to make or continue to maintain Eurodollar Loans or to perform its obligations as contemplated hereby, such Bank shall promptly give notice thereof to Borrower and such Bank's obligations to make or maintain Eurodollar Loans under this Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain Eurodollar Loans. Borrower shall prepay on demand the outstanding principal amount of any such affected Eurodollar Loans, together with all interest accrued thereon at a rate per annum equal to the interest rate applicable to such Loan; provided, however, subject to all of the terms and conditions of this Agreement, Borrower may then elect to borrow the principal amount of the affected Eurodollar Loans from such Bank by means of Base Rate Loans from such Bank, which Base Rate Loans shall not be made ratably by the Banks but only from such affected Bank.

Section 9.2 Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. If on or prior to the first day of any Interest Period for any Borrowing of Eurodollar Loans:

(a) the Administrative Agent determines that deposits in U.S. Dollars (in the applicable amounts) are not being offered to major banks in the eurodollar interbank market for such Interest Period, or that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(b) Banks with Percentages aggregating at least 33% percent (33)% or more reasonably determine and so advise the Administrative Agent that LIBOR as reasonably determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks or Bank of funding their or its Eurodollar Loans or Loan for such Interest Period,

then the Administrative Agent shall forthwith give notice thereof to Borrower and the Banks, whereupon until the Administrative Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks or of the relevant Bank to make Eurodollar Loans shall be suspended.

Section 9.3 Increased Cost and Reduced Return.

(a) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the relevant jurisdiction) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Eurodollar Loans, its Notes or its obligation to make Eurodollar Loans, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Eurodollar Loans or any other amounts due under this Agreement in respect of its Eurodollar Loans or its obligation to make Eurodollar Loans (except for changes in the rate of tax on the overall net income or profits of such Bank or its Lending Office imposed by the jurisdiction in which such Bank or its lending office is incorporated in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurodollar Loans any such requirement included in an applicable Eurodollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurodollar Loans, its Notes, or its obligation to make Eurodollar Loans;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), Borrower shall be obligated to pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction. In the event any law, rule, regulation or interpretation described above is revoked, declared invalid or inapplicable or is otherwise rescinded, and as a result thereof a Bank is determined to be entitled to a refund from the applicable authority for any amount or amounts which were paid or reimbursed by Borrower to such Bank hereunder, such Bank shall refund such amount or amounts to Borrower without interest.

(b) If, after the date hereof, any Bank or the Administrative Agent shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or

administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the applicable jurisdiction) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank that determines to seek compensation under this Section 9.3 shall notify Borrower and the Administrative Agent of the circumstances that entitle the Bank to such compensation pursuant to this Section 9.3 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 9.3 and setting forth the additional amount or amounts to be paid to it hereunder submitted to Borrower and the Administrative Agent by such Bank in good faith shall be prima facie evidence of the amount of such compensation. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4 Lending Offices. Each Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof (each a "Lending Office") for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to Borrower and the Administrative Agent, so long as such election does not increase costs or other amounts payable by Borrower to such Bank hereunder.

Section 9.5 Discretion of Bank as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Bank had actually funded and maintained each Eurodollar Loan through the purchase of deposits in the eurodollar interbank market having a maturity corresponding to such Loan's Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

#### SECTION 10 THE AGENT.

Section 10.1 Appointment and Authorization of Administrative Agent. Each Bank hereby appoints Credit Lyonnais New York Branch as the Administrative Agent under the Credit Documents and hereby authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Credit Documents. The duties of the

Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank, the holder of any Note or any other Person; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

Section 10.2 Administrative Agent and its Affiliates. The Administrative Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with Borrower or any Affiliate of Borrower as if it were not the Administrative Agent under the Credit Documents.

Section 10.3 Action by Administrative Agent. If the Administrative Agent receives from Borrower a written notice of an Event of Default pursuant to Section 7.6(c)(i) hereof, the Administrative Agent shall promptly give each of the Banks written notice thereof. The obligations of the Administrative Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Sections 8.2 and 8.3. In no event, however, shall the Administrative Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default exists unless notified to the contrary in writing by a Bank or Borrower. In all cases in which this Agreement and the other Credit Documents do not require the Administrative Agent to take certain actions, the Administrative Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

Section 10.4 Consultation with Experts. The Administrative Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 10.5 Liability of Administrative Agent; Credit Decision. Neither the Administrative Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of Borrower or any other party contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 6 hereof; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectibility hereof or of

any other Credit Document or of any other documents or writing furnished in connection with any Credit Document; and the Administrative Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Administrative Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by it under the Credit Documents. The Administrative Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Administrative Agent signed by such payee in form satisfactory to the Administrative Agent. Each Bank acknowledges that it has independently and without reliance on the Administrative Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of Borrower and any other relevant Person, and the Administrative Agent shall have no liability to any Bank with respect thereto.

Section 10.6 Indemnity. The Banks shall ratably, in accordance with their respective Percentages, indemnify and hold the Administrative Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent the Administrative Agent is promptly reimbursed for the same by Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Banks under this Section 10.6 shall survive termination of this Agreement.

Section 10.7 Resignation of Administrative Agent and Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and Borrower. Upon any such resignation of the Administrative Agent, the Required Banks shall have the right to appoint a successor Administrative Agent with the consent of Borrower. If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be any Bank hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$200,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring or removed Administrative Agent under the Credit Documents, and the retiring Administrative Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of

this Section 10 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

#### SECTION 11 MISCELLANEOUS.

##### Section 11.1 Withholding Taxes.

(a) Payments Free of Withholding. Subject to Section 11.1 (b) hereof, each payment by Borrower under this Agreement or the other Credit Documents shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient). If any such withholding is so required, Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Administrative Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Bank or the Administrative Agent (as the case may be) would have received had such withholding not been made. If the Administrative Agent or any Bank pays any amount in respect of any such taxes, penalties or interest Borrower shall reimburse the Administrative Agent or that Bank for that payment on demand in the currency in which such payment was made. If Borrower pay any such taxes, penalties or interest, they shall deliver official tax receipts evidencing that payment or certified copies thereof to the Bank or Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Administrative Agent determines it has received or been granted a credit against or relief or remission for, or repayment of, any taxes paid or payable by it because of any taxes, penalties or interest paid by Borrower and evidenced by such a tax receipt, such Bank or Administrative Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to Borrower such amount as such Bank or Administrative Agent determines is attributable to such deduction or withholding and which will leave such Bank or Administrative Agent (after such payment) in no better or worse position than it would have been in if Borrower had not been required to make such deduction or withholding. Nothing in this Agreement shall interfere with the right of each Bank and the Administrative Agent to arrange its tax affairs in whatever manner it thinks fit nor obligate any Bank or the Administrative Agent to disclose any information relating to its tax affairs or any computations in connection with such taxes.

(b) U.S. Withholding Tax Exemptions. Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to Borrower and the Administrative Agent on or before the date of the initial Borrowing hereunder two duly completed and signed copies of either Form W8BEN (relating to such Bank and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) or Form W8ECI (relating to all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) of the United States Internal Revenue Service. Thereafter and from time to time, each Bank shall submit to Borrower and the Administrative Agent such additional duly completed

and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (i) requested by Borrower in a written notice, directly or through the Administrative Agent, to such Bank and (ii) required under then current United States law or regulations to avoid or reduce United States withholding taxes on payments in respect of all amounts to be received by such Bank, including fees, pursuant to the Credit Documents or the Loans.

(c) Inability of Bank to Submit Forms. If any Bank determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that it is unable to submit to Borrower or Administrative Agent any form or certificate that such Bank is obligated to submit pursuant to subsection (b) of this Section 11.1 or that such Bank is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Bank shall promptly notify Borrower and Administrative Agent of such fact and the Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 11.2 No Waiver of Rights. No delay or failure on the part of the Administrative Agent or any Bank or on the part of the holder or holders of any Note in the exercise of any power or right under any Credit Document shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power or right, and the rights and remedies hereunder of the Administrative Agent, the Banks and the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 11.3 Non-Business Day. If any payment of principal or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to and including the next succeeding Business Day, on which the same shall be payable.

Section 11.4 Documentary Taxes. Borrower agrees that it will pay any documentary, stamp or similar taxes payable in respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 11.5 Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 11.6 Survival of Indemnities. All indemnities and all other provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Loans, including, but not limited to, Section 2.11, Section 9.3 and Section 11.15 hereof, shall survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations.



Section 11.7 Set-Off. (a) (a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank and each subsequent holder of any Note is hereby authorized by Borrower at any time or from time to time, without notice to Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, and in whatever currency denominated) and any other Indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of Borrower, whether or not matured, against and on account of the obligations and liabilities of Borrower to that Bank or that subsequent holder under the Credit Documents, including, but not limited to, all Claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (a) that Bank or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

(b) Each Bank agrees with each other Bank a party hereto that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans in excess of its ratable share of payments on all such obligations then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Loans held by each such other Banks (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 11.8 Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including facsimile or other electronic communication) and shall be given to a party hereunder at its address or facsimile number set forth below or such other address or facsimile number as such party may hereafter specify by notice to the Administrative Agent and Borrower, given by courier, by United States certified or registered mail, or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Banks shall be addressed to their respective addresses, facsimile or telephone numbers set forth on the signature pages hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof, and to Borrower and to the Administrative Agent to:

If to Borrower:

Black Hills Corporation  
625 9th Street  
Rapid City, South Dakota 57709  
Attention: Garner M. Anderson  
Facsimile: 605.721.2597  
Telephone: 605.721.2311

with copies to:

Black Hills Corporation  
625 9th Street  
Rapid City, South Dakota 57709  
Attention: Mark T. Thies  
Facsimile: 605.721.2599  
Telephone: 605.721.2331

Black Hills Corporation  
1075 Noel Avenue  
Wheeling, Illinois 60090  
Attention: Richard T. Ashbeck  
Facsimile: 847.459.4140  
Telephone: 847.465.3033

If to the Administrative Agent:

Notices shall be sent to the applicable address set forth on Part B of Schedule 4 hereto.

Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section 11.8 or on the signature pages hereof and a confirmation of receipt of such facsimile has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, three business days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Section 11.8; provided that any notice given pursuant to Section 2 hereof shall be effective only upon receipt.

Section 11.9 Counterparts. This Agreement may be executed in any number of counterpart signature pages, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart via facsimile shall for all purposes be deemed as effective as delivery of an original counterpart.

Section 11.10 Successors and Assigns. This Agreement shall be binding upon Borrower and its successors and assigns, and shall inure to the benefit of each of the Banks and the benefit of their permitted respective successors, and assigns, including any subsequent holder of any Note. Borrower may not assign any of its rights or obligations under any Credit Document unless (i) such assignation occurs in connection with a merger or acquisition by Borrower which is otherwise permitted under the terms of this Agreement and the appropriate Credit Document, if applicable and (ii) Borrower obtains the prior written consent of all of the Banks, which consent shall be in form and substance satisfactory to Administrative Agent.

Section 11.11 Participants and Note Assignees. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of

participation) in the Loans made by such Bank at any time and from time to time, and to assign its rights under such Loans or the Note evidencing such Loans to a federal reserve bank; provided that (i) no such participation or assignment shall relieve any Bank of any of its obligations under this Agreement, (ii) no such assignee or participant shall have any rights under this Agreement except as provided in this Section 11.11, and (iii) the Administrative Agent shall have no obligation or responsibility to such participant or assignee, except that nothing herein is intended to affect the rights of an assignee of a Note to enforce the Note assigned. Any party to which such a participation or assignment has been granted shall have the benefits of Section 2.11 and Section 9.3, but shall not be entitled to receive any greater payment under either such Section than the Bank granting such participation would have been entitled to receive in connection with the rights transferred. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement that would (A) forgive any amount of or postpone the date for payment of any principal of or interest on any Loan or of any fee payable hereunder in which such participant has an interest or (B) reduce the stated rate at which interest or fees in which such participant has an interest accrue hereunder.

Section 11.12 Assignments by Banks. Each Bank shall have the right at any time, with the written consent of Administrative Agent, and, prior to the occurrence of a Default or Event of Default, Borrower, which consents shall not be unreasonably withheld, to assign all or any part of its Note and outstanding Loans to one or more other Persons; provided that such assignment is in an amount of at least \$5,000,000 or the entire outstanding amount of Loans made by such Bank, and if such assignment is not for such Bank's entire outstanding amount of Loans then the amount of outstanding Loans made by such Bank after giving effect to such assignment shall not be less than \$5,000,000; and provided further that neither the consent of Borrower nor the Administrative Agent shall be required for any Bank to assign all or part of its Note and outstanding Loans to any Affiliate of the assigning Bank. Each such assignment shall set forth the assignees address for notices to be given under Section 11.8 hereof hereunder and its designated Lending Office pursuant to Section 9.4 hereof. Upon any such assignment, delivery to the Administrative Agent of an executed copy of such assignment agreement and the forms referred to in Section 11.1 hereof, if applicable, and the payment of a \$3,500 recordation fee to the Administrative Agent, the assignee shall become a Bank hereunder, all Loans it thereby holds shall be governed by all the terms and conditions hereof and the Bank granting such assignment shall have its rights in connection therewith reduced by the amount of such assignment.

Section 11.13 Amendments. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) Borrower, (b) the Required Banks, and (c) if the rights or duties of the Administrative Agent are affected thereby, the Administrative Agent; provided that:

(i) no amendment or waiver pursuant to this Section 11.13 shall reduce the amount of or postpone any fixed date for payment of any principal of or interest on any Loan or of any fee or other Obligation payable hereunder without the consent of each Bank; and

(ii) no amendment or waiver pursuant to this Section 11.13 shall, unless signed by each Bank, change this Section 11.13, or the definition of Required Banks, or affect the number of Banks required to take any action under the Credit Documents.

Anything in this Agreement to the contrary notwithstanding, if at any time when the conditions precedent set forth in Section 6.2 hereof to any Loan hereunder are satisfied, any Bank shall fail to fulfill its obligations to make such Loan (any such Bank, a "Defaulting Bank") then, for so long as such failure shall continue, the Defaulting Bank shall (unless Borrower, the Administrative Agent and the Required Banks (determined as if the Defaulting Bank were not a Bank hereunder) shall otherwise consent in writing) be deemed for all purposes related to amendments, modifications, waivers or consents under this Agreement (other than amendments or waivers referred to in clause (i) and (ii) above) to have no Loans and shall not be treated as a Bank hereunder when performing the computation of the Required Banks. To the extent the Administrative Agent receives any payments or other amounts for the account of a Defaulting Bank such Defaulting Bank shall be deemed to have requested that the Administrative Agent use such payment or other amount to fulfill its obligations to make such Loan.

Section 11.14 Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 11.15 Legal Fees, Other Costs and Indemnification. Borrower agrees to pay all reasonable costs and expenses of the Administrative Agent in connection with the preparation and negotiation of the Credit Documents (including past and future reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the syndication of the transaction), including without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent, in connection with the preparation and execution of the Credit Documents, and any amendment, waiver or consent related hereto, whether or not the transactions contemplated herein are consummated. Borrower further agrees to indemnify each Bank, the Administrative Agent, and their respective directors, agents, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may incur or reasonably pay arising out of or relating to any Credit Document (including any relating to a misrepresentation by Borrower under any Credit Document) or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan, other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. Borrower, upon demand by any of the Administrative Agent or a Bank at any time, shall reimburse the Administrative Agent or Bank for any reasonable legal or other expenses (including allocable fees and expenses of in-house counsel) incurred in connection with investigating or defending against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified, provided that with respect to legal costs and expenses incurred in connection with the enforcement of the Banks rights hereunder or any work-out or similar situation, Borrower shall only be obligated to pay the legal fees of the Administrative Agent and not of any other Bank.

Section 11.16 Entire Agreement. The Credit Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or

contemporaneous agreements, whether written or oral, with respect thereto are superseded thereby.

Section 11.17 Construction. The parties hereto acknowledge and agree that neither this Agreement nor the other Credit Documents shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement and the other Credit Documents.

Section 11.18 Governing Law. This Agreement and the other Credit Documents, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of New York.

Section 11.19 SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL. BORROWER, ADMINISTRATIVE AGENT AND EACH BANK HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. BORROWER, ADMINISTRATIVE AGENT AND EACH BANK IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. BORROWER, ADMINISTRATIVE AGENT AND EACH BANK HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 11.20 Replacement of Bank. Each Bank agrees that, upon the occurrence of any event set forth in Sections 9.1, 9.3 and 11.1, such Bank will use reasonable efforts to book and maintain its Loans through a different Lending Office or to transfer its Loans to an Affiliate with the objective of avoiding or minimizing the consequences of such event; provided that such booking or transfer is not otherwise disadvantageous to such Bank as determined by such Bank in its sole and absolute discretion. If any Bank has demanded to be paid additional amounts pursuant to Sections 9.1, 9.3 and 11.1, and the payment of such additional amounts are, and are likely to continue to be, more onerous in the reasonable judgment of Borrower than with respect to the other Banks, then Borrower shall have the right at any time when no Default or Event of Default shall have occurred and be continuing to seek one or more financial institutions which are not Affiliates of Borrower (each, a "Replacement Bank") to purchase with the written consent of the Administrative Agent (which consent shall not be (x) required if such proposed Replacement Bank is already a Bank, or an Affiliate of a Bank, or (y) unreasonably delayed or withheld) the outstanding loans of such Bank (the "Affected Bank"), and if Borrower locate a Replacement Bank, the Affected Bank shall, upon

- i. prior written notice to the Administrative Agent,

- ii. (i) payment to the Affected Bank of the purchase price agreed between it and the Replacement Bank (or, failing such agreement, a purchase price in the amount of the outstanding principal amount of the Affected Bank's Loans and accrued interest thereon to the date of payment) by the Replacement Bank plus (ii) payment by Borrower of all Obligations (other than principal and interest with respect to Loans) then due to the Affected Bank or accrued for its account hereunder or under any other Loan Document,
- iii. satisfaction of the provisions set forth in Section 11.12, and
- iv. payment by Borrower to the Affected Bank and the Administrative Agent of all reasonable out-of-pocket expenses in connection with such assignment and assumption (including the recordation fee described in Section 11.12),

assign and delegate all its rights and obligations under this Agreement and any other Credit Document to which it is a party (including its outstanding Loans) to the Replacement Bank (such assignment to be made without recourse, representation or warranty), and the Replacement Bank shall assume such rights and obligations, whereupon the Replacement Bank shall in accordance with Section 11.12 become a party to each Credit Document to which the Affected Bank is a party and shall have the rights and obligations of a Bank thereunder and the Affected Bank shall be released from its obligations hereunder and each other Credit Document to the extent of such assignment and delegation.

Section 11.21 Confidentiality. The Administrative Agent and the Banks shall hold all non-public information provided to them by Borrower pursuant to or in connection with this Agreement in accordance with their customary procedures for handling confidential information of this nature, but may make disclosure to any of their examiners, regulators, Affiliates, outside auditors, counsel and other professional advisors in connection with this Agreement or any other Credit Document or as reasonably required by any potential bona fide transferee, participant or assignee, or in connection with the exercise of remedies under a Credit Document, or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 11.21), or to any nationally recognized rating agency that requires access to information about a Bank's investment portfolio in connection with ratings issued with respect to such Bank, or as requested by any governmental agency or representative thereof or pursuant to legal process; provided, however, that unless specifically prohibited by applicable law or court order, the Administrative Agent and each Bank shall use reasonable efforts to promptly notify Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of the Administrative Agent or such Bank by such governmental agency) for disclosure of any such non-public information and, where practicable, prior to disclosure of such information. Prior to any such disclosure pursuant to this Section 11.21, the Administrative Agent and each Bank shall require any such bona fide transferee, participant and assignee receiving a disclosure of non-public information to agree, for the benefit of Borrower, in writing to be bound by this Section 11.21; and to require such Person

to require any other Person to whom such Person discloses such non-public information to be similarly bound by this Section 11.21.

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[Signature Page Follows]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their duly authorized officers as of the day and year first above written.

BLACK HILLS CORPORATION, a  
South Dakota corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



Commitment: \$35,000,000

CREDIT LYONNAIS NEW YORK  
BRANCH., in its individual capacity as a  
Bank and as Administrative Agent

By: \_\_\_\_\_  
Name: Richard Randall  
Title: Vice President

Address for notices:

Richard Randall  
Credit Lyonnais  
1301 Avenue of the Americas  
New York, New York 10019  
Phone: 212-261-3367  
Fax: 212-261-3421

Justine Ventrelli  
Credit Lyonnais  
1301 Avenue of the Americas  
New York, New York 10019  
Phone: 212-261- 7886  
Fax: 212-261-3421

Lending Offices: Same as above

Base Rate Loans: Same as above

Eurocurrency Loans: Same as above

EXHIBIT A

NOTE

September 25, 2002

FOR VALUE RECEIVED, the undersigned, Black Hills Corporation, a South Dakota corporation ("Borrower"), promises to pay to the order of Credit Lyonnais New York Branch (the "Bank") on the Termination Date of the hereinafter defined Credit Agreement, at the principal office of Credit Lyonnais New York Branch, in New York, New York, in accordance with Section 4.1 of the Credit Agreement (as hereafter defined), the aggregate unpaid principal amount of all Loans made by the Bank to Borrower pursuant to the Credit Agreement, together with interest on the principal amount of each Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates, specified in the Credit Agreement.

The Bank shall record on its books or records or on a schedule attached to this Note, which is a part hereof, each Loan made by it pursuant to the Credit Agreement, together with all payments of principal and interest and the principal balances from time to time outstanding hereon, whether the Loan is a Base Rate Loan or a Eurodollar Loan, and the interest rate and Interest Period applicable thereto, provided that prior to the transfer of this Note all such amounts shall be recorded on a schedule attached to this Note. The record thereof, whether shown on such books or records or on a schedule to this Note, shall be prima facie evidence of the same; provided, however, that the failure of the Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of Borrower to repay all Loans made to it pursuant to the Credit Agreement together with accrued interest thereon.

This Note is one of the Notes referred to in the Term Credit Agreement dated as of September 25, 2002, among Borrower, Credit Lyonnais New York Branch, as Administrative Agent and the financial institutions party thereto (the "Credit Agreement"), and this Note and the holder hereof are entitled to all the benefits provided for thereby or referred to therein, to which Credit Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Credit Agreement. This Note shall be governed by and construed in accordance with the internal laws of the State of New York.

Prepayments may be made hereon and this Note may be declared due prior to the expressed maturity hereof, all in the events, on the terms and in the manner as provided for in the Credit Agreement.

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[Signature Page Follows]



The Borrower hereby waives demand, presentment, protest or notice of any kind hereunder.

BLACK HILLS CORPORATION, a  
South Dakota corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT B  
COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished to Credit Lyonnais New York Branch, as Administrative Agent pursuant to the Term Credit Agreement dated as of September 25, 2002, among Black Hills Corporation, a South Dakota corporation ("Borrower"), Credit Lyonnais New York Branch, as Administrative Agent and the financial institutions party thereto (the "Credit Agreement"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Credit Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected or appointed \_\_\_\_\_ of Borrower;

2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or an Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Schedule 1 attached hereto sets forth financial data and computations evidencing compliance with certain covenants of the Credit Agreement, all of which data and computations are true, complete and correct. All computations are made in accordance with the terms of the Credit Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The foregoing certifications, together with the computations set forth in Schedule 1 hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

\_\_\_\_\_

SCHEDULE 1 TO COMPLIANCE CERTIFICATE

Compliance Calculations for Credit Agreement

CALCULATION AS OF \_\_\_\_\_, 200\_

A. Liens (Sec. 7.9(c), (d), and (g))

1. Liens securing taxes or assessments or other government charges or levies equal to or less than \$20,000,000 (Section 7.9(c)) \_\_\_\_\_ (Answer should be yes)

2. Liens securing judgments or awards or surety or appeal bonds issued in connection therewith equal to or less than \$20,000,000 (Section 7.9(d)) \_\_\_\_\_ (Answer should be yes)

3. Is the aggregate amount of Indebtedness and other obligations consisting of (i) the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of Borrower used in the ordinary course of business of such Borrower, (ii) Capitalized Lease Obligations, and (iii) the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds which is secured by Liens equal to or less than 5% of Consolidated Assets as reflected on the most recent balance sheet delivered by Borrower (Section 7.9(g)). \_\_\_\_\_ (Answer should be yes)

B. Sale and Leasebacks (Section 7.11)

1. Aggregate obligations under all Sale and Leasebacks arrangements (other than synthetic lease transactions excluded by Section 7.11) \$ \_\_\_\_\_ (Line B1 not to exceed \$30,000,000)

C. Sale of Assets (Section 7.12)

1. Net book value of assets (other than inventory, reserves and electricity in the ordinary course of business) sold during this fiscal year \$ \_\_\_\_\_ (Line C1 not to exceed 10% of total consolidated assets)

D. Permitted Investments (Section 7.14)		
1.	Aggregate amount of Investments in Marketing Subsidiaries made after the August 28, 2001 (Section 7.14(o)(ii))	\$ _____
2.	Investments consisting of Guaranties of Indebtedness of Marketing Subsidiaries existing on the Effective Date	\$ _____
3.	Intercompany loans permitted pursuant to Section 7.15(e)(iii) owing by Marketing Subsidiaries (Line E3)	\$ _____ Line E3
4.	Sum of Lines D1, D2 and D3	\$ _____
5.	Is Line D4 equal to or less than \$10,000,000?	_____ (Answer should be yes)
6.	Aggregate amount of Investments in Persons engaged in the lines of business described in clause (xii) of Section 7.8 (Section 7.14(k))	\$ _____ (Line D6 not to exceed \$20,000,000)
E. Permitted Indebtedness (Section 7.15)		
1.	Secured Indebtedness except as set forth on Schedule 7.15(b): (i) of BHP (ii) evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of Borrower or a Subsidiary used in the ordinary course of business of the Borrower of a Subsidiary, (iii) constituting Capitalized Lease Obligations or with respect to synthetic (or similar type) lease transactions, or (iv) incurred in connection with the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds (Section 7.15(c))	\$ _____ (Line E1 not to exceed 5% of Consolidated Assets)
2.	Intercompany loans owing by Borrower (Section 7.15(e)(i)(x))	\$ _____ (Must be subordinated to Obligations)

3.	Intercompany Indebtedness owing by Marketing Subsidiaries to Subsidiaries (Section 7.15(e)(iii))	\$ _____	(Line E3 not to exceed the difference between (i) \$10,000,000 less (ii) the sum of Lines E4 and D1)
4.	Indebtedness consisting of Guarantees (including Long-Term Guaranties) of Marketing Subsidiary Indebtedness (Section 7.15(f))	\$ _____	(Line E4 not to exceed the difference between (i) \$10,000,000 less (ii) the sum of Lines E3 and D1)
5.	Indebtedness of Marketing Subsidiaries under Marketing Subsidiary Excluded Credit Facilities (Section 7.15(g))	\$ _____	(Line E5 not to exceed Marketing Subsidiary Indebtedness Limit)
F.	Consolidated Net Worth (Section 7.16)		
1.	Consolidated Net Worth	\$ _____	
2.	50% of aggregate Consolidated Net Income, if positive, from and including April 1, 2002	\$ _____	
3.	Does Line F1 exceed sum of (i) \$425,000,000 plus (ii) line F2	_____	(Answer should be yes)
G.	Recourse Leverage Ratio (Section 7.17)		
1.	consolidated Indebtedness	\$ _____	
2.	Non-Recourse Indebtedness	\$ _____	
3.	Recourse Indebtedness (Line G1 minus Line G2)	\$ _____	
4.	Indebtedness of Marketing Subsidiaries under Marketing Subsidiary Excluded Credit Facilities (Line E5)	\$ _____	(Not to exceed Marketing Subsidiary Indebtedness Limit)
5.	Consolidated Net Worth	\$ _____	
6.	Capital (Line G3 minus Line G4 plus Line G5)	\$ _____	
7.	Recourse Leverage Ratio	_____ :1.00	(ratio of (A) difference between (x) Line G3 minus (y) Line G4 to (B) Line G6 not to exceed 0.65 to 1.00)
H.	Fixed Charge Coverage Ratio (Section 7.18)		



1.	Consolidated Net Income for past four fiscal quarters	\$ _____	
2.	Income taxes for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
3.	Consolidated Interest Expense for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	Insert amount from Line H18
4.	Amortization expense for intangible assets for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
5.	Depreciation expense for past four fiscal quarters (to the extent subtracted in calculating H1)		
6.	Losses on sales of assets (excluding sales in the ordinary course of business) and other extraordinary losses for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
7.	Interest income for past four fiscal quarters arising from traditional investment activities with banks, investment banks and other financial institutions or relating to governmental or other marketable securities (to the extent added in calculating H1)	\$ _____	
8.	Gains on sales of assets (excluding sales in the ordinary course of business) and other extraordinary gains for past four fiscal quarters (to the extent added in calculating H1)	\$ _____	
9.	Capital Expenditures for past four fiscal quarters	\$ _____	
10.	Without duplication, any payments made by a Consolidated Subsidiary constituting a repayment of principal Indebtedness (other than (x) the Obligations and (y) repayments of principal made with the proceeds of a refinancing of such Indebtedness otherwise permitted pursuant to this Agreement) or with respect to a reserve, and	\$ _____	

11.	Without duplication, any other mandatory payment made by a Consolidated Subsidiary in such period not included as an expense or loss in calculating Consolidated Net Income	\$ _____
12.	Consolidated EBITDA (sum of Lines H1, H2, H3, H4, H5 and H6 less sum of Lines H7, H8, H9, H10 and H11)	\$ _____
13.	Restricted Earnings for the past four fiscal quarters	\$ _____
14.	Adjusted Consolidated EBITDA (Line H12 minus Line H13)	\$ _____
15.	All interest charges (including capitalized interest, imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense and other deferred financing charges) of the Borrower and its Subsidiaries on a consolidated basis for such period determined in accordance with GAAP, other than interest charges relating to Non-Recourse Indebtedness	\$ _____
16.	All commitment or other fees payable in respect of the issuance of standby letters of credit or other credit facilities for the account of the Borrower or its Subsidiaries	\$ _____
17.	Net costs/expenses incurred by the Borrower and its Subsidiaries under Derivative Arrangements	\$ _____
18.	Consolidated Interest Expense (Sum of Lines H15, H16 and H17)	\$ _____
19.	The aggregate amount of all mandatory scheduled payments (whether designated as payments or prepayments) and scheduled sinking fund payments with respect to principal of any Recourse Indebtedness of the Borrower or its Subsidiaries (including payments in the nature of principal under Capital Leases) for the last 4 quarters	\$ _____
20.	Consolidated Fixed Charges (Sum of Lines H18 and H19)	\$ _____

21.	Fixed Charge Coverage Ratio (ratio of Lines H14 to (ii) Line H20)	_____ : 1.00	(ratio must not be less than 1.50 to 1.00)
I. Liquidity Covenant (Section 7.26)			
1.	Unrestricted cash at Borrower	\$ _____	
2.	Unused availability of senior unsecured credit facilities available to Borrower	\$ _____	
3.	Liquid Assets (Line I1 plus Line I2)	\$ _____	(amount must exceed \$30,000,000)

SCHEDULE 1  
PRICING GRID

If the Level Status Is	The Eurodollar Margin is:	The Base Rate Margin is:
Level I Status	1.000%	0.000%
Level II Status	1.250%	0.250%
Level III Status	1.875%	0.875%

Each change in a rating shall be effective as of the date it is announced by the applicable rating agency.

In the event that the Moody's Rating and the S&P Rating fall in different Levels, the lower Level (with Level I being the highest Level and Level III being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid.

SCHEDULE 4  
ADMINISTRATIVE AGENT'S NOTICE AND PAYMENT INFORMATION

Part A - Payments

[Credit Lyonnais to provide wiring instructions]

Part B - Notices

Richard Randall  
Credit Lyonnais  
1301 Avenue of the Americas  
New York, New York 10019  
Phone: 212-261-3367  
Fax: 212-261-3421

Justine Ventrelli  
Credit Lyonnais  
1301 Avenue of the Americas  
New York, New York 10019  
Phone: 212-261- 7886  
Fax: 212-261-3421

SCHEDULE 5.2

BLACK HILLS CORPORATION SUBSIDIARIES

Subsidiary Name	State of Origin	BHC's Ownership	Description of Subsidiary's Authorized Capital Stock, if not wholly owned
1. Acquisition Partners, L.P.	New York	100%	N/A
2. Adirondack Hydro Development Corporation	Delaware	100%	N/A
3. Adirondack Hydro- Fourth Branch, LLC	New York	100%	N/A
4. Adirondack Operating Services, LLC	New York	100%	N/A
5. Black Hills Berkshire, LLC	Delaware	100%	N/A
6. Black Hills Capital Development, Inc.	Illinois	100%	N/A
7. Black Hills Colorado, LLC	Delaware	100%	N/A
8. Black Hills Energy Capital, Inc.	Delaware	100%	N/A
9. Black Hills Energy Pipeline, LLC	Delaware	100%	N/A
10. Black Hills Energy Resources, Inc.	South Dakota	100%	N/A
11. Black Hills Energy Terminal, LLC	South Dakota	100%	N/A
12. Black Hills Energy, Inc.	South Dakota	100%	N/A
13. Black Hills Exploration and Production, Inc.	Wyoming	100%	N/A
14. Black Hills Fiber Systems, Inc.	South Dakota	100%	N/A

15.	Black Hills Fibercom, LLC	South Dakota	51%	Black Hills Fibercom, LLC has a single class of units of membership of which 41 units are issued and outstanding. Black Hills Fiber Systems, Inc. holds 21 units.
16.	Black Hills Fountain Valley, LLC	Delaware	100%	N/A
17.	Black Hills Generation, Inc.	Wyoming	100%	N/A
18.	Black Hills Harbor, LLC	Delaware	76.11%	Black Hills Harbor, LLC has a single class of units of membership. 100 units of which are currently issued and outstanding. Black Hills Corporation indirectly holds interests in 76.12% of the units.
19.	Black Hills High Desert, Inc.	Delaware	100%	N/A
20.	Black Hills Idaho Operations, LLC	Delaware	100%	N/A
21.	Black Hills Independent Power Fund, Inc.	Texas	100%	N/A
22.	Black Hills Kilgore Energy Pipeline, LLC	Delaware	100%	N/A
23.	Black Hills Kilgore Pipeline, Inc.	Delaware	100%	N/A
24.	Black Hills Kilgore Pipeline Company, L.P.	Texas	100%	N/A
25.	Black Hills Long Beach, Inc.	Delaware	100%	N/A
26.	Black Hills Millennium Pipeline, Inc.	South Dakota	100%	N/A
27.	Black Hills Millennium Terminal, Inc.	South Dakota	100%	N/A
28.	Black Hills Nevada Operations, LLC	Delaware	100%	N/A

29.	Black Hills Nevada Real Estate Holdings, LLC	Delaware	100%	N/A
30.	Black Hills Nevada, LLC	Delaware	100%	N/A
31.	Black Hills North America, Inc.	Delaware	100%	N/A
32.	Black Hills Operating Company, LLC	Delaware	100%	
33.	Black Hills Ontario, LLC	Delaware	50%	Black Hills Ontario, LLC has a single class of units of membership, of which 100 units are issued and outstanding.
34.	Black Hills Power, Inc.	South Dakota	100%	N/A
35.	Black Hills Southwest, LLC	Delaware	100%	N/A
36.	Black Hills Valmont Colorado, Inc.	Delaware	100%	N/A
37.	DAKSOFTE, Inc.	South Dakota	100%	N/A
38.	Desert Arc I, LLC	Delaware	50%	Desert Arc I, LLC has a single class of units of membership, of which Black Hills Corporation indirectly holds 50%
39.	Desert Arc II, LLC	Delaware	50%	Desert Arc II, LLC has a single class of units of membership, of which Black Hills Corporation indirectly holds 50%
40.	EIF Investors, Inc.	Delaware	100%	N/A
41.	E-Next A Equipment Leasing Company, LLC	Delaware	100%	N/A
42.	Enserco Energy Inc.	South Dakota	100%	N/A
43.	Fountain Valley Power, L.L.C.	Delaware	100%	N/A
44.	Harbor Cogeneration Company	California	100%	N/A
45.	Hudson Falls, LLC	New York	100%	N/A



46.	ICPM, Inc.	Illinois	100%	N/A
47.	Indeck Auburndale, LLC	Delaware	100%	N/A
48.	Indeck Gordonsville, LLC	Delaware	100%	N/A
49.	Indeck North American Power Fund, LP	Delaware	81.9%	Indeck North American Power Fund, L.P. is a limited. Black Hills Corporation holds direct and indirect general and limited partnership interests totaling up to 81.9%.
50.	Indeck Hills North American Power Partners, LP	Delaware	85.7%	Indeck North American Power Partners, LP is a limited. Black Hills Corporation holds direct and indirect general and limited partnership interests totaling up to 85.7%.
51.	Indeck Pepperell Power Associates, Inc.	Delaware	82.9%	Indeck Pepperell Power Associates, Inc. has a single class of stock with 100 shares issued and outstanding. Black Hills Corporation indirectly owns 82.9% of the capital stock of Indeck Pepperell, by and through its interests in Indeck North American Power Fund, L.P.
52.	Landrica Development Company	South Dakota	100%	N/A
53.	Las Vegas Cogeneration Energy Financing, LLC	Delaware	100%	N/A
54.	Las Vegas Cogeneration II, LLC	Delaware	100%	N/A
55.	Las Vegas Cogeneration Limited Partnership	Nevada	50%	Las Vegas Cogeneration Limited Partnership has an 85% general partnership interest, of which Black Hills Corporation indirectly owns 50%, and a 15% limited partnership interest, of which Black Hills Corporation indirectly owns 50% Hills Corporation indirectly owns 50%.
56.	Middle Falls Corporation	New York	100%	N/A
57.	Middle Falls II, LLC	New York	100%	N/A

58.	Middle Falls Limited Partnership	New York	50%	Middle Falls Limited Partnership has a 2% general partnership interest, of which Black Hills Corporation indirectly holds 1%, and a 98% limited partnership interest, of which Black Hills Corporation indirectly holds 49%.
59.	Middle Falls Partners, LLC	New York	50%	Middle Falls Partners, LLC has a single class of units of membership, of which Black Hills Corporation indirectly holds 50%.
60.	Millennium Pipeline Company, L.P.	Texas	100%	
61.	Millennium Terminal Company, L.P.	Texas	100%	
62.	NHP, L.P.	New York	100%	N/A
63.	North American Funding, L.L.C.	Delaware	100%	N/A
64.	Northern Electric Power Company, L.P	New York	33%	Northern Electric Power Company, L.P. has a 99% limited partnership interest, of which Black Hills Corporation indirectly owns 32.5% and a 1% general partnership interest, of which Black Hills Corporation indirectly owns 0.5%.
65.	NYSD Limited Partnership	New York	100%	N/A
66.	NYSD Partners, LLC	New York	100%	N/A
67.	Sissonville Corporation	New York	100%	N/A
68.	Sissonville II, LLC	New York	100%	N/A
69.	Sissonville Limited Partnership	New York	100%	N/A
70.	Sissonville Partners, LLC	New York	100%	N/A

71.	South Glens Falls, L.P.	New York	30.2%	South Glens Falls, L.P. has a 99% limited partnership interest, of which Black Hills Corporation indirectly owns 29.7%, and a 1% general partnership interest, of which Black Hills Corporation indirectly owns 0.5%.
72.	South Glens Falls, LLC	New York	100%	N/A
73.	State Dam Corporation	New York	100%	N/A
74.	State Dam II, LLC	New York	100%	N/A
75.	Sunco, Ltd., a limited liability company	Nevada	100%	N/A
76.	VariFuel, LLC	South Dakota	100%	N/A
77.	Warrensburg Corporation	New York	100%	N/A
78.	Warrensburg Hydro Power Limited Partnership	New York	100%	N/A
79.	Warrensburg II Corporation	New York	100%	N/A
80.	Wyodak Resources Development Corp.	Delaware	100%	N/A

SCHEDULE 5.5

LITIGATION AND LABOR CONTROVERSIES

Black Hills Harbor, LLC--City of Long Beach

In June of 2000, the City of Long Beach, a municipal corporation in the State of California, acting for the Port of Long Beach ("City"), brought an action against Black Hills Harbor, LLC (formerly known as Indeck Harbor, LLC) ("Fund"), alleging breaches of a partnership interest purchase agreement dated as of January 1, 1995 ("Agreement"), relating to the amount and timing of certain contingent payments, if any, due the City resulting in claims by the City in excess of \$9 million. The court ordered that the disputes raised in litigation must be resolved by arbitration in accordance with the terms of the Agreement. Representatives of the City and the Fund engaged in mediation to attempt to resolve the disputes involving a transportation tax for natural gas delivered to a power facility located in Long Beach and owned by the Fund. Because the parties were unable to reach resolution of the dispute, they have pursued arbitration.

Grizzly Gulch Fire

On June 29, 2002, a forest fire began near Deadwood, South Dakota. Before being contained more than eight days later, the fire consumed over 10,000 acres of public and private land, mostly consisting of rugged forested areas. The fire destroyed 7 homes, and approximately 15 outbuildings. There are no reported personal injuries at this time. In addition, the fire burned to the edge of the City of Deadwood, forcing the evacuation of the City of Deadwood, and an adjacent City of Lead, South Dakota. These communities are active in the tourist and gaming industries. Individuals were ordered to leave their homes and motels, and businesses were closed for a short period of time. On July 16, 2002, the State of South Dakota announced the results of its investigation of the cause and origin of the fire. The State concluded that the fire was caused by tree encroachment into and contact with a transmission line owned and maintained by Black Hills Power, Inc.

Black Hills Power is in the process of completing its own investigation of the fire, and will request access to the materials that form the basis for the State's conclusions. This investigation is not complete. Depending on the outcome of this process, it is possible that claims will be made against Black Hills Power for damages allegedly caused by the fire, for fire suppression costs and costs of remediation of burned areas, for individual and business losses relating to injury to personal and real property, and lost income. A civil action has been commenced by the State against Black Hills Power, Inc., and we anticipate others will intervene in this suit or will file separately.

SCHEDULE 5.11

ENVIRONMENTAL MATTERS

None.

SCHEDULE 7.9

EXISTING LIENS

1. Enserco Energy Inc. has granted a security interest in favor of Fortis Capital Corp., with respect to Enserco Energy Inc.'s personal property assets to secure the \$135,000,000 credit facility referred to in on Schedule 7.15.
2. Black Hills Energy Resources, Inc. has granted a security interest in favor of Fortis Capital Corp., with respect to Black Hills Energy Resources, Inc.'s personal property assets to secure the \$25,000,000 credit facility referred to on Schedule 7.15.
3. Black Hills Power, Inc. Indenture of Mortgage and Deed of Trust has a first mortgage lien on substantially all of the properties used in the electric utility business excluding "Excepted Property." Excepted property includes all cash and securities; all contracts, leases and other agreements; all permits, licenses, franchises and rights granted by governmental entities; all movable equipment and parts including motor vehicles; all materials, supplies and merchandise offered for sale in the ordinary course of business, fuel and other consumables; all office furniture and office equipment, communications equipment and computer equipment; all minerals, crops and timber harvested or extracted from land; all leasehold interests; and all property not used in the electric utility business.
4. Black Hills Exploration and Production has granted security interests in various certificates of deposits for oil & gas leases and operations totaling less than \$150,000 in aggregate.
5. Wyodak Resources Development Corp. has granted a security interest in a certificate of deposit in the amount of \$397,000 to securitize its self-insurance permit for black lung liability.

Schedule 7.14  
Existing Investments

1. Landrica Development Company holds 700,000 registered and unrestricted shares of the common stock of KFx, Inc. and 1,300,000 warrants to purchase a single share of the common stock of KFx at \$3.48 at any time prior to April 30, 2005.
2. Landrica Development Company holds a \$450,000 equity investment in Phase Technology, LLC.
3. Landrica Development Company holds a \$50,000 equity investment in Genesis Equity Fund, LLC.
4. Black Hills Corporation holds investments in life insurance policies and nonqualified deferred compensation plans in the amount of \$ 2,363,000.
5. Black Hills Power, Inc. holds investments in life insurance policies and nonqualified deferred compensation plans in the amount of \$ 2,586,000.
6. Wyodak Resources Development Corp. holds investments in life insurance policies in the amount of \$451,000.
7. Black Hills Exploration and Production, Inc. holds investments in life insurance policies in the amount of \$72,000.
8. Black Hills FiberCom, LLC holds investments in life insurance policies in the amount of \$108,000.
9. Daksoft, Inc. holds investments in life insurance policies in the amount of \$149,000.
10. Black Hills Energy Capital, Inc. has an equity investment in Black Hills Idaho Operations, LLC in the amount of \$ 2,968,000.
11. Black Hills Energy Capital, Inc. has an equity investment in EIF Funds in the amount of \$9,888,000.
12. Black Hills Energy Capital, Inc. holds other various notes receivable in the aggregate amount of \$1,676,000.
13. Black Hills Fiber Systems, Inc. holds a convertible debenture note in the amount of \$40,000,000 due from Black Hills FiberCom, LLC.

SCHEDULE 7.15

PERMITTED INDEBTEDNESS

(A) Indebtedness of Marketing Subsidiaries

1.	Enserco Energy Inc. Credit Facility with Fortis Capital Corp.	\$135,000,000
2.	Black Hills Energy Resources, Inc. Credit Facility with Fortis Capital Corp. (In addition there is a \$12,500,000 overdraft line)	\$ 25,000,000

(B) Other Indebtedness

1.	3-Year Credit Agreement (revolving credit facility) among Black Hills Corporation and various banks	\$200,000,000
2.	1-Year Credit Agreement (revolving credit facility) among Black Hills Corporation and various banks	\$195,000,000
3.	Black Hills Power, Inc./Black Hills Generation, Inc. Note Payable to Bear Paw Energy, LLC	\$ 992,909
4.	Credit Agreement between Black Hills Colorado, LLC, the Bank Nova Scotia, and various other banks	\$135,000,000
5.	Black Hills Corporation First Mortgage Bonds	\$215,000,000
6.	Black Hills Power, Inc. Pollution Control Revenue Bonds	\$ 24,500,000
7.	Black Hills Power, Inc. Environmental Improvement Revenue Bonds (Floating Rate)	\$ 2,855,000
8.	Wyodak Resources Development Corp. reclamation bond obligations relating to its mining permits.	\$ 21,644,000
9.	Landrica Development Company reclamation bond obligation relating to its mining permits.	\$ 3,794,997
10.	Black Hills Exploration and Production, Inc. miscellaneous performance bonds and letters of credit relating to oil and gas well leases and operations	\$ 500,000
11.	Black Hills Corporation and Black Hills Nevada, LLC bridge loan relating to the Las Vegas Cogen II facility	\$ 50,000,000
12.	Term loan and letter of credit facility between Black Hills Fountain Valley, LLC, Fountain Valley Power, LLC, and E-Next A Equipment Leasing Company, LLC and various banks (including Union Bank of California	



	as agent bank)	\$164,471,218
13.	Northern Electric Power Co. L.P. project financing term loan secured by the Hudson Falls generating plant.	\$ 66,878,240
14.	South Glens Falls LP project financing term loan secured by the South Glens Falls generating plant.	\$ 22,878,498
15.	Black Hills Corporation guarantee of lease payments on the Wygen 1 facility.	\$140,000,000
16.	Black Hills Corporation guarantee in favor of Cheyenne Light, Fuel and Power in connection with performance of the Wygen 1 Power Purchase Agreement	\$ 5,000,000
17.	Black Hills Corporation guarantee in favor of Cheyenne Light, Fuel and Power in connection with performance of Black Hills Generation under the Gillette Turbine Power Purchase Agreement.	\$ 10,000,000
16.	Black Hills Corporation guarantee in favor of Las Vegas Cogen II interconnection agreement with Nevada Power Company.	\$ 749,970
17.	Black Hills Corporation completion guarantee in favor of Bank of Nova Scotia in connection expanded Colorado facilities.	All payments
18.	Black Hills Corporation guarantee in favor of UBS AG in connection with Enserco Energy, Inc.'s Derivative, Power and Gas Agreements with UBS AG.	\$ 3,000,000
19.	Black Hills Corporation guarantee in favor of Koch Exploration Company, LLC in connection with Enserco Energy, Inc. agreements with Koch Exploration Company, LLC.	\$ 4,500,000

All indebtedness balances are as of June 30, 2002 (except for inclusion of additional \$75,000,000 on First Mortgage Bonds issued August 8, 2002).

#### SCHEDULE 7.19

##### RESTRICTIONS ON DISTRIBUTIONS AND EXISTING NEGATIVE PLEDGES

1. Enserco Energy Inc. has granted a security interest in favor of Fortis Capital Corp., with respect to Enserco Energy Inc.'s personal property assets to secure the \$135,000,000 credit facility referred to in on Schedule 7.15.
3. Black Hills Energy Resources, Inc. has granted a security interest in favor of Fortis Capital Corp., with respect to Black Hills Energy Resources, Inc.'s personal property assets to secure the \$25,000,000 credit facility referred to on Schedule 7.15.
4. Black Hills Power, Inc. Indenture of Mortgage and Deed of Trust contains a provision which prohibits the payment of dividends should the Company's retained earnings amount not meet certain minimal levels. Currently the Company is required to maintain a retained earnings level of greater than \$318,000 for dividend payments to be allowed under the indenture.
5. Substantially all of Black Hills Energy Capital, Inc.'s project finance subsidiaries' nonrecourse debt contain restrictions which prohibit distributions unless certain financial covenants limits are met.

Dividends on Black Hills Corporation's preferred stock must be paid or declared and set apart for payment before any dividends may be paid or declared and set apart for payment on the Company's common stock. The Company's preferred stock is cumulative.



BLACK HILLS POWER, INC.

TO

JPMORGAN CHASE BANK,

As Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of August 13, 2002

Supplemental to Restated and Amended  
 Indenture of Mortgage and Deed of Trust  
 Dated as of September 1, 1999

First Mortgage Bonds, 7.23%  
 Series AE Due 2032

FIRST SUPPLEMENTAL INDENTURE, dated as of the 13<sup>th</sup> day of August, 2002, between Black Hills Power, Inc., a corporation duly organized and existing under the laws of the State of South Dakota (formerly known as Black Hills Corporation) (hereinafter called the "Company"), party of the first part, and JPMORGAN CHASE BANK, a corporation organized and existing under the laws of the State of New York, as Trustee under the Indenture hereinafter mentioned (hereinafter called the "Trustee"), party of the second part.

WHEREAS, in order to secure an authorized issue of First Mortgage Bonds of the Company, the Company has executed and delivered a Restated and Amended Indenture of Mortgage and Deed of Trust to JPMorgan Chase Bank f/k/a The Chase Manhattan Bank, as Trustee, dated as of September 1, 1999 (hereinafter referred to as the "Indenture"), which amended and restated the Indenture of Mortgage and Deed of Trust to Central Hanover Bank and Trust Company (the successor by various mergers of which is JPMorgan Chase Bank) hereinafter referred to as the "Original Indenture."

WHEREAS, pursuant to the provisions of the Indenture, First Mortgage Bonds have been duly issued under the Original Indenture and are presently outstanding and continue to be secured by the Indenture as follows:

Series	Principal Amount Outstanding
Series Y, 9.49%, due June 15, 2018	\$4,550,000
Series Z, 9.35%, due May 29, 2021	31,635,000
Series AA, 9.00%, due September 1, 2003	1,650,904
Series AB, 8.30%, due September 1, 2024	45,000,000
Series AC, 8.06%, due February 1, 2010	30,000,000
	-----
	\$112,835,904

and

WHEREAS, as permitted by the Indenture, the Company, by resolutions of its Board of Directors duly adopted, has determined to create a new series of bonds to be known as its "First Mortgage Bonds, 7.23% Series AE Due 2032" (herein called the "Series AE Bonds"), to be initially authenticated and delivered in the aggregate principal amount of \$75,000,000 in the form, having the characteristics and being entitled to the benefits as in the Indenture or as in this Supplemental Indenture provided; and

WHEREAS, the Company, in exercise of the powers and authority conferred upon and reserved to it under and by virtue of the provisions of the Indenture, and particularly the provisions contained in Articles Two and Sixteen thereof, and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee a First Supplemental Indenture in the form hereof (herein sometimes referred to as "this Supplemental Indenture") for the purposes herein provided; and

WHEREAS, all conditions and requirements necessary to make this Supplemental Indenture a valid, binding and legal instrument in accordance with its terms have been done,



performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized;

NOW THEREFORE, in consideration of the premises and of one dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and of other good and valuable consideration, in order to establish the terms of the Series AE Bonds, the Company hereby further covenants and agrees to and with the Trustee and its successors in the trust under the Indenture for the benefit of all those who shall from time to time hold the Series AE Bonds as follows:

The Company does hereby ratify and confirm its Mortgage and Pledge to the Trustee of all property described in the Indenture and does hereby grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge and set over unto the Trustee, and to its successors and assigns forever, the following described property acquired by the Company and not specifically described under the Indenture which following described property shall be incorporated into the terms of Exhibit A to the Indenture as if more fully set forth therein:

LANDS IN BUTTE COUNTY, SOUTH DAKOTA

1. Tracts C, D and E of the Southeast Quarter (SE1/4) of Section Ten (10), Township Eight (8) North, Range Two (2) East of the Black Hills Meridian in the City of Belle Fourche, Butte County, South Dakota, as shown by the Plat recorded in Plat Book 5, Page 18, excepting therefrom that part of Tract C and Tract D deeded to Floyd Cooper, in instrument recorded December 22, 1949, in Book 137, Page 137; and also excepting therefrom that part of Tract C deeded to Albert W. Turbiville and Alice L. Turbiville, in instrument recorded October 24, 1961 in Book 156, Page 585 of the Butte County real estate records.

LANDS IN MEADE COUNTY, SOUTH DAKOTA

1. Lots Twenty-seven (27), Twenty-eight (28), Twenty-nine (29), and Thirty (30), in Block Four of Fort Meade Addition to Sturgis, in the County of Meade and State of South Dakota.
2. A parcel of land approximately 3.08 acres known as the BHP&L Utility Lot formerly a portion of lot four (4) of the Northeast Quarter of the Southeast Quarter (SE 1/4) of Section Thirty-six (36), Township Five (5) North, Range Five (5) East of the Black Hills Meridian, in Meade County, South Dakota.
3. Plat of Piedmont Valley Substation Lot being a portion of Lot Eight (8), Block One (1), Coopers Subdivision located in the Northwest Quarter of the Northeast Quarter (NW 1/4NE1/4), Section Fifteen (15), Township Three (3) North, Range Six (6) East of the Black Hills Meridian, in Meade County, South Dakota.

LANDS IN PENNINGTON COUNTY, SOUTH DAKOTA

1. A Forty (40) acre parcel described as the Southwest Quarter of the Southwest Quarter (SW 1/4SW 1/4) of Section Twenty-four (24), in Township One (1) North, Range Seven (7) East of the Black Hills Meridian in Pennington County, South Dakota excepting therefrom Highway 16 Bypass and also excepting therefrom Lot H 1 as shown on the plat filed in Highway Plat Book 6, Page 22 of the Pennington County real estate records.
2. Lot Two (2) in Prairie Hills Subdivision, Rapid City, located in the Southwest Quarter of the Southwest Quarter (SW 1/4SW 1/4) of Section Nineteen (19), Township Two (2) North, Range Eight (8) East of the Black Hills Meridian, Pennington County, South Dakota.

ARTICLE ONE

DEFINITIONS

SECTION 1.01. General. For all purposes of this Supplemental Indenture:

(a) capitalized terms used herein without definition shall have the meanings specified in the Indenture;

(b) all references herein to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Supplemental Indenture;

(c) the terms "herein," "hereof," "hereunder" and other words of similar import refer to this Supplemental Indenture; and

(d) in the event of a conflict between any definition set forth in the Indenture and any definition set forth in this Supplemental Indenture, the definition set forth in this Supplemental Indenture shall control.

SECTION 1.02. Definitions. The following definitions shall apply to this Supplemental Indenture:

"Business Day" means any day other than a Saturday or Sunday and other than a day on which banking institutions in Rapid City, South Dakota, or New York, New York, are authorized or obligated by law or executive order to close.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Series AE Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Series AE Bonds.

"Comparable Treasury Price" means the average of two Reference Treasury Dealer Quotations obtained with respect to any redemption date.

"Depository" means The Depository Trust Company, a New York corporation, or any successor thereto.

"Global Bond" shall have the meaning set forth in Section 2.05(a). "Independent Investment Banker" means ABN AMRO Incorporated or one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Company.

"Reference Treasury Dealer" means ABN AMRO Incorporated and its successors; provided, however, that if ABN AMRO Incorporated or its successors shall cease to be a primary United States government securities dealer (a "Primary Treasury Dealer"), the Company will substitute for it another nationally recognized investment bank that is a Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Treasury Rate" means, for any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Series AE Bonds, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.



ARTICLE TWO

TERMS AND CONDITIONS OF SERIES AE BONDS

SECTION 2.01. General.

(a) There is hereby created a series of Bonds, known as and entitled "First Mortgage Bonds, 7.23% Series AE Due 2032," and the form thereof shall be as provided in this Supplemental Indenture.

(b) The aggregate principal amount of Series AE Bonds which may be authenticated and delivered and outstanding under the Indenture and this Supplemental Indenture shall be limited in aggregate principal amount to \$75,000,000, except as provided under Section 2.02 of the Indenture. The Series AE Bonds shall bear interest at the rate of 7.23% per annum until the principal thereof becomes due and payable and shall bear interest on overdue principal (including any overdue mandatory prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest at the rate of 8.23% per annum until such overdue principal, premium or interest shall be paid. The Series AE Bonds shall mature August 15, 2032.

(c) The Series AE Bonds shall be registered Bonds without coupons in denominations of \$100,000 and any multiples of \$1,000 which may be executed by the Company and delivered to the Trustee for authentication and delivery. The date of commencement of the first interest period for the Series AE Bonds shall be the date of initial authentication and delivery thereof. The Series AE Bonds shall be dated as provided in Section 2.06 of the Indenture. All Series AE Bonds shall bear interest from their respective issue dates. The principal and interest shall be due and payable as provided in the Bond form set forth in Section 2.02 of this Supplemental Indenture. The principal of, premium, if any, and interest on the Series AE Bonds shall be payable at the principal corporate trust office of the Trustee, in the Borough of Manhattan, The City of New York, in any coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. The Series AE Bonds shall be subject to redemption only as provided in Section 2.03 of this Supplemental Indenture and Section 8.08 of the Indenture.

(d) Without limiting the other indemnities provided to the Trustee, the Company shall indemnify and save the Trustee harmless from any liabilities and costs incurred by the Trustee arising out of the making of the final payment when due of the principal owing on any of the Series AE Bonds without the surrender of such Bond to the Trustee.

(e) The Trustee is hereby appointed Registrar in respect of the Series AE Bonds, and the principal corporate trust office of the Trustee in the Borough of Manhattan, The City of New York, is hereby designated as the office or agency of the Company in said Borough where notices or demands in respect of Series AE Bonds may be served.

SECTION 2.02. Form of Bonds. The text of the Series AE Bonds, and the certificate of authentication of the Trustee to be executed thereon, are to be substantially in the following forms, respectively:

[FORM OF GLOBAL BOND]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Unless and until it is exchanged in whole or in part for Bonds in definitive registered form, this Bond may not be transferred except as a whole by the Depository to the nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

No. \_\_\_\_\_  
CUSIP No. 092114 AA 5

\$ \_\_\_\_\_

BLACK HILLS POWER, INC.

FIRST MORTGAGE BOND, 7.23%  
SERIES AE DUE 2032

BLACK HILLS POWER, INC. (hereinafter called the "Company"), a corporation organized and existing under the laws of the State of South Dakota, for value received, hereby promises to pay to , or registered assigns, on the 15th day of August, 2032, at the principal corporate trust office of the Trustee, in the Borough of Manhattan, The City of New York, Dollars, in any coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest thereon from the date hereof, at the rate of 7.23 percent, per annum (computed on the basis of a 360-day year of 12 thirty-day months), payable at said principal office of the Trustee in like coin or currency semi-annually on February 15 and August 15 in each year until the principal hereof shall have become due and payable, and thereafter if default be made in the payment of such principal and premium, if any, and on any overdue installment of interest, at the rate of 8.23 percent, per annum until the overdue principal, premium or interest shall be paid.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee, or its successor as Trustee, under the Indenture.

This Bond is one of an authorized issue of Bonds of the Company known as its "First Mortgage Bonds," issued and to be issued in one or more series under, and all equally and ratably secured (except as any sinking, amortization, improvement, renewal or other analogous fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the Bonds of any particular series) by a Restated and Amended Indenture of Mortgage and Deed of Trust, dated as of September 1, 1999, executed by the Company to JPMorgan Chase Bank f/k/a The Chase Manhattan Bank, as Trustee, as supplemented and amended by a First Supplemental Indenture, dated August 13, 2002 (said Restated Indenture as so supplemented and amended being hereinafter collectively called the "Indenture"), to which Indenture and all further instruments supplemental thereto reference is hereby made for a description of the properties mortgaged and pledged, the nature and extent of the security, the rights of the holders of said Bonds and the coupons appurtenant to coupon Bonds, if any, and of the Trustee and of the Company in respect of such security, and the terms and conditions upon which said Bonds are and are to be issued and secured.

To the extent permitted by the Indenture and as provided therein, with the consent of the Company and upon the written consent or affirmative vote of at least sixty-six and two-thirds percent in principal amount of the Bonds then outstanding and entitled to consent, and of not less than sixty-six and two-third percent, in principal amount of the Bonds then outstanding and entitled to consent of each series affected thereby in case one or more but less than all of the series of Bonds issued under the Indenture are so affected, the rights and obligations of the Company and of the holders of Bonds and coupons appurtenant to coupon Bonds, if any, and the terms and provisions of the Indenture and of any instrument supplemental thereto may be modified from time to time, provided that no such modification or alteration shall be made which would postpone the date fixed herein or in the Indenture for the payment of the principal of, or any installment of interest on, the Bonds, or reduce the principal of, or the rate of interest payable on, the Bonds, or reduce the percentage of the principal amount of Bonds the consent of which is required for the authorization of any such modification or alteration, without the consent of all of the holders affected thereby. The rights, duties or immunities of the Trustee shall not be modified without the written consent of the Trustee.

As provided in the Indenture, said Bonds are issuable in series which may vary as in the Indenture provided or permitted. This Bond is one of a series of Bonds authorized by the First Supplemental Indenture and entitled "First Mortgage Bonds, 7.23% Series AE Due 2032" (the "Series AE Bonds").

Pursuant to the provisions of Section 8.05 of the Indenture, the Company may request the Trustee to apply moneys deposited with the Trustee ("Trust Moneys") for various reasons toward the redemption of those Bonds, including payment of premium and accrued interest, selected by the Company. In the First Supplemental Indenture, the Company has covenanted that the Bonds may only be called for redemption by the Company, as a whole at any time or in part from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of Series AE Bonds to be redeemed or (ii) the sum of the present values of the

remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted, at the then current Treasury Rate (as defined in the Supplemental Indenture) plus 30 basis points, to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) plus in each case, accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

Notice of each redemption shall be mailed to all registered owners not less than thirty nor more than forty-five days before the redemption date.

Pursuant to the provisions of Section 8.08 of the Indenture, the Series AE Bonds are further subject to redemption, in whole or in part, by the Trustee applying certain Trust Moneys which have been held by the Trustee for a period of over two years. Any such redemption is made pro rata among the series of Bonds then outstanding in the ratio of principal amount. Redemption is at 100 percent of principal, plus any premium due at the time of redemption and accrued interest to the redemption date.

If this Bond or any portion thereof (\$1,000 or a multiple) shall be duly called for redemption as provided in the Indenture, this Bond or such portion thereof shall (unless the Company shall default in the payment of the redemption price) cease to bear interest from and after the date fixed for redemption.

Upon any partial redemption of this Bond, this Bond may, at the option of the registered holder hereof, be either (a) surrendered to the Trustee in exchange for one or more new Series AE Bonds for the principal amount of the unredeemed portion of this Bond or (b) submitted to the Trustee for notation hereon by the Trustee of the payment of the portion of the principal hereof so called for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of this Bond may become or be declared due and payable, in the manner and with the effect provided in the Indenture.

A certificate in global form representing all of a portion of the Bonds may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such Bonds or a nominee of such successor Depositary.

The Series AE Bonds are issuable as fully registered Bonds without coupons of the denominations of \$100,000 and any multiple of \$1,000 which may be executed by the Company and delivered to the Trustee for authentication and delivery. The Series AE Bonds, upon surrender thereof to the Trustee at its principal corporate trust office in the Borough of Manhattan, The City of New York, are exchangeable for other Bonds of the same series in such authorized denomination or denominations in the same aggregate principal amount, as may be requested by the holders surrendering the same.

The Company and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, for the purpose of receiving payment of or on account of the principal hereof and interest due hereon, and neither the Company nor the Trustee

shall be affected by any notice to the contrary. Interest payable herein shall be paid to the person in whose name the Bond is registered at the close of business on February 1 or August 1 (whether or not on a business day) next preceding the interest payment date, except for defaulted interest and unmatured accrued interest on the Series AE Bonds called for redemption on a date other than an interest payment date.

No recourse shall be had for the payment of the principal of or the interest on this Bond, or for any claim based hereon or otherwise in respect hereof or of the Indenture or of any indenture supplemental thereto, against any incorporator, stockholder, director or officer, as such, past, present or future, of the Company or of any predecessor or successor corporation, either directly or through the Company or any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise howsoever; all such liability being, by the acceptance hereof and as a part of the consideration for the issuance hereof, expressly waived and released by every holder hereof, as more fully provided in the Indenture; provided, however, that nothing herein or in the Indenture contained shall be taken to prevent recourse to and the enforcement of the liability, if any, of any shareholder or any stockholder or subscriber to capital stock upon or in respect of shares of capital stock not fully paid up.

IN WITNESS WHEREOF, the Company has caused this Bond to be signed in its name by its President or one of its Vice Presidents, and its corporate seal to be impressed or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries.

Dated:

BLACK HILLS POWER, INC.

By: \_\_\_\_\_  
Name:  
Title:

ATTEST:

\_\_\_\_\_  
Secretary

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This is one of the Bonds, of the series designated therein, described in the within mentioned Indenture.

JPMORGAN CHASE BANK, as Trustee

By: \_\_\_\_\_  
Authorized Officer

SECTION 2.03. Optional Redemption.

(a) Notwithstanding the provisions of Section 8.05 of the Indenture, the Series AE Bonds, upon the mailing of notice and in the manner provided in Section 10.03 of the Indenture, shall be redeemable at the option of the Company, as a whole at any time or in part from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of Series AE Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted, at the then current Treasury Rate plus 30 basis points, to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) plus in each case, accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

(b) Notwithstanding the provisions of Section 10.03 of the Indenture, in case of the redemption at any time of less than all the outstanding Series AE Bonds, the particular Bonds or parts thereof to be redeemed shall be selected by the Trustee from the outstanding Series AE Bonds not previously called for redemption as nearly as practicable pro rata among the registered holders of the Series AE Bonds according to the respective principal amounts of such Bonds, provided that the portions of the principal of Series AE Bonds at any time so selected for redemption in part shall be equal to \$1,000 or a multiple thereof. (c) Notwithstanding that Section 8.05 of the Indenture authorizes the Company to request the Trustee to apply Trust Moneys toward the redemption of Bonds to be selected by the Company, the Company does hereby covenant that the Company will not request the Trustee to apply any Trust Moneys to the redemption of the Series AE Bonds except pursuant to Section 2.03(a) of this Supplemental Indenture.

SECTION 2.04. No Sinking Fund. The Series AE Bonds are not entitled to the benefit of any sinking fund.

SECTION 2.05. Bonds to be Issued in Global Form.

(a) The Series AE Bonds will be initially represented by one or more Bonds in global form (the "Global Bonds"). The Company hereby designates The Depository Trust Company as the initial Depository for the Global Bonds. The Global Bonds will be deposited with the Trustee, as custodian for the Depository. Unless and until it is exchanged in whole or in part for Bonds in certificated form, the Global Bonds may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository for the Bonds or a nominee of such successor Depository. The Depository may surrender the Global Bonds in exchange in whole or in part for Bonds in certificated form on such terms as are acceptable to the Company and the Depository.

(b) If at any time the Depository for the Global Bonds notifies the Company that it is unwilling or unable to continue as Depository for such Global Bonds or if at any time the Depository for the Series AE Bonds shall no longer be eligible or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depository with respect to such Global Bonds. If a successor Depository for such Global Bonds is not appointed by the Company within 90 days after the Company receives notice or becomes aware of such ineligibility, the Series AE Bonds shall no longer be represented by Global Bonds and, subject to Section 2.07 of the Indenture, the Company will execute, and the Trustee, upon receipt of a Written Order of the Company for the authentication and delivery of individual Bonds in exchange for such Global Bonds, will authenticate and deliver individual Bonds of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Bonds in exchange for such Global Bonds.

(c) The Company may at any time and in its sole discretion determine that the Series AE Bonds issued or issuable in the form of one or more Global Bonds shall no longer be represented by such Global Bond or Bonds. In such event, subject to Section 2.07 of the Indenture, the Company will execute, and the Trustee, upon receipt of a Written Order of the Company for the authentication and delivery of individual Bonds in exchange in whole or in part for such Global Bonds, will authenticate and deliver individual Bonds of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Bonds in exchange for such Global Bonds.

(d) In any exchange provided for in Section 2.05(b) or (c), the Company will execute and the Trustee will authenticate and deliver individual Bonds in definitive registered form in authorized denominations. Upon the exchange of Global Bonds for individual Bonds, such Global Bonds shall be canceled by the Trustee. Series AE Bonds issued in exchange for Global Bonds pursuant to this Section 2.05 shall be registered in such names and in such authorized denominations as the Depository for such Global Bonds, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Bonds to the Persons in whose names such Bonds are so registered.

ARTICLE THREE

MISCELLANEOUS

SECTION 3.01. Outstanding Bonds. The aggregate principal amount of Bonds which, immediately after the authentication and delivery of the Series AE Bonds to be issued under this Supplemental Indenture, will be outstanding under the provisions of, and secured by, the Indenture, as amended by this Supplemental Indenture, will be \$187,835,904, consisting of the Bonds of Series Y, Z, AA, AB and AC hereinbefore set forth in the second recital of this Supplemental Indenture and \$75,000,000 aggregate principal amount of Series AE Bonds hereby created.

SECTION 3.02. Receipt of Supplemental Indenture. The Company, by the execution hereof, acknowledges that a true copy of this Supplemental Indenture has been delivered to and received by it.

SECTION 3.03. Ratification of Indenture. Except as amended by this Supplemental Indenture, all the provisions, terms and conditions of the Indenture shall continue in full force and effect. The Company does hereby ratify and confirm its mortgage and pledge to the Trustee of that property, real, personal and mixed described in the Indenture as being subject to the Lien of the Indenture.

SECTION 3.04. Sufficiency of Supplemental Indenture. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

SECTION 3.05. Counterparts. This Supplemental Indenture may be executed in several counterparts, all or any of which may be treated for all purposes as one original and shall constitute and be one and the same instrument.

SECTION 3.06. Governing Law. This Supplemental Indenture and each Series AE Bond shall be governed by and construed in accordance with the laws of the State of South Dakota without regard to the choice of law principles thereof. Notwithstanding the foregoing, the immunities and standard of care of the Trustee, Registrar and paying agent in connection with the administration of trusts and duties hereunder shall be governed by and construed in accordance with the laws of the State of New York.



IN WITNESS WHEREOF, BLACK HILLS POWER, INC., party hereto of the first part, has caused this Supplemental Indenture to be executed on its behalf by its Chairman of the Board or its President or one of its Vice Presidents and its corporate seal to be hereto affixed and to be attested by its Secretary or an Assistant Secretary, and JPMORGAN CHASE BANK, party hereto of the second part, in evidence of its acceptance of the trust hereby created, has caused this Supplemental Indenture to be executed on its behalf by one of its Vice Presidents or Assistant Vice Presidents and its corporate seal to be hereto affixed and to be attested by a Trust Officer, all as of the day and year first above written.

BLACK HILLS POWER, INC.

By: \_\_\_\_\_  
Name:  
Title:

ATTEST:

\_\_\_\_\_  
Secretary

Signed, sealed and delivered by  
BLACK HILLS POWER, INC.  
in the presence of:

\_\_\_\_\_  
\_\_\_\_\_

JPMORGAN CHASE BANK, as Trustee

By: \_\_\_\_\_  
Name:  
Title:

ATTEST:

\_\_\_\_\_  
Trust Officer

Signed, sealed and delivered by  
JPMORGAN CHASE BANK, as Trustee  
in the presence of:

\_\_\_\_\_  
\_\_\_\_\_

STATE OF SOUTH DAKOTA            )  
  )SS.:  
COUNTY OF PENNINGTON            )

On this 12th day of August, 2002, before me, Karen R. Tucker, the undersigned officer, personally appeared Everett E. Hoyt, to me personally known, who acknowledged himself to be, and being by me duly sworn, did say that he is President of BLACK HILLS POWER, INC., a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was executed by, and signed in the name of, the corporation, by him, as such President and sealed on behalf of the corporation by authority of its Board of Directors for the purposes therein contained, and the said Everett E. Hoyt acknowledged the same as the free act and deed of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

[Notarial Seal]

\_\_\_\_\_  
Notary Public  
My Commission expires\_\_\_\_\_

STATE OF NEW YORK                )  
  )SS.:  
COUNTY OF NEW YORK             )

On this 9TH day of August, 2002, before me, James M. Foley, the undersigned officer, personally appeared L. O'Brien, to me personally known, who acknowledged himself to be, and being by me duly sworn, did say that he is A Vice President of JPMORGAN CHASE BANK, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was executed by, and signed in the name of, the corporation, by him, as such Vice President, and sealed on behalf of the corporation by authority of its Board of Directors for the purposes therein contained, and the said L.O'Brien acknowledged the same as the free act and deed of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

[Notarial Seal]

\_\_\_\_\_  
Notary Public  
My Commission expires\_\_\_\_\_



## FIRST AMENDMENT TO 3-YEAR AND 364-DAY REVOLVING CREDIT AGREEMENTS

This FIRST AMENDMENT TO 3-YEAR AND 364-DAY REVOLVING CREDIT AGREEMENTS (this "Amendment") is dated as of June 13, 2002, and is entered into by and among Black Hills Corporation, a South Dakota corporation (the "Borrower"), ABN AMRO Bank N.V. in its capacity as administrative agent for the Banks party to each of the Credit Agreements described below (in such capacity, the "Administrative Agent"), and the Required Banks.

WHEREAS, the Administrative Agent, the Banks and the Borrower have entered into that certain 364-Day Credit Agreement (as the same has been amended, extended, modified or restated, the "364-Day Credit Agreement") and that certain 3-Year Credit Agreement (as the same has been amended, extended, modified or restated, the "3-Year Credit Agreement") each dated as of August 28, 2001 and each among the Borrower, the financial institutions from time to time party thereto (each a "Bank," and collectively the "Banks"), U.S. Bank, National Association and The Bank of Nova Scotia, in their capacity as documentation agents for the Banks thereunder (in such capacity, "Documentation Agents"), Union Bank of California, N.A. and Bank of Montreal, in their capacity as syndication agents for the Banks thereunder (in such capacity, "Syndication Agents") and ABN AMRO Bank N.V. in its capacity as Administrative Agent for the Banks thereunder (the 364-Day Credit Agreement and the 3-Year Credit Agreement are each referred to individually as a "Credit Agreement" and collectively as the "Credit Agreements");

WHEREAS, the Borrower has requested that the Credit Agreement be amended to, among other things, eliminate a downgrade of its S&P Rating or Moody's Rating below investment grade as an Event of Default and the Banks are, subject to the terms hereof, willing to so amend the Credit Agreement.

NOW THEREFORE, in consideration of the mutual conditions and agreements set forth in the Credit Agreements and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the Credit Agreements.

2. Amendments. Subject to the conditions set forth below, each Credit Agreement is amended as follows:

(a) Section 1.1 of each Credit Agreement is hereby amended by amending and restating the following definition in its entirety:

1

"Material Adverse Effect" means a material adverse effect on (i) the business, financial position or results of operations of Borrower or Borrower and its Subsidiaries taken as a whole, (ii) the ability of Borrower to perform its material obligations under the Credit Documents, (iii) the validity or enforceability of the material obligations of Borrower under any Credit Document, (iv) the rights and remedies of the Banks or the Administrative Agent against Borrower; or (v) the timely payment of the principal of and interest on the Loans or other amounts payable by Borrower hereunder, provided, that a downgrade of Borrower's S&P Rating and/or Moody's Rating shall not, in and of itself, be deemed a "Material Adverse Effect" for purposes of this Agreement.

(b) Section 1.1 of each Credit Agreement is hereby amended by amending and restating clause (v) of the definition of "Indebtedness" to be and to read as follows:

(v) all Guarantees issued by such Person, provided that Long-Term Guaranties shall not be deemed "Indebtedness" for purposes of calculating Borrower's compliance with the financial covenants set forth in Sections 7.16, 7.17 and 7.18 hereof;

(c) Section 8.1 of each Credit Agreement is hereby amended by (i) inserting the word "or" at the end of subsection (k) thereof, (ii) deleting the ";" or" appearing at the end of subsection (l) thereof and replacing it with ".", and (iii) deleting subsection (m) thereof in its entirety.

(d) Schedule 1 to the 364-Day Credit Agreement is hereby deleted in its entirety and a new Schedule 1 in the form of Schedule 1 (364-Day Credit Agreement) attached to this Amendment is hereby substituted therefor.

(e) Schedule 1 to the 3-Year Credit Agreement is hereby deleted in its entirety and a new Schedule 1 in the form of Schedule 1 (3-Year Credit Agreement) attached to this Amendment is hereby substituted therefor.

(f) Schedule 1 to Exhibit B of each Credit Agreement is hereby amended by changing the words "must not be less than" appearing in Section G(7) of each such schedule to "not to exceed".

3. Ratification. The Borrower hereby ratifies, acknowledges, affirms and reconfirms its rights, interests and obligations under each Credit Document and agrees to perform each of its obligations thereunder as and when required. By executing this Amendment, the Borrower hereby further ratifies, acknowledges,

affirms and reconfirms that each Credit Document, as amended hereby, constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, and that each such Credit Document, as amended hereby, is in full force and effect.

4. Conditions. The effectiveness of this Amendment is subject to the following conditions precedent (unless specifically waived in writing by the Administrative Agent):

(a) The Borrower and the Required Banks shall have executed and delivered this Amendment, and the Borrower shall have executed and/or delivered such other documents and instruments as Administrative Agent may require.

(b) The representations and warranties set forth in Section 5 of this Amendment shall be true and correct.

(c) All proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be reasonably satisfactory to Administrative Agent and its legal counsel.

5. Representations and Warranties. To induce the Administrative Agent and the Banks to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Banks that (i) the execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of the Borrower and that this Amendment has been duly executed and delivered by the Borrower and this Amendment and the Credit Agreements, as amended hereby, constitute valid and binding obligations of the Borrower enforceable in accordance with their respective terms, (ii) no Default or Event of Default (after giving effect to this Amendment) has occurred and is continuing under the Credit Agreements or would result from the execution and delivery of this Amendment, and (iii) each of the representations and warranties set forth in Section 5 of the Credit Agreements, as amended hereby, is true and correct in all material respects as of the date hereof, except that if any such representation or warranty relates solely to an earlier date it need only remain true as of such date.

6. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

7. References. Any reference to the Credit Agreements contained in any document, instrument or agreement executed in connection with the Credit Agreements shall be deemed to be a reference to the Credit Agreements as modified by this Amendment.

8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall constitute an original, but all of which taken together shall be one and the same instrument. This Amendment may also be executed by facsimile and each facsimile signature hereto shall be deemed for all purposes to be an original signatory page.

9. Costs. The Borrower agrees to pay on demand all reasonable costs and expenses incurred by the Administrative Agent (including fees and expenses of counsel) incurred in connection with the negotiation and preparation of this Amendment.

10. Governing Law. The validity and interpretation of this Amendment and the terms and conditions set forth herein, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any provisions relating to conflict of laws other than section 5-1401 of the New York General Obligations Laws.

11. Miscellaneous. This Amendment shall be deemed to be a Credit Document.

[- Remainder of Page Left Blank - Signature Pages Follow -]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their duly authorized officers as of the day and year first above written.

BLACK HILLS CORPORATION, a  
South Dakota corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



ABN AMRO BANK N.V., in its individual  
capacity as a Bank and as Administrative  
Agent

By: \_\_\_\_\_  
Name: David B. Bryant  
Title: Senior Vice President &  
Managing Director

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

UNION BANK OF CALIFORNIA, N.A.

By: \_\_\_\_\_  
Name: Robert J. Cole  
Title: Vice President

U.S. BANK, NATIONAL  
ASSOCIATION, in its individual capacity  
as a Bank and as Documentation Agent

By: \_\_\_\_\_  
Name: Sandra Vollmer  
Title: Senior Lender

BANK OF MONTREAL

By: \_\_\_\_\_  
Name: Ian M. Plester  
Title: Director

THE BANK OF NOVA SCOTIA

By: \_\_\_\_\_  
Name: F.C.H. Ashby  
Title: Senior Manager Loan Operations

CIBC INC., as a Lender

By: \_\_\_\_\_  
Name: M. Sanjeeva Senanayake  
Title: Executive Director  
CIBC World Markets Corp. As Agent

COBANK, ACB

By: \_\_\_\_\_  
Name: Cathleen Reed  
Title: Assistant Vice President

WELLS FARGO BANK, N.A.

By: \_\_\_\_\_  
Name: Thomas M. Foncannon  
Title: Senior Vice President



MIZUHO CORPORATE BANK, LTD.

By: \_\_\_\_\_  
Name: Nobuyasu Fukatsu  
Title: Senior Vice President

NATIONAL CITY BANK OF  
MICHIGAN/ILLINOIS

By: \_\_\_\_\_  
Name: Mark R. Long  
Title: Senior Vice President

NORDEUTSCHE LANDESBANK  
GIROZENTRALE NEW YORK/  
CAYMAN ISLANDS BRANCH

By: \_\_\_\_\_  
Name: Stephanie Finnen  
Title: Vice President

By: \_\_\_\_\_  
Name: Joseph Haas  
Title: Vice President

CHANG HWA BANK, LOS ANGELES BRANCH

By: \_\_\_\_\_  
Name: James Lin  
Title: Senior Vice President and General Manager

SCHEDULE 1 (364-Day Credit Agreement)

PRICING GRID

If the Level Status Is	Subject to the proviso below this grid, the Facility Fee Rate is:	The Utilization Fee Rate is:	Subject to the proviso below this grid, the Eurodollar Margin is:	Subject to the proviso below this grid, the Base Rate Margin is:
Level I Status	0.080%	0.100%	0.420%	0.000%
Level II Status	0.100%	0.125%	0.500%	0.000%
Level III Status	0.125%	0.125%	0.625%	0.000%
Level IV Status	0.150%	0.125%	0.725%	0.000%
Level V Status	0.200%	0.250%	0.800%	0.000%
Level VI Status	0.600%	0.500%	1.400%	0.475%

Each change in a rating shall be effective as of the date it is announced by the applicable rating agency. Until the Borrower receives an S&P Rating, the applicable Level shall be determined based upon the Borrower's Moody's Rating.

In the event that the Moody's Rating and the S&P Rating fall in consecutive Levels, the rating falling in the lower Level (with Level I being the highest Level and Level VI being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid. In the event that the Moody's Rating and the S&P Rating fall in non-consecutive Levels, the Level immediately above the Level in which the lower rating falls (with Level I being the highest Level and Level VI being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid.

SCHEDULE 1 (3-Year Credit Agreement)

PRICING GRID

If the Level Status Is	Subject to the proviso below this grid, the Facility Fee Rate is:	The Utilization Fee Rate is:	Subject to the proviso below this grid, the L/C Fee Rate is:	Subject to the proviso below this grid, the Eurodollar Margin is:	Subject to the proviso below this grid, the Base Rate Margin is:
Level I Status	0.100%	0.100%	0.400%	0.400%	0.000%
Level II Status	0.125%	0.125%	0.475%	0.475%	0.000%
Level III Status	0.150%	0.125%	0.600%	0.600%	0.000%
Level IV Status	0.175%	0.125%	0.700%	0.700%	0.000%
Level V Status	0.250%	0.250%	0.750%	0.750%	0.000%
Level VI Status	0.500%	0.500%	1.500%	1.500%	0.500%

Each change in a rating shall be effective as of the date it is announced by the applicable rating agency. Until the Borrower receives an S&P Rating, the applicable Level shall be determined based upon the Borrower's Moody's Rating.

In the event that the Moody's Rating and the S&P Rating fall in consecutive Levels, the rating falling in the lower Level (with Level I being the highest Level and Level VI being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid. In the event that the Moody's Rating and the S&P Rating fall in non-consecutive Levels, the Level immediately above the Level in which the lower rating falls (with Level I being the highest Level and Level VI being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid.

## SECOND AMENDMENT TO 3-YEAR CREDIT AGREEMENT

This SECOND AMENDMENT TO 3-YEAR CREDIT AGREEMENT (this "Amendment") is dated as of August 27, 2002, and is entered into by and among Black Hills Corporation, a South Dakota corporation (the "Borrower"), ABN AMRO Bank N.V. in its capacity as administrative agent for the Banks party to the Credit Agreement described below (in such capacity, the "Administrative Agent"), and the financial institutions party hereto.

WHEREAS, the Administrative Agent, the Banks and the Borrower have entered into that certain 3-Year Credit Agreement (as the same has been amended (including via that certain First Amendment to 3-Year and 364-Day Revolving Credit Agreements dated as of June 13, 2002), extended, modified or restated, the "Credit Agreement") dated as of August 28, 2001 among the Borrower, the financial institutions from time to time party thereto (each a "Bank," and collectively the "Banks"), U.S. Bank, National Association and The Bank of Nova Scotia, in their capacity as documentation agents for the Banks thereunder (in such capacity, "Documentation Agents"), Union Bank of California, N.A. and Bank of Montreal, in their capacity as syndication agents for the Banks thereunder (in such capacity, "Syndication Agents") and ABN AMRO Bank N.V. in its capacity as Administrative Agent for the Banks thereunder; and

WHEREAS, the Borrower has requested that the Credit Agreement be amended as set forth herein and the Banks are, subject to the terms hereof, willing to so amend the Credit Agreement.

NOW THEREFORE, in consideration of the mutual conditions and agreements set forth in the Credit Agreement and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the Credit Agreement.

2. Amendments. Subject to the conditions set forth below, the Credit Agreement is amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by amending and restating the following definitions in their entirety as follows:

"L/C Commitment" means an amount equal to \$100,000,000.

1

"Level V Status" means neither Level I Status, Level II Status, Level III Status, nor Level IV Status exists, but Borrower's S&P Rating is BBB- or higher and its Moody's Rating is Baa3 or higher.

"364 Day Credit Agreement" means that certain Amended and Restated 364 Day Credit Agreement dated as of August 27, 2002 among Borrower, ABN AMRO Bank, N.V., in its capacity as administrative agent for the Banks thereunder, U.S. Bank, National Association and The Bank of Nova Scotia, in their capacity as documentation agents for the Banks thereunder, Union Bank of California, N.A. and Bank of Montreal, in their capacity as syndication agents for the Banks thereunder and the various financial institutions from time to time party thereto as Banks

(b) Section 1.1 of the Credit Agreement is hereby amended by (i) deleting the definitions of "ABN AMRO Credit Agreement", "Interest Coverage Ratio", "Consolidating Interest Expense", "US Bank Credit Agreements", and "Wells Fargo Credit Agreements" appearing therein, (ii) deleting the parenthetical "(once obtained)" in each place such parenthetical appears in the definitions of "Level I Status", "Level II Status", "Level II Status", "Level IV Status", "Level V Status", and "Level VI Status", (iii) changing the words "Consolidating Interest Expense" to "Consolidated Interest Expenses" in the definition of "Consolidated EBITDA", (iv) changing the words "Black Hills Energy Ventures, Inc." to "Black Hills Energy, Inc." in the definition of "Material Subsidiaries" and (v) inserting the following definitions in proper alphabetical order:

"Consolidated Fixed Charges" means, for any period and without duplication the sum of (i) the aggregate amount of Consolidated Interest Expense with respect to Recourse Indebtedness paid or scheduled to be paid for such period, and (ii) the aggregate amount of all mandatory scheduled payments (whether designated as payments or prepayments) and scheduled sinking fund payments with respect to principal of any Recourse Indebtedness of the Borrower or its Subsidiaries (including payments in the nature of principal under Capital Leases).

"Consolidated Interest Expense" means, with reference to any period of the Borrower and its Subsidiaries, the sum of (i) all interest charges (including capitalized interest, imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense and other deferred financing charges) of the Borrower and its Subsidiaries on a consolidated basis

for such period determined in accordance with GAAP, other than interest charges relating to Non-Recourse Indebtedness, (ii) all commitment or other fees payable in respect of the issuance of standby letters of credit or other credit facilities for the account of the Borrower or its Subsidiaries, and (iii) net costs/expenses incurred by the Borrower and its Subsidiaries under Derivative Arrangements.



"Fixed Charge Coverage Ratio" means, for any period of four consecutive quarters of the Borrower ending with the most recently completed such fiscal quarter, the ratio of (A) Adjusted Consolidated EBITDA to (B) Consolidated Fixed Charges for such period.

"Liquid Assets" means, as the date of any calculation thereof, the sum of (i) the amount of unrestricted cash which the Borrower then has available, plus (ii) the aggregate amount of then available (meaning the Borrower is entitled to borrow such amounts pursuant to the applicable documentation) unused capacity under the Borrower's senior unsecured credit facilities (including this Agreement and the 364-Day Credit Agreement).

(c) Section 2.2(a) of the Credit Agreement is hereby amended by adding the following sentence to the end of such subsection:

No Issuing Agent shall have an obligation pursuant to the Credit Documents to issue any Letter of Credit if, after giving effect to the issuance of such Letter of Credit, the aggregate face amount of Letters of Credit issued by such Issuing Agent then outstanding would exceed \$50,000,000.

(d) Section 2.12(b) of the Credit Agreement is hereby amended by changing the amount "\$200,000,000" appearing in such subsection to "\$300,000,000".

(e) Section 5.4 of the Credit Agreement is hereby amended by (i) changing the date "December 31, 2000" in both places it appears in each Section to "December 31, 2001", and (ii) changing the date "June 30, 2001" to "June 30, 2002".

(f) Sections 7.15(c) and 7.15(d) of the Credit Agreement are hereby amended by inserting the following text at the beginning of such subsections:

so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving affect to, such incurrence),

(g) Section 7.16 of the Credit Agreement is hereby amended in its entirety to be and to read as follows:

Section 7.16 Consolidated Net Worth. Borrower will at the end of each fiscal quarter maintain Consolidated Net Worth in an amount of not less than the sum of (i) \$425,000,000 plus (ii) fifty percent (50%) of the aggregate Consolidated Net Income, if positive, for the period beginning April 1, 2002 and ending on the last day of such fiscal quarter.

(h) Section 7.18 of the Credit Agreement is hereby amended in its entirety to be and to read as follows:

Section 7.18 Fixed Charge Coverage Ratio. Borrower will maintain a Fixed Charge Coverage Ratio of not less than 1.50:1.00, as determined at the end of each fiscal quarter.

(i) Section 7.25 of the Credit Agreement is hereby amended in its entirety to be and to read as follows:

Section 7.25 Ratings. Borrower will at all times this Agreement is in effect maintain a S&P Rating and a Moody's Rating (or if one or both of such ratings are unavailable, rating(s) from such other recognized national rating agency or agencies as may be acceptable to the Administrative Agent and the Required Banks).

(j) A new Section 7.26 of the Credit Agreement is hereby added in proper numerical order to be and to read as follows:

Section 7.26 Liquidity Covenant. Borrower will, as of the last day of each fiscal quarter commencing with the fiscal quarter ending December 31, 2002, maintain Liquid Assets of at least \$30,000,000.

(k) Schedule 1 to the Credit Agreement is hereby deleted in its entirety and a new Schedule 1 in the form of Schedule 1 (3-Year Credit Agreement) attached to this Amendment is hereby substituted therefor.

(l) Schedule 1 to Exhibit B of the Credit Agreement is hereby deleted in its entirety and Schedule 1 to this Amendment is hereby substituted therefor.

(m) Schedules 5.2, 5.5, 5.11, 7.9, 7.14, 7.15(a), 7.15(b), and 7.19 of the Credit Agreement are hereby amended in their entirety to be and to read the same as the corresponding schedules attached to the 364 Day Credit Agreement being executed as of the date of this Amendment.

3. Ratification. The Borrower hereby ratifies, acknowledges, affirms and reconfirms its rights, interests and obligations under each Credit Document and agrees to perform each of its obligations thereunder as and when required. By executing this Amendment, the Borrower hereby further ratifies, acknowledges, affirms and reconfirms that each Credit Document, as amended hereby, constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, and that each such Credit Document, as amended hereby, is in full force and effect.

4. Conditions. The effectiveness of this Amendment is subject to the following conditions precedent:

(a) The Borrower shall have executed and delivered this Amendment, and the Borrower shall have executed and/or delivered such other documents and instruments as Administrative Agent may require.

(b) The representations and warranties set forth in Section 5 of this Amendment shall be true and correct.

(c) All proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be reasonably satisfactory to Administrative Agent and its legal counsel.

5. Representations and Warranties. To induce the Administrative Agent and the Banks to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Banks that (i) the execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of the Borrower and that this Amendment has been duly executed and delivered by the Borrower and this Amendment and the Credit Agreement, as amended hereby, constitutes valid and binding obligations of the Borrower enforceable in accordance with its terms, (ii) no Default or Event of Default (after giving effect to this Amendment) has occurred and is continuing under the Credit Agreement or would result from the execution and delivery of this Amendment, and (iii) each of the representations and warranties set forth in Section 5 of the Credit Agreement, as amended hereby, is true and correct in all material respects as of the date hereof, except that if any such representation or warranty relates solely to an earlier date it need only remain true as of such date.

6. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

7. References. Any reference to the Credit Agreement contained in any document, instrument or agreement executed in connection with the Credit Agreement shall be deemed to be a reference to the Credit Agreement as modified by this Amendment.

8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall constitute an original, but all of which taken together shall be one and the same instrument. This Amendment may also be executed by facsimile and each facsimile signature hereto shall be deemed for all purposes to be an original signatory page.

9. Costs. The Borrower agrees to pay on demand all reasonable costs and expenses incurred by the Administrative Agent (including fees and expenses of counsel) incurred in connection with the negotiation and preparation of this Amendment or the syndication (whether incurred before or after the date hereof) of the Credit Agreement.

10. Governing Law. The validity and interpretation of this Amendment and the terms and conditions set forth herein, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any provisions relating to conflict of laws other than section 5-1401 of the New York General Obligations Laws.

11. Miscellaneous. This Amendment shall be deemed to be a Credit Document.

[- Remainder of Page Left Blank - Signature Pages Follow -]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their duly authorized officers as of the day and year first above written.

BLACK HILLS CORPORATION, a  
South Dakota corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ABN AMRO BANK N.V., in its individual  
capacity as a Bank and as Administrative  
Agent

By: \_\_\_\_\_  
Name: David B. Bryant  
Title: Senior Vice President &  
Managing Director

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

UNION BANK OF CALIFORNIA, N.A.

By: \_\_\_\_\_  
Name: Robert J. Cole  
Title: Vice President

U.S. BANK, NATIONAL  
ASSOCIATION, in its individual capacity  
as a Bank and as Documentation Agent

By: \_\_\_\_\_  
Name: Sandra Vollmer  
Title: Senior Lender



BANK OF MONTREAL

By: \_\_\_\_\_  
Name: Ian M. Plester  
Title: Director

THE BANK OF NOVA SCOTIA

By: \_\_\_\_\_  
Name: F.C.H. Ashby  
Title: Senior Manager Loan Operations

CIBC INC., as a Lender

By:

Name: M. Sanjeeva Senanayake

Title: Executive Director

CIBC World Markets Corp. As Agent

COBANK, ACB

By: \_\_\_\_\_  
Name: Cathleen Reed  
Title: Assistant Vice President

WELLS FARGO BANK, N.A.

By: \_\_\_\_\_  
Name: Thomas M. Foncannon  
Title: Senior Vice President

MIZUHO CORPORATE BANK, LTD.

By: \_\_\_\_\_  
Name: Nobuyasu Fukatsu  
Title: Senior Vice President

NATIONAL CITY BANK OF  
MICHIGAN/ILLINOIS

By: \_\_\_\_\_  
Name: Mark R. Long  
Title: Senior Vice President

NORDEUTSCHE LANDESBANK  
GIROZENTRALE NEW YORK/  
CAYMAN ISLANDS BRANCH

By: \_\_\_\_\_  
Name: Stephanie Finnen  
Title: Vice President

By: \_\_\_\_\_  
Name: Joseph Haas  
Title: Vice President



CHANG HWA BANK, LOS ANGELES  
BRANCH

By: \_\_\_\_\_  
Name: Jim Chen  
Title: Vice President and General Manager

SCHEDULE 1 (3-Year Credit Agreement)

PRICING GRID

If the Level Status Is	The Facility Fee Rate is:	The Utilization Fee Rate is:	The L/C Fee Rate is:	The Eurodollar Margin is:	The Base Rate Margin is:
Level I Status	0.100%	0.100%	0.400%	0.400%	0.000%
Level II Status	0.125%	0.125%	0.475%	0.475%	0.000%
Level III Status	0.150%	0.150%	0.600%	0.600%	0.000%
Level IV Status	0.175%	0.200%	0.700%	0.700%	0.000%
Level V Status	0.250%	0.250%	0.750%	0.750%	0.000%
Level VI Status	0.6725%	0.500%	1.400%	1.400%	0.400%

Each change in a rating shall be effective as of the date it is announced by the applicable rating agency.

In the event that the Moody's Rating and the S&P Rating fall in consecutive Levels, the rating falling in the lower Level (with Level I being the highest Level and Level VI being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid. In the event that the Moody's Rating and the S&P Rating fall in non-consecutive Levels, the Level immediately above the Level in which the lower rating falls (with Level I being the highest Level and Level VI being the lowest Level) shall govern for purposes of determining the applicable pricing pursuant to the above pricing grid.

SCHEDULE 1 TO COMPLIANCE CERTIFICATE

Compliance Calculations for Credit Agreement

CALCULATION AS OF \_\_\_\_\_, 200\_

A. Liens (Sec. 7.9(c), (d), and (g))

1. Liens securing taxes or assessments or other government charges or levies equal to or less than \$20,000,000 (Section 7.9(c)) \_\_\_\_\_ (Answer should be yes)

2. Liens securing judgments or awards or surety or appeal bonds issued in connection therewith equal to or less than \$20,000,000 (Section 7.9(d)) \_\_\_\_\_ (Answer should be yes)

3. Is the aggregate amount of Indebtedness and other obligations consisting of (i) the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of Borrower used in the ordinary course of business of such Borrower, (ii) Capitalized Lease Obligations, and (iii) the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds which is secured by Liens equal to or less than 5% of Consolidated Assets as reflected on the most recent balance sheet delivered by Borrower (Section 7.9(g)). \_\_\_\_\_ (Answer should be yes)

B. Sale and Leasebacks (Section 7.11)

1. Aggregate obligations under all Sale and Leasebacks arrangements (other than synthetic lease transactions excluded by Section 7.11) \$ \_\_\_\_\_ (Line B1 not to exceed \$30,000,000)

C. Sale of Assets (Section 7.12)

1.	Net book value of assets (other than inventory, reserves and electricity in the ordinary course of business) sold during this fiscal year	\$ _____	(Line C1 not to exceed 10% of total consolidated assets)
D. Permitted Investments (Section 7.14)			
1.	Aggregate amount of Investments in Marketing Subsidiaries made after the Effective Date (Section 7.14(o)(ii))	\$ _____	
2.	Investments consisting of Guaranties of Indebtedness of Marketing Subsidiaries existing on the Effective Date	\$ _____	
3.	Intercompany loans permitted pursuant to Section 7.15(e)(iii) owing by Marketing Subsidiaries (Line E3)	\$ _____	Line E3
4.	Sum of Lines D1, D2 and D3	\$ _____	
5.	Is Line D4 equal to or less than \$10,000,000?	_____	(Answer should be yes)
6.	Aggregate amount of Investments in Persons engaged in the lines of business described in clause (xii) of Section 7.8 (Section 7.14(k))	\$ _____	(Line D6 not to exceed \$20,000,000)
E. Permitted Indebtedness (Section 7.15)			
1.	Secured Indebtedness except as set forth on Schedule 7.15(b): (i) of BHP (ii) evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of Borrower or a Subsidiary used in the ordinary course of business of the Borrower of a Subsidiary, (iii) constituting Capitalized Lease Obligations or with respect to synthetic (or similar type) lease transactions, or (iv) incurred in connection with the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds (Section 7.15(c))	\$ _____	(Line E1 not to exceed 5% of Consolidated Assets)

2.	Intercompany loans owing by Borrower (Section 7.15(e)(i)(x))	\$ _____	(Must be subordinated to Obligations)
3.	Intercompany Indebtedness owing by Marketing Subsidiaries to Subsidiaries (Section 7.15(e)(iii))	\$ _____	(Line E3 not to exceed the difference between (i) \$10,000,000 less (ii) the sum of Lines E4 and D1)
4.	Indebtedness consisting of Guarantees (including Long-Term Guaranties) of Marketing Subsidiary Indebtedness (Section 7.15(f))	\$ _____	(Line E4 not to exceed the difference between (i) \$10,000,000 less (ii) the sum of Lines E3 and D1)
5.	Indebtedness of Marketing Subsidiaries under Marketing Subsidiary Excluded Credit Facilities (Section 7.15(g))	\$ _____	(Line E5 not to exceed Marketing Subsidiary Indebtedness Limit)
F.	Consolidated Net Worth (Section 7.16)		
1.	Consolidated Net Worth	\$ _____	
2.	50% of aggregate Consolidated Net Income, if positive, from and including April 1, 2002	\$ _____	
3.	Does Line F1 exceed sum of (i) \$425,000,000 plus (ii) line F2	_____	(Answer should be yes)
G.	Recourse Leverage Ratio (Section 7.17)		
1.	consolidated Indebtedness	\$ _____	
2.	Non-Recourse Indebtedness	\$ _____	
3.	Recourse Indebtedness (Line G1 minus Line G2)	\$ _____	
4.	Indebtedness of Marketing Subsidiaries under Marketing Subsidiary Excluded Credit Facilities (Line E5)	\$ _____	(Not to exceed Marketing Subsidiary Indebtedness Limit)
5.	Consolidated Net Worth	\$ _____	
6.	Capital (Line G3 minus Line G4 plus Line G5)	\$ _____	

7.	Recourse Leverage Ratio	_____ :1.00	(ratio of (A) difference between (x) Line G3 minus (y) Line G4 to (B) Line G6 not to exceed 0.65 to 1.00)
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H.	Fixed Charge Coverage Ratio (Section 7.18)		
-----			
1.	Consolidated Net Income for past four fiscal quarters	\$ _____	
-----			
2.	Income taxes for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
-----			
3.	Consolidated Interest Expense for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	Insert amount from Line H18
-----			
4.	Amortization expense for intangible assets for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
-----			
5.	Depreciation expense for past four fiscal quarters (to the extent subtracted in calculating H1)		
-----			
6.	Losses on sales of assets (excluding sales in the ordinary course of business) and other extraordinary losses for past four fiscal quarters (to the extent subtracted in calculating H1)	\$ _____	
-----			
7.	Interest income for past four fiscal quarters arising from traditional investment activities with banks, investment banks and other financial institutions or relating to governmental or other marketable securities (to the extent added in calculating H1)	\$ _____	
-----			
8.	Gains on sales of assets (excluding sales in the ordinary course of business) and other extraordinary gains for past four fiscal quarters (to the extent added in calculating H1)	\$ _____	
-----			
9.	Capital Expenditures for past four fiscal quarters	\$ _____	
-----			

10.	Without duplication, any payments made by a Consolidated Subsidiary constituting a repayment of principal Indebtedness (other than (x) the Obligations and (y) repayments of principal made with the proceeds of a refinancing of such Indebtedness otherwise permitted pursuant to this Agreement) or with respect to a reserve, and	\$ _____
11.	Without duplication, any other mandatory payment made by a Consolidated Subsidiary in such period not included as an expense or loss in calculating Consolidated Net Income	\$ _____
12.	Consolidated EBITDA (sum of Lines H1, H2, H3, H4, H5 and H6 less sum of Lines H7, H8, H9, H10 and H11)	\$ _____
13.	Restricted Earnings for the past four fiscal quarters	\$ _____
14.	Adjusted Consolidated EBITDA (Line H12 minus Line H13)	\$ _____
15.	All interest charges (including capitalized interest, imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense and other deferred financing charges) of the Borrower and its Subsidiaries on a consolidated basis for such period determined in accordance with GAAP, other than interest charges relating to Non-Recourse Indebtedness	\$ _____
16.	All commitment or other fees payable in respect of the issuance of standby letters of credit or other credit facilities for the account of the Borrower or its Subsidiaries	\$ _____
17.	Net costs/expenses incurred by the Borrower and its Subsidiaries under Derivative Arrangements	\$ _____
18.	Consolidated Interest Expense (Sum of Lines H15, H16 and H17)	\$ _____

19.	The aggregate amount of all mandatory scheduled payments (whether designated as payments or prepayments) and scheduled sinking fund payments with respect to principal of any Recourse Indebtedness of the Borrower or its Subsidiaries (including payments in the nature of principal under Capital Leases) for the last 4 quarters	\$ _____	
20.	Consolidated Fixed Charges (Sum of Lines H18 and H19)	\$ _____	
21.	Fixed Charge Coverage Ratio (ratio of Lines H14 to (ii) Line H20)	_____ : 1.00	(ratio must not be less than 1.50 to 1.00)
I. Liquidity Covenant (Section 7.26)			
1.	Unrestricted cash at Borrower	\$ _____	
2.	Unused availability of senior unsecured credit facilities available to Borrower	\$ _____	
3.	Liquid Assets (Line I1 plus Line I2)	\$ _____	(amount must exceed \$30,000,000)





BLACK HILLS CORPORATION

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Hills Corporation (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel P. Landguth, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Daniel P. Landguth

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Daniel P. Landguth  
Chairman of the Board and  
Chief Executive Officer  
November 14, 2002

BLACK HILLS CORPORATION

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Hills Corporation (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark T. Thies, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark T. Thies

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Mark T. Thies  
Senior Vice President and  
Chief Financial Officer  
November 14, 2002