UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2009.

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE 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 x No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

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

Class	Outstanding at April 30, 2009
Common stock, $1.00 par value	38,798,483 shares

TABLE OF CONTENTS

GLOSSARY OF TERMS AND ABBREVIATIONS

The following terms and abbreviations appear in the text of this report and have the definitions described below:

Acquisition Facility	Our $1.0 billion single-draw, senior unsecured facility from which a $383 million draw was used to provide part of the funding for our Aquila Transaction
AFUDC	Allowance for Funds Used During Construction
AOCI	Accumulated Other Comprehensive Income
ARB	Accounting Research Bulletin
ARB 51	ARB 51 “Consolidated Financial Statements”
Aquila	Aquila, Inc.
Aquila Transaction	Our July 14, 2008 acquisition of Aquila’s regulated electric utility in Colorado and its regulated gas utilities in Colorado, Kansas, Nebraska and Iowa
Bbl	Barrel
BHCRPP	Black Hills Corporation Risk Policies and Procedures
BHEP	Black Hills Exploration and Production, Inc., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings
Black Hills Electric Generation	Black Hills Electric Generation, LLC, a direct wholly-owned subsidiary of Black Hills Non-regulated Holdings
Black Hills Energy	The name used to conduct the business activities of Black Hills Utility Holdings, including the gas and electric utility properties acquired from Aquila
Black Hills Non-regulated Holdings	Black Hills Non-regulated Holdings, LLC, a direct, wholly-owned subsidiary of the Company that was formerly known as Black Hills Energy, Inc.
Black Hills Power	Black Hills Power, Inc., a direct, wholly-owned subsidiary of the Company
Black Hills Utility Holdings	Black Hills Utility Holdings, Inc., a direct, wholly-owned subsidiary of the Company formed to acquire and own the utility properties acquired from Aquila, all which are now doing business as Black Hills Energy
Black Hills Wyoming	Black Hills Wyoming, Inc., a direct, wholly-owned subsidiary of Black Hills Electric Generation
Btu	British thermal unit
Cheyenne Light	Cheyenne Light, Fuel and Power Company, a direct, wholly-owned subsidiary of the Company
Cheyenne Light Pension Plan	The Cheyenne Light, Fuel and Power Company Pension Plan
Colorado Electric	Black Hills Colorado Electric Utility Company, LP, (doing business as Black Hills Energy), an indirect, wholly-owned subsidiary of Black Hills Utility Holdings, formed to hold the Colorado electric utility properties acquired from Aquila
Colorado Gas	Black Hills Colorado Gas Utility Company, LP, (doing business as Black Hills Energy), an indirect, wholly-owned subsidiary of Black Hills Utility Holdings, formed to hold the Colorado gas utility properties acquired from Aquila
CPUC	Colorado Public Utilities Commission
Dth	Dekatherm. A unit of energy equal to 10 therms or one million British thermal units (MMBtu)
EITF	Emerging Issues Task Force

EITF 02-3	EITF Issue No. 02-3, “Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities”
EITF 87-24	EITF Issue No. 87-24, “Allocation of Interest to Discontinued Operations”
EITF 99-2	EITF Issue No. 99-2, “Accounting for Weather Derivatives”
Enserco	Enserco Energy Inc., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretations
FIN 39	FASB Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts – an Interpretation of APB Opinion No. 10 and FASB Statement No. 105”
FIN 46(R)	FIN 46-(R), “Consolidation of Variable Interest Entities (Revised December 2003) – an interpretation of ARB No. 51”
FIN 48	FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109”
FSP	FASB Staff Position
FSP FAS 107-1	FSP FAS 107-1, “Interim Disclosure About Fair Value of Financial Instruments”
FSP FAS 132(R)-1	FSP FAS 132(R)-1, “Employer’s Disclosures about Pensions and Other Postretirement Benefits” (Revised)
FSP FAS 157-2	FSP FAS 157-2, “Effective Date of FASB Statement No. 157”
FSP FAS 157-4	FSP FAS 157-4, “Determining Whether a Market is Not Active and a Transaction is Not Distressed”
FSP FIN 39-1	FSP FIN 39-1, “Amendment of FASB Interpretation No. 39”
GAAP	Generally Accepted Accounting Principles
GE	GE Packaged Power, Inc.
Hastings	Hastings Funds Management Ltd
IIF	IIF BH Investment LLC, a subsidiary of an investment entity advised by JPMorgan Asset Management
Iowa Gas	Black Hills Iowa Gas Utility Company, LLC, (doing business as Black Hills Energy), a direct, wholly-owned subsidiary of Black Hills Utility Holdings, formed to hold the Iowa gas utility properties acquired from Aquila
IPP	Independent Power Production
IPP Transaction	Our July 11, 2008 sale of seven of our IPP plants to affiliates of Hastings and IIF
IUB	Iowa Utilities Board
Kansas Gas	Black Hills Kansas Gas Utility Company, LLC, (doing business as Black Hills Energy), a direct, wholly-owned subsidiary of Black Hills Utility Holdings, formed to hold the Kansas gas utility properties acquired from Aquila
KCC	Kansas Corporation Commission
LIBOR	London Interbank Offered Rate
LOE	Lease Operating Expense
Mcf	One thousand cubic feet
Mcfe	One thousand cubic feet equivalent
MDU	MDU Resources Group, Inc.
MEAN	Municipal Energy Agency of Nebraska

MMBtu	One million British thermal units
MW	Megawatt
MWh	Megawatt-hour
Nebraska Gas	Black Hills Nebraska Gas Utility Company, LLC, (doing business as Black Hills Energy), a direct, wholly-owned subsidiary of Black Hills Utility Holdings, formed to hold the Nebraska gas utility properties acquired from Aquila
NPA	Nebraska Public Advocate
NPSC	Nebraska Public Service Commission
NYMEX	New York Mercantile Exchange
OCA	Office of Consumer Advocate
PGA	Purchase Gas Adjustment
SEC	United States Securities and Exchange Commission
SEC Release No. 33-8995	SEC Release No. 33-8995, “Modernization of Oil and Gas Reporting”
SFAS	Statement of Financial Accounting Standards
SFAS 71	SFAS 71, “Accounting for the Effects of Certain Types of Regulation”
SFAS 133	SFAS 133, “Accounting for Derivative Instruments and Hedging Activities”
SFAS 141(R)	SFAS 141(R), “Business Combinations”
SFAS 142	SFAS 142, “Goodwill and Other Intangible Assets”
SFAS 144	SFAS 144, “Accounting for the Impairment or Disposal of Long-lived Assets”
SFAS 157	SFAS 157, “Fair Value Measurements”
SFAS 160	SFAS 160, “Non-controlling Interest in Consolidated Financial Statements – an amendment of ARB No. 51”
SFAS 161	SFAS 161, “Disclosure about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133”
WRDC	Wyodak Resources Development Corp., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings, LLC

BLACK HILLS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended March 31,	
	2009	2008
	(in thousands, except per share amounts)	
Operating revenues	$ 437,943	$ 152,850
Operating expenses:		
Fuel and purchased power	261,020	52,395
Operations and maintenance	39,335	21,966
Gain on sale of assets	(25,971)	—
Administrative and general	41,766	24,059
Depreciation, depletion and amortization	33,325	19,386
Taxes, other than income taxes	11,698	9,508
Impairment of long-lived assets	43,301	—
	404,474	127,314
Operating income	33,469	25,536
Other income (expense):		
Interest expense	(18,901)	(9,194)
Interest rate swap – unrealized gain	14,763	—
Interest income	528	426
Allowance for funds used during construction – equity	1,372	281
Other income, net	744	336
	(1,494)	(8,151)
Income from continuing operations before equity in (loss) earnings of unconsolidated subsidiaries and income taxes	31,975	17,385
Equity in (loss) earnings of unconsolidated subsidiaries	(327)	232
Income tax expense	(6,023)	(5,801)
Income from continuing operations	25,625	11,816
Income from discontinued operations, net of taxes	766	5,052
Net income	26,391	16,868
Net loss attributable to non-controlling interest	—	(77)
Net income available for common stock	$ 26,391	$ 16,791
Weighted average common shares outstanding:		
Basic	38,511	37,826
Diluted	38,563	38,399
Earnings per share:		
Basic–		
Continuing operations	$ 0.67	$ 0.31
Discontinued operations	0.02	0.13
Total	$ 0.69	$ 0.44
Diluted–		
Continuing operations	$ 0.66	$ 0.31
Discontinued operations	0.02	0.13
Total	$ 0.68	$ 0.44
Dividends paid per share of common stock	$ 0.355	$ 0.35

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)

	March 31, 2009	December 31, 2008	March 31, 2008
	(in thousands, except share amounts)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 121,562	$ 168,491	$ 71,027
Restricted cash	—	—	5,484
Short-term investments	—	—	7,290
Receivables (net of allowance for doubtful accounts of $7,832; $6,751 and $4,213, respectively)	233,921	357,404	254,178
Materials, supplies and fuel	59,139	118,021	80,533
Derivative assets	79,443	73,068	46,337
Income tax receivable	—	20,269	—
Deferred income taxes	11,788	10,244	14,011
Regulatory assets	19,053	35,390	2,659
Other current assets	11,517	16,380	11,779
Assets of discontinued operations	—	246	590,687
	536,423	799,513	1,083,985
Investments	19,956	22,764	16,745
Property, plant and equipment	2,750,760	2,705,492	1,903,096
Less accumulated depreciation and depletion	(750,748)	(683,332)	(526,729)
	2,000,012	2,022,160	1,376,367
Other assets:			
Goodwill	359,093	359,290	14,000
Intangible assets, net	4,870	4,884	3
Derivative assets	11,606	9,799	1,360
Regulatory assets	137,108	143,705	18,553
Other	12,041	17,774	14,054
	524,718	535,452	47,970
	$ 3,081,109	$ 3,379,889	$ 2,525,067
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 191,817	$ 288,907	$ 238,955
Accrued liabilities	129,405	134,940	84,597
Derivative liabilities	105,883	118,657	72,526
Accrued income taxes	19,794	—	303
Regulatory liabilities	14,939	5,203	4,804
Notes payable	479,800	703,800	73,000
Current maturities of long-term debt	32,082	2,078	130,330
Liabilities of discontinued operations	—	88	90,001
	973,720	1,253,673	694,516
Long-term debt, net of current maturities	471,226	501,252	503,279
Deferred credits and other liabilities:			
Deferred income taxes	222,157	223,607	209,272
Derivative liabilities	20,656	22,025	16,516
Regulatory liabilities	39,514	38,456	29,379
Benefit plan liabilities	160,397	159,034	42,244
Other	121,842	131,306	59,379
	564,566	574,428	356,790
Stockholders' equity:			
Common stock equity –			
Common stock $1 par value; 100,000,000 shares authorized; Issued 38,796,005; 38,676,054 and 38,425,006 shares, respectively	38,796	38,676	38,425
Additional paid-in capital	585,244	584,582	578,742
Retained earnings	460,091	447,453	400,909
Treasury stock at cost – 4,725; 40,183 and 29,400 shares, respectively	(119)	(1,392)	(1,050)
Accumulated other comprehensive loss	(12,415)	(18,783)	(51,788)
Total common stockholders' equity	1,071,597	1,050,536	965,238
Non-controlling interest in subsidiaries	—	—	5,244
Total equity	1,071,597	1,050,536	970,482
	$ 3,081,109	$ 3,379,889	$ 2,525,067

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)

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Operating activities:		
Net income	$ 26,391	$ 16,868
Income from discontinued operations, net of taxes	(766)	(5,052)
Income from continuing operations	25,625	11,816
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation, depletion and amortization	33,325	19,386
Impairment of long-lived assets	43,301	—
Net change in derivative assets and liabilities	6,154	7,745
Gain on sale of operating assets	(25,971)	—
Unrealized mark-to-market gain on interest rate swaps	(14,763)	—
Deferred income taxes	(5,427)	8,830
Distributed earnings in associated companies	2,687	1,241
Allowance for funds used during construction – equity	(1,372)	(281)
Change in operating assets and liabilities:		
Materials, supplies and fuel	65,838	22,390
Accounts receivable and other current assets	123,993	(22,430)
Accounts payable and other current liabilities	(83,994)	(8,742)
Regulatory assets and liabilities	33,027	(266)
Other operating activities	(2,971)	(1,937)
Net cash provided by operating activities of continuing operations	199,452	37,752
Net cash provided by operating activities of discontinued operations	883	15,929
Net cash provided by operating activities	200,335	53,681
Investing activities:		
Property, plant and equipment additions	(71,272)	(56,547)
Proceeds from sale of business operations	51,878	—
Working capital adjustment of purchase price allocation on acquisition	7,900	—
Increase in short-term investments	—	(7,290)
Other investing activities	135	951
Net cash used in investing activities of continuing operations	(11,359)	(62,886)
Net cash used in investing activities of discontinued operations	—	(17,742)
Net cash used in investing activities	(11,359)	(80,628)
Financing activities:		
Dividends paid	(13,753)	(13,275)
Common stock issued	764	1,998
Increase (decrease) in short-term borrowings, net	(224,000)	36,000
Long-term debt – repayments	(22)	(18)
Other financing activities	1,065	297
Net cash (used in) provided by financing activities of continuing operations	(235,946)	25,002
Net cash used in financing activities of discontinued operations	—	(3,214)
Net cash (used in) provided by financing activities	(235,946)	21,788
Decrease in cash and cash equivalents	(46,970)	(5,159)
Cash and cash equivalents:		
Beginning of period	168,532[(a)]	81,255[(b)]
End of period	$ 121,562	$ 76,096[(c)]
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities-		
Property, plant and equipment acquired with accrued liabilities	$ 28,947	$ 18,939
Cash paid during the period for-		
Interest (net of amounts capitalized)	$ 10,177	$ 7,333
Income taxes paid (net of amounts refunded)	$ (24,495)	$ 1,500

(a) Includes less than $0.1 million of cash included in the assets of discontinued operations.
(b) Includes approximately $4.4 million of cash included in the assets of discontinued operations.
(c) Includes approximately $5.1 million of cash included in the assets of discontinued operations.

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

(1) MANAGEMENT'S STATEMENT

The condensed consolidated financial statements included herein have been prepared by Black Hills Corporation (the Company, "us", "we", "our") without audit, pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, we believe 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 our 2008 Annual Report on Form 10-K filed with the SEC.

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 March 31, 2009, December 31, 2008 and March 31, 2008 financial information and are of a normal recurring nature. Some of our operations are highly seasonal and revenues from, and certain expenses for, such operations may fluctuate significantly among quarterly periods. Demand for electricity and natural gas is sensitive to seasonal cooling, heating and industrial load requirements, as well as changes in market price. In particular, the normal peak usage season for gas utilities is November through March and significant earnings variances can be expected between the Gas Utilities segment's peak and off-peak seasons. The results of operations for the three months ended March 31, 2009, 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.

On July 11, 2008, we completed the sale of seven of our IPP plants. Amounts associated with the IPP plants divested in the IPP Transaction have been reclassified as discontinued operations for the quarter ended March 31, 2008. See Note 20 for additional information.

On July 14, 2008, we completed the acquisition of a regulated electric utility in Colorado and regulated gas utilities in Colorado, Kansas, Nebraska and Iowa from Aquila. Effective as of that date, the assets and liabilities, results of operations, and cash flows of the acquired utilities are included in our Condensed Consolidated Financial Statements. See Note 17 for additional information.

(2) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

SFAS 157

During September 2006, the FASB issued SFAS 157. This Statement defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 does not expand the application of fair value accounting to any new circumstances, but applies the framework to other accounting pronouncements that require or permit fair value measurement. We apply fair value measurements to certain assets and liabilities, primarily commodity derivatives within our Energy Marketing and Oil and Gas segments, interest rate swap instruments, and other miscellaneous derivatives.

As a result of the adoption of SFAS 157 on January 1, 2008, we discontinued our use of a “liquidity reserve” in valuing the total forward positions within our energy marketing portfolio. This impact was accounted for prospectively as a change in accounting estimate and resulted in a $1.2 million after-tax benefit that was recorded within our unrealized marketing margins. Unrealized margins are presented as a component of Operating revenues on the accompanying Condensed Consolidated Statements of Income. SFAS 157 also required new disclosures regarding the level of pricing observability associated with instruments carried at fair value. These disclosures are provided in Note 13.

FSP FAS 157-2

In February 2008, the FASB issued FSP FAS 157-2, which permits a one-year deferral of the application of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted FSP FAS 157-2 effective January 1, 2008. Accordingly, the provisions of SFAS 157 were not applied to non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. We adopted the provisions of SFAS 157 for non-financial assets and non-financial liabilities upon the expiration of FSP FAS 157-2 and it did not have an impact on our consolidated financial statements.

SFAS 141(R)

In December 2007, the FASB issued SFAS 141(R). SFAS 141(R) requires an acquiring entity to recognize the assets acquired, the liabilities assumed and any non-controlling interests in the acquiree at the acquisition date to be measured at their fair values as of the acquisition date, with limited exceptions specified in the statement. Acquisition-related costs will be expensed in the periods in which the costs are incurred or services are rendered. If income tax liabilities are settled for an amount other than as previously recorded prior to the adoption of SFAS 141(R), the reversal of any remaining liability will affect goodwill. If such liabilities reverse subsequent to the adoption of SFAS 141(R), such reversals will affect expense including income tax expense in the period of reversal. Costs to issue debt or equity securities shall be accounted for under other applicable GAAP. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. We adopted SFAS 141(R) on January 1, 2009. Any impact that SFAS 141(R) will have on our consolidated financial statements will depend on the nature and magnitude of any future acquisitions we consummate.

SFAS 160

In December 2007, the FASB issued SFAS 160. SFAS 160 amends ARB 51 and requires:

- Ownership interests in subsidiaries held by parties other than the parent be clearly identified on the consolidated statement of financial position within equity, but separate from the parent's equity;
- Consolidated net income attributable to the parent and to the non-controlling interest be clearly identified on the face of the consolidated statement of income;
- Changes in a parent's ownership interest while the parent retains a controlling financial interest be accounted for consistently as equity transactions;
- When a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary be initially measured at fair value; and
- Sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners.

We applied the provisions of SFAS 160 on January 1, 2009. Non-controlling interest in the accompanying Condensed Consolidated Statement of Income and Balance Sheet represents the non-affiliated equity investors' interest in Wygen Funding LP, a Variable Interest Entity as defined by FIN 46(R). In June 2008, we purchased the non-controlling share. Presentation of a non-controlling interest that we held until June 2008 was retrospectively applied as required, and had an immaterial effect overall.

SFAS 161

In March 2008, the FASB issued SFAS 161, which requires enhanced disclosures about how derivative and hedging activities affect an entity's financial position, financial performance and cash flows. SFAS 161 encourages, but does not require, disclosures for earlier periods presented for comparative purposes at initial adoption. SFAS 161 requires comparative disclosures only for periods subsequent to its initial adoption. We evaluated and applied the provisions of SFAS 161 on January 1, 2009. Our contracts do not include credit risk-related contingent features. The additional disclosures are provided in Note 12 and Note 14.

(3) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SEC Release No. 33-8995

On December 29, 2008, the SEC issued Release No. 33-8995, amending the existing Regulation S-K and Regulation S-X requirements for reporting the quantity and value of oil and gas reserves to align with current industry practices and technology advances. Key revisions include the ability to include non-traditional resources in reserves, the use of new technology for determining reserves, permitting disclosure of probable and possible reserves, and changes to the pricing used to determine reserves. Companies must use a 12-month average price. The average is calculated using unweighted average of the first-day-of-the-month price for each of the 12 months that make up the reporting period. The amendment is effective for annual reporting periods ending on December 31, 2009, and early adoption is not permitted. We are currently assessing the impact that the adoption will have on our disclosures, operating results, financial position and cash flows.

FSP FAS 132(R)-1

During December 2008, the FASB issued FSP FAS 132(R)-1, which provides guidance on an employer's disclosures about plan assets in a defined benefit pension or other postretirement plan to provide users of financial statements with an understanding of:

- How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies;
- The major categories of plan assets;
- The input and valuation techniques used to measure the fair value of plan assets;
- The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and
- Significant concentrations of risk within plan assets.

FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009 and we will adopt as of January 1, 2010. We do not expect the adoption of FSP FAS 132(R)-1 to have a significant effect on our consolidated financial statements.

FSP FAS 157-4

In April 2009, the FASB approved FSP FAS 157-4 effective for interim and annual periods ending after June 15, 2009. This FSP amends FAS 157 which addresses inactive markets. This FSP includes a two step model with the first step determining whether factors exist that indicate a market for an asset is not active. If step one results in the conclusion that there is not an active market, step two evaluates whether the quoted price is not associated with a distressed transaction. Additional disclosures will be required.

We are currently assessing the impact that the adoption will have on our disclosures, operating results, financial position and cash flows.

FSP FAS 107-1

In April 2009, the FASB approved FSP FAS 107-1 effective for interim and annual periods ending after June 15, 2009. This FSP will require public companies to provide more frequent disclosures about the fair value of their financial instruments. We are currently assessing the impact that the adoption will have on our disclosures.

(4) MATERIALS, SUPPLIES AND FUEL

The amounts of materials, supplies and fuel included on the accompanying Condensed Consolidated Balance Sheets, by major classification, are provided as follows (in thousands):

Major Classification	March 31, 2009	December 31, 2008	March 31, 2008
Materials and supplies	$ 34,574	$ 32,580	$ 28,384
Fuel – Electric Utilities	7,270	10,058	1,749
Natural gas in storage – Gas Utilities	7,590	59,529	—
Gas and oil held by Energy Marketing*	9,705	15,854	50,400
Total materials, supplies and fuel	$ 59,139	$ 118,021	$ 80,533

* As of March 31, 2009, December 31, 2008 and March 31, 2008, market adjustments related to natural gas held by Energy Marketing and recorded in inventory were $(2.4) million, $(9.4) million and $4.6 million, respectively (see Note 12 for further discussion of Energy Marketing trading activities).

Gas and oil inventory held by Energy Marketing primarily consists of gas held in storage. Such gas is being held in inventory to capture the price differential between the time at which it was purchased and a sales date in the future.

(5) NOTES PAYABLE AND LONG-TERM DEBT

Acquisition Credit Facility

In May 2007, we entered into a senior unsecured $1 billion Acquisition Facility with ABN AMRO Bank N.V., as administrative agent, and other banks to fund the Aquila Transaction. On July 14, 2008, in conjunction with the completion of the purchase of the Aquila properties, we executed a single draw of $382.8 million under the Acquisition Facility. The loan was originally scheduled to mature on February 5, 2009. However, on December 18, 2008, we amended the facility to extend the maturity date to December 29, 2009. The March 31, 2009 outstanding balance of $382.8 million, is included in Notes payable in the accompanying Condensed Consolidated Balance Sheets. In April 2009, we received proceeds of $30.2 million for the partial sale of the Wygen III plant. These proceeds were used to pay down a portion of the Acquisition Facility (see Note 21).

(6) GUARANTEES

On January 19, 2009, we issued a guarantee for up to $37.9 million to GE for payment obligations arising from a contract to purchase one LMS100 natural gas turbine generator by Colorado Electric, which is expected to be used in meeting the needs of our Colorado Electric customers. It is a continuing guarantee which terminates upon payment in full of the purchase price to GE. Payments are scheduled based upon estimated milestone dates with the final payment due September 29, 2010. The purchase contract also gives us a short-term option for the purchase of two additional LMS100 turbine generators at the same pricing as the first generator.

On January 20, 2009, we guaranteed a surety bond for $9.2 million to MEAN to secure the operating performance obligations related to the Wygen I ownership agreement. Black Hills Wyoming and MEAN entered into the ownership agreement when MEAN acquired a 23.5% ownership interest in the Wygen I plant. The surety bond expires on December 31, 2009.

(7) EARNINGS PER SHARE

Basic earnings per share from continuing operations is computed by dividing income from continuing operations by the weighted-average number of common shares outstanding during the period. Diluted earnings per share from continuing operations gives effect to all dilutive common shares potentially outstanding during a period. A reconciliation of “Income from continuing operations” and basic and diluted share amounts is as follows (in thousands):

Period ended March 31, 2009	Three Months	
	Income	Average Shares
Income from continuing operations	$ 25,625	
Basic earnings	25,625	38,511
Dilutive effect of:		
Restricted stock	—	52
Diluted earnings	$ 25,625	38,563

Period ended March 31, 2008	Three Months	
	Income	Average Shares
Income from continuing operations	$ 11,816	
Basic earnings	11,816	37,826
Dilutive effect of:		
Stock options	—	80
Estimated contingent shares issuable for prior acquisition	—	397
Restricted stock	—	78
Others	—	18
Diluted earnings	$ 11,816	38,399

(8) OTHER COMPREHENSIVE INCOME

The following table presents the components of our other comprehensive income (in thousands):

	Three Months Ended March 31,	
	2009	2008
Net income	$ 26,391	$ 16,868
Other comprehensive income (loss), net of tax:		
Fair value adjustment on derivatives designated as cash flow hedges (net of tax of $(1,144) and $14,951, respectively)	2,998	(27,433)
Reclassification adjustments on cash flow hedges settled and included in net income (net of tax of $(1,917) and $(152), respectively)	3,370	273
Unrealized loss on available for sale securities (net of tax of $65)	—	(120)
Total comprehensive income (loss)	32,759	(10,412)
Less comprehensive income attributable to non-controlling interest	—	(77)
Comprehensive income attributable to Black Hills Corporation	$ 32,759	$ (10,489)

Other comprehensive income from fair value adjustments on derivatives designated as cash flow hedges in the three months ended March 31, 2009 is primarily attributable to fluctuating oil and gas prices affecting the fair value of natural gas and crude oil swaps held in the Oil and Gas segment and a decrease in interest rates affecting the fair value of interest rate swaps on variable rate debt.

Balances by classification included within Accumulated other comprehensive loss on the accompanying Condensed Consolidated Balance Sheets are as follows (in thousands):

	Derivatives Designated as Cash Flow Hedges	Employee Benefit Plans	Amount from Equity-method Investees	Unrealized Loss on Available-for-Sale Securities	Total
As of March 31, 2009	$ 1,818	$ (14,127)	$ (106)	$ —	$ (12,415)
As of December 31, 2008	$ (4,522)	$ (14,127)	$ (134)	$ —	$ (18,783)
As of March 31, 2008	$ (45,379)	$ (6,115)	$ (174)	$ (120)	$ (51,788)

(9) COMMON STOCK

Other than the following transactions, we had no other material changes in our common stock, as reported in Note 10 of the Notes to Consolidated Financial Statements in our 2008 Annual Report on Form 10-K.

Equity Compensation Plans

- We granted 78,136 target performance shares to certain officers and business unit leaders for the January 1, 2009 through December 31, 2011 performance period. Actual shares are not issued until the end of the Performance Plan period (December 31, 2011). Performance shares are awarded based on our total shareholder return over the designated performance period as measured against a selected peer group and can range from 0 to 175% of target. In addition, our stock price must also increase during the performance period. The final value of the performance shares will vary according to the number of shares of common stock that are ultimately granted based upon the actual level of attainment of the performance criteria. The performance awards are paid 50% in the form of cash and 50% in shares of common stock. The grant date fair value was $29.20 per share.

- We issued 47,202 shares of common stock under the 2008 short-term incentive compensation plan during the three months ended March 31, 2009. Pre-tax compensation cost related to the award was approximately $1.6 million, which was accrued for in 2008.

- We granted 78,877 restricted common shares during the three months ended March 31, 2009. The pre-tax compensation cost related to the awards of restricted stock and restricted stock units of approximately $2.1 million will be recognized over the three-year vesting period.

- No stock options were exercised during the three months ended March 31, 2009.

- Total compensation expense recognized for all equity compensation plans for the three months ended March 31, 2009 and 2008 was $0.4 million and $0.2 million, respectively.

- As of March 31, 2009, total unrecognized compensation expense related to non-vested stock awards was $7.7 million and is expected to be recognized over a weighted-average period of 2.4 years.

Dividend Reinvestment and Stock Purchase Plan

We have a Dividend Reinvestment and Stock Purchase Plan under which shareholders may purchase additional shares of common stock through dividend reinvestment and/or optional cash payments at 100% of the recent average market price. We have the option of issuing new shares or purchasing the shares on the open market. We issued 39,833 open market shares at a weighted-average price of $17.07 during the three months ended March 31, 2009. At March 31, 2009, 399,482 shares of unissued common stock were available for future offering under the Plan.

(10) EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plans

We have three non-contributory defined benefit pension plans (Plans). One Plan covers employees of the following subsidiaries who meet certain eligibility requirements: Black Hills Service Company, Black Hills Power, WRDC and BHEP. The second Plan covers employees of our subsidiary, Cheyenne Light, who meet certain eligibility requirements. The third plan covers employees of the Black Hills Energy utilities who meet certain eligibility requirements.

The components of net periodic benefit cost for the three Plans are as follows (in thousands):

	Three Months Ended March 31,	
	2009	2008
Service cost	$ 1,929	$ 754
Interest cost	3,679	1,230
Expected return on plan assets	(3,458)	(1,573)
Prior service cost	41	41
Net loss	752	—
Net periodic benefit cost	$ 2,943	$ 452

We made a $0.1 million contribution to the Cheyenne Light Pension Plan and a $0.4 million contribution to the Black Hills Corporation Pension Plan in the first quarter of 2009; no contributions were made to the Black Hills Energy Plan during the first three months of 2009. Additional contributions anticipated to be made to the Plans for 2009 and 2010 are expected to be approximately $14.4 million and $16.7 million, respectively.

Supplemental Non-qualified Defined Benefit Plans

We have various supplemental retirement plans for key executives (Supplemental Plans). The Supplemental Plans are non-qualified defined benefit plans.

The components of net periodic benefit cost for the Supplemental Plans are as follows (in thousands):

	Three Months Ended March 31,	
	2009	2008
Service cost	$ 117	$ 112
Interest cost	344	311
Prior service cost	1	3
Net loss	147	142
Net periodic benefit cost	$ 609	$ 568

We anticipate that we will make contributions to the Supplemental Plans for the 2009 fiscal year of approximately $1.0 million. The contributions are expected to be made in the form of benefit payments.

Non-pension Defined Benefit Postretirement Healthcare Plans

Employees who are participants in our Postretirement Healthcare Plans (Healthcare Plans) and who meet certain eligibility requirements are entitled to postretirement healthcare benefits.

The components of net periodic benefit cost for the Healthcare Plans are as follows (in thousands):

	Three Months Ended March 31,	
	2009	2008
Service cost	$ 260	$ 125
Interest cost	542	217
Expected return on asset	(56)	—
Prior service cost	(22)	—
Net transition obligation	15	15
Net gain	(8)	(20)
Net periodic benefit cost	$ 731	$ 337

We anticipate that we will make contributions to the Healthcare Plans for the 2009 fiscal year of approximately $3.3 million. The contributions are expected to be made in the form of benefits payments.

It has been determined that our post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy. The decrease in net periodic postretirement benefit cost due to the subsidy was approximately $0.1 million for each of the three month periods ended March 31, 2009 and 2008.

(11) SUMMARY OF INFORMATION RELATING TO SEGMENTS OF OUR BUSINESS

Our reportable segments are those that are based on our method of internal reporting, which generally segregates the strategic business groups due to differences in products, services and regulation. As of March 31, 2009, substantially all of our operations and assets are located within the United States.

The Utilities Group includes two reportable segments: Electric Utilities and Gas Utilities. We manage our electric and gas utility businesses predominantly by state; however, because our electric utilities and our gas utilities have similar economic characteristics, we aggregate our electric (and combination) utility businesses in the Electric Utilities reporting segment and our gas utility businesses in the Gas Utilities reporting segment. Electric Utilities include the operating results of the regulated electric utility operations of Black Hills Power and Colorado Electric, and the regulated electric and natural gas utility operations of Cheyenne Light. The natural gas operations within our combination utility, Cheyenne Light, provide relatively stable gross margins and overall financial results. Periodic variances are therefore rarely expected to significantly impact the operating results discussions for the Electric Utilities segment. Presentation of prior periods has been adjusted to reflect the combination of Black Hills Power and Cheyenne Light within the Electric Utilities segment. Gas Utilities, acquired on July 14, 2008, consists of the operating results of the regulated natural gas utility operations of Colorado Gas, Iowa Gas, Kansas Gas, and Nebraska Gas.

We conduct our operations through the following six reportable segments:

Utilities Group –

- Electric Utilities, which supplies electric utility service to areas in South Dakota, Wyoming, Montana and Colorado and natural gas utility service to Cheyenne, Wyoming and vicinity; and
- Gas Utilities, which supplies natural gas utility service in Colorado, Iowa, Kansas and Nebraska.

Non-regulated Energy Group –

- Oil and Gas, which produces, explores and operates oil and natural gas interests located in the Rocky Mountain region and other states;
- Power Generation, which produces and sells power and capacity to wholesale customers from power plants located in Wyoming and Idaho;
- Coal Mining, which engages in the mining and sale of coal from our mine near Gillette, Wyoming; and
- Energy Marketing, which markets natural gas, crude oil and related services primarily in the western and central regions of the United States and Canada.

Segment information follows the same accounting policies as described in Note 1 of the Notes to Consolidated Financial Statements in our 2008 Annual Report on Form 10-K. In accordance with the provisions of SFAS 71, intercompany fuel sales to the regulated utilities are not eliminated.

Segment information included in the accompanying Condensed Consolidated Statements of Income and Balance Sheets is as follows (in thousands):

Three Month Period Ended March 31, 2009	External Operating Revenues	Inter-segment Operating Revenues	Income (Loss) from Continuing Operations
Utilities:			
Electric Utilities	$ 137,060	$ 215	$ 9,317
Gas Utilities	256,337	—	17,265
Non-regulated Energy:			
Oil and Gas	16,511	—	(25,720)
Power Generation	7,619	—	17,153
Coal Mining	7,937	6,465	819
Energy Marketing	6,820	—	1,037
Corporate	—	—	5,536
Inter-segment eliminations	—	(1,021)	218
Total	$ 432,284	$ 5,659	$ 25,625

Three Month Period Ended March 31, 2008	External Operating Revenues	Inter-segment Operating Revenues	Income (Loss) from Continuing Operations
Utilities:			
Electric Utilities	$ 99,302	$ 306	$ 10,167
Non-regulated Energy:			
Oil and Gas	26,122	—	2,551
Power Generation	2,313	6,551	(896)
Coal Mining	7,889	5,358	1,629
Energy Marketing	6,119	—	299
Corporate	—	—	(1,934)
Inter-segment eliminations	—	(1,110)	—
Total	$ 141,745	$ 11,105	$ 11,816

	March 31, 2009	December 31, 2008	March 31, 2008
Total assets			
Utilities:			
Electric Utilities	$ 1,522,885	$ 1,485,040	$ 872,074
Gas Utilities	653,860	733,377	—
Non-regulated Energy:			
Oil and Gas	357,233	403,583	436,716
Power Generation	121,489	155,819	148,885
Coal Mining	75,092	75,872	61,994
Energy Marketing	262,441	339,543	357,483
Corporate	88,109	186,409	57,228
Discontinued operations	—	246	590,687
Total	$ 3,081,109	$ 3,379,889	$ 2,525,067

(12) RISK MANAGEMENT ACTIVITIES

Our activities in the regulated and unregulated energy sector expose us to a number of risks in the normal operations of our businesses. Depending on the activity, we are exposed to varying degrees of market risk and counterparty risk. We have developed policies, processes, systems, and controls to manage and mitigate these risks.

Market risk is the potential loss that might occur as a result of an adverse change in market price or rate. We are exposed to the following market risks:

- Commodity price risk associated with our marketing businesses, our natural long position with crude oil and natural gas reserves and production, fuel procurement for certain of our gas-fired generation assets, and gas usage at our Gas Utilities segment;
- Interest rate risk associated with variable rate credit facilities; and
- Foreign currency exchange risk associated with natural gas marketing transacted in Canadian dollars.

Our exposure to these market risks is affected by a number of factors including the size, duration, and composition of our energy portfolio, the absolute and relative levels of interest rates, currency exchange rates and commodity prices, the volatility of these prices and rates, and the liquidity of the related interest rate and commodity markets.

We actively manage our exposure to certain market risks as described in Note 2 of the Notes to Consolidated Financial Statements in our 2008 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:

Trading Activities

Natural Gas and Crude Oil Marketing

We have a natural gas and crude oil marketing business specializing in producer services, end-use origination and wholesale marketing that conducts business in the western and mid-continent regions of the United States and Canada.

Contracts and other activities at our natural gas and crude oil marketing operations are accounted for under the provisions of EITF 02-3 and SFAS 133. As such, all of the contracts and other activities at our natural gas and crude oil marketing operations that meet the definition of a derivative under SFAS 133 are accounted for at fair value. The fair values are recorded as either Derivative assets or Derivative liabilities on the accompanying Condensed Consolidated Balance Sheets. The net gains or losses are recorded as Operating revenues in the accompanying Condensed Consolidated Statements of Income. EITF 02-3 precludes mark-to-market accounting for energy trading contracts that are not derivatives pursuant to SFAS 133. As part of our natural gas and crude oil marketing operations, we often employ strategies that include derivative contracts along with inventory, storage and transportation positions to accomplish the objectives of our producer services, end-use origination and wholesale marketing groups. Except in limited circumstances when we are able to designate transportation, storage or inventory positions as part of a fair value hedge, SFAS 133 generally does not allow us to mark inventory, transportation or storage positions to market. The result is that while a significant majority of our natural gas and crude oil marketing positions are economically hedged, we are required to mark some parts of our overall strategies (the derivatives) to market value, but are generally precluded from marking the rest of our economic hedges (transportation, inventory or storage) to market. Volatility in reported earnings and derivative positions result from these accounting requirements.

FSP FIN 39-1 permits a reporting entity to offset fair value amounts recognized for the right to reclaim or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement. Each Condensed Consolidated Balance Sheet herein reflects the offsetting of net derivative positions with fair value amounts for cash collateral with the same counterparty when management believes a legal right of offset exists.

To effectively manage our portfolios, we enter into forward physical commodity contracts, financial derivative instruments including over-the-counter swaps and options and storage and transportation agreements. The business activities of our Energy Marketing segment are conducted within the parameters as defined and allowed in the BHCRPP and further delineated in the gas marketing Risk Management Policies and Procedures as approved by our Executive Risk Committee.

We use a number of quantitative tools to measure, monitor and limit our exposure to market risk in our natural gas and oil marketing portfolio. We limit and monitor our market risk through established limits on the nominal size of positions based on type of trade, location and duration. Such limits include those on fixed price, basis, index, storage, transportation and foreign exchange positions.

Daily risk management activities include reviewing positions in relation to established position limits, assessing changes in daily mark-to-market and other non-statistical risk management techniques.

The contract or notional amounts and terms of our natural gas and crude oil marketing activities and derivative commodity instruments are as follows:

	Outstanding at March 31, 2009		Outstanding at December 31, 2008		Outstanding at March 31, 2008	
	Notional Amounts	Latest Expiration (months)	Notional Amounts	Latest Expiration (months)	Notional Amounts	Latest Expiration (months)
(in thousands of MMBtus)						
Natural gas basis swaps purchased	273,496	31	187,368	34	187,068	33
Natural gas basis swaps sold	280,478	31	186,710	34	191,738	33
Natural gas fixed - for - float swaps purchased	101,094	21	85,412	24	53,738	24
Natural gas fixed - for - float swaps sold	107,705	21	90,171	24	67,910	24
Natural gas physical purchases	143,642	19	131,937	16	132,559	12
Natural gas physical sales	136,504	19	145,706	21	136,687	24
Natural gas options purchased	—	—	1,440	3	11,311	12
Natural gas options sold	—	—	1,440	3	11,311	12

	Outstanding at March 31, 2009		Outstanding at December 31, 2008		Outstanding at March 31, 2008	
	Notional Amounts	Latest Expiration (months)	Notional Amounts	Latest Expiration (months)	Notional Amounts	Latest Expiration (months)
(in thousands of Bbls)						
Crude oil physical purchases	5,070	9	7,446	12	3,737	9
Crude oil physical sales	4,301	9	6,251	12	2,903	9
Crude oil swaps/options purchased	67	1	435	24	495	9
Crude oil swaps/options sold	119	4	502	24	545	9

Derivatives and certain natural gas and crude oil marketing activities were marked to fair value on March 31, 2009, December 31, 2008 and March 31, 2008, and the related gains and/or losses recognized in earnings. The amounts included in the accompanying Condensed Consolidated Balance Sheets and Statements of Income are as follows (in thousands):

	Current Derivative Assets	Non-current Derivative Assets	Current Derivative Liabilities	Non-current Derivative Liabilities	Cash Collateral Included in Derivative Assets/ Liabilities[(a)]	Unrealized (Loss)/Gain
March 31, 2009	$ 53,741	$ 2,317	$ 20,422	$ (534)	$ 3,673	$ 39,843
December 31, 2008	$ 52,723	$ (145)	$ 15,553	$ (777)	$ 16,315	$ 54,117
March 31, 2008	$ 45,542	$ 1,246	$ 21,393	$ 994	$ (32,876)	$ (8,475)

(a) FIN 39 permits netting of receivables and payables when a legally enforceable master netting agreement exists between us and a counterparty. FIN 39-1 permits offsetting of fair value amounts recognized for the right to reclaim, or the obligation to return, cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract. At March 31, 2009 and December 31, 2008, we had an obligation to return cash collateral of $3.7 million and $16.3 million, respectively. At March 31, 2008, we had the right to reclaim cash collateral of $32.9 million.

In addition, certain volumes of natural gas inventory have been designated as the underlying hedged item in a “fair value” hedge transaction. These volumes include market adjustments based on published industry quotations. Market adjustments are recorded in Materials, supplies and fuel on the accompanying Condensed Consolidated Balance Sheets and the related unrealized gain/loss on the Condensed Consolidated Statements of Income, effectively offsetting the earnings impact of the unrealized gain/loss recognized on the associated derivative asset or liability described above. As of March 31, 2009, December 31, 2008 and March 31, 2008, the market adjustments recorded in inventory were $(2.4) million, $(9.4) million and $4.6 million, respectively.

Activities Other Than Trading

Oil and Gas Exploration and Production

We produce natural gas and crude oil through our exploration and production activities. Our natural "long" positions, or unhedged open positions, introduce commodity price risk and variability in our cash flows. We employ risk management methods to mitigate this commodity price risk and preserve our cash flows and we have adopted guidelines covering hedging for our natural gas and crude oil production. These guidelines have been approved by our Executive Risk Committee, and are routinely reviewed by our Board of Directors.

Over-the-counter swaps and options are used to mitigate commodity price risk and preserve cash flows. These derivative instruments fall under the purview of SFAS 133 and we elect to utilize hedge accounting as allowed under this Statement.

At March 31, 2009, December 31, 2008 and March 31, 2008, we had a portfolio of swaps and options to hedge portions of our crude oil and natural gas production. These transactions were designated at inception as cash flow hedges, properly documented and initially met prospective effectiveness testing. Effectiveness of our hedging position is evaluated at least quarterly.

The derivatives are marked to fair value and are recorded as Derivative assets or Derivative liabilities on the accompanying Condensed Consolidated Balance Sheets. The effective portion of the gain or loss on these derivatives was reported in other comprehensive income and the ineffective portion was reported in earnings.

On March 31, 2009, December 31, 2008 and March 31, 2008, we had the following derivatives and related balances (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)	Earnings (Loss)
March 31, 2009								
Crude oil swaps/options	450,000	0.25	$ 5,189	$ 4,523	$ —	$ 524	$ 8,629	$ 559
Natural gas swaps	9,946,500	0.75	18,932	4,764	4	244	23,448	—
			$ 24,121	$ 9,287	$ 4	$ 768	$ 32,077	$ 559
December 31, 2008								
Crude oil swaps/options	435,000	0.25	$ 7,674	$ 3,464	$ —	$ 10	$ 9,642	$ 1,486
Natural gas swaps	8,523,500	1.00	11,828	3,749	—	297	15,280	—
			$ 19,502	$ 7,213	$ —	$ 307	$ 24,922	$ 1,486
March 31, 2008								
Crude oil swaps/options	495,000	0.75	$ 484	$ —	$ 4,078	$ 2,187	$ (6,265)	$ 484
Natural gas swaps	11,657,000	1.59	66	114	12,653	3,328	(15,801)	—
			$ 550	$ 114	$ 16,731	$ 5,515	$ (22,066)	$ 484

* Crude in Bbls, gas in MMBtu.

** Refers to the term of the derivative instrument. Assets and liabilities are classified as current/non-current based on the timing of the hedged transaction and the corresponding settlement of the derivative instrument.

Based on March 31, 2009 market prices, a $20.9 million gain would be realized and reported in pre-tax earnings during the next twelve months related to hedges of production. Estimated and actual realized gains will likely change during the next twelve months as market prices change.

Fuel in Storage

On March 31, 2008, we had the following swaps and related balances (in thousands):

March 31, 2008	Notional*	Maximum Terms in Months	Current Derivative Assets	Non-current Derivative Assets	Current Derivative Liabilities	Non-current Derivative Liabilities	Pre-tax Accumulated Other Comprehensive Income (Loss)	Unrealized Gain
Natural gas swaps	300,000	1	$ 245	$ —	$ 245	$ —	$ —	$ —

*gas in MMBtus

Regulated Gas Utilities

Gas Hedges

Our Gas Utilities segment purchases and distributes natural gas in four states. During the winter heating season, our gas customers are exposed to the effect of volatile natural gas prices; therefore, as allowed or required by state utility commissions, we have entered into certain exchange traded natural gas futures and option transactions to reduce our customers' underlying exposure to these fluctuations. These transactions are considered derivative transactions under SFAS 133, are marked-to-market, not designated as hedges under SFAS 133 and, are recorded as Derivative assets or Derivative liabilities on the accompanying Condensed Consolidated Balance Sheets. Gains and losses, as well as option premiums, on these transactions are recorded as Regulatory assets or Regulatory liabilities in accordance with SFAS 71. Accordingly, the earnings impact is recognized in the Consolidated Income Statement as a component of PGA costs when the related costs are recovered through our rates as part of PGA costs in operating revenue.

The contract or notional amounts and terms of our natural gas derivative commodity instruments are as follows:

	Outstanding at March 31, 2009		Outstanding at December 31, 2008	
	Notional Amounts*	Latest Expiration (months)	Notional Amounts*	Latest Expiration (months)
Natural gas futures purchased	2,110,000	24	1,290,000	3
Natural gas options purchased	—	—	3,990,000	3
Natural gas options sold	—	—	820,000	3

*gas in MMBtus

On March 31, 2009 and December 31, 2008, we had the following derivatives and related balances (in thousands):

	Current Derivative Assets	Non-current Derivative Assets	Current Derivative Liabilities	Non-current Derivative Liabilities	Net Unrealized Loss Included in Regulatory Assets	Cash Collateral Included in Derivative Assets/ Liabilities
March 31, 2009	$ 1,581	$ 2	$ —	$ 82	$ 543	$ 2,044
December 31, 2008	$ 4,224	$ —	$ 2,924	$ —	$ 11,668	$ 8,744

Weather Derivatives

As approved in the State of Iowa, Iowa Gas uses a weather derivative to offset inherent risks, but not for trading or speculative purposes. EITF 99-2 requires that these weather derivatives are accounted for by recording an asset or liability for the difference between the actual and contracted threshold cooling or heating degree days in the period, multiplied by the contract price. The amount of realized gains included in Regulatory liabilities was $0.5 million for the three months ended March 31, 2009. The liability amount included in Current liabilities, other was $1.0 million at March 31, 2009; the receivable amount included in Current liabilities, other was $1.8 million at December 31, 2008.

Financing Activities

We are exposed to interest rate risk associated with fluctuations in the interest rate on our variable interest rate debt. In order to manage this risk, we have entered into floating-to-fixed interest rate swap agreements that convert the debt's variable interest rate to a fixed rate.

On March 31, 2009, December 31, 2008 and March 31, 2008, our 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)/Income	Pre-tax Gain/(Loss)
March 31, 2009									
Interest rate swaps	$ 150,000	5.04%	7.75	$ —	$ —	$ 5,780	$ 20,340	$ (26,120)	$ —
Interest rate swaps	250,000	5.67%	0.75	—	—	79,677	—	—	14,763
	$ 400,000			$ —	$ —	$ 85,457	$ 20,340	$ (26,120)	$ 14,763
December 31, 2008									
Interest rate swaps	$ 150,000	5.04%	8.00	$ —	$ —	$ 5,740	$ 22,495	$ (28,235)	$ —
Interest rate swaps	250,000	5.67%	1.00	—	—	94,440	—	—	(94,440)
	$ 400,000			$ —	$ —	$ 100,180	$ 22,495	$ (28,235)	$ (94,440)
March 31, 2008									
Interest rate swaps	$ 150,000	5.04%	8.50	$ —	$ —	$ 3,534	$ 10,007	$ (13,541)	$ —
Interest rate swaps	250,000	5.54%	0.25	—	—	30,621	—	(30,621)	—
	$ 400,000			$ —	$ —	$ 34,155	$ 10,007	$ (44,162)	$ —

Based on March 31, 2009 market interest rates and balances, a loss of approximately $5.8 million would be realized and reported in pre-tax earnings during the next twelve months. Estimated and realized losses will likely change during the next twelve months as market interest rates change.

Foreign Exchange Contracts

Our Energy Marketing Segment conducts its gas marketing in the United States and Canada. Transactions in Canada are generally transacted in Canadian dollars and create exchange risk for us. To mitigate this risk, we enter into forward currency exchange contracts to offset earnings volatility from changes in exchange rates between the Canadian and United States dollar.

The outstanding forward exchange contracts, which had a fair value of less than $0.1 million, $(0.2) million and $(0.4) million at March 31, 2009, December 31, 2008 and March 31, 2008, respectively, have been recorded as Derivative assets or Derivative liabilities on the accompanying Condensed Consolidated Balance Sheets. The impact of foreign currency exchange transactions did not have a material effect on our Condensed Consolidated Statements of Income. All forward exchange contracts outstanding at March 31, 2009 will settle by May 25, 2009 and were as follows:

	Outstanding at March 31, 2009		Outstanding at December 31, 2008		Outstanding at March 31, 2008	
(Dollars, in thousands)	Notional Amounts	Latest Expiration (months)	Notional Amounts	Latest Expiration (months)	Notional Amounts	Latest Expiration (months)
Canadian dollars purchased	$ 20,000	2	$ 52,000	1	$ 27,000	1

(13) QUANTITATIVE DISCLOSURES RELATED TO DERIVATIVES

As required by SFAS 161, fair values within the following tables are presented on a gross basis and do not reflect the netting of asset and liability positions permitted in accordance with FIN 39 and under terms of our master netting agreements. Further, the amounts do not include net cash collateral of $1.6 million on deposit in margin accounts at March 31, 2009 to collateralize certain financial instruments, which is included in Derivative assets – current. Therefore, the gross balances are not indicative of either our actual credit exposure or net economic exposure. Additionally, the amounts below will not agree with the amounts presented on our Condensed Consolidated Balance Sheet, nor will they agree to the fair value measurements presented in Note 12 and Note 14. The following table presents the fair value and balance sheet classification of our derivative instruments as of March 31, 2009 (in thousands):

Fair Value as of March 31, 2009

	Balance Sheet Location	Fair Value of Asset Derivatives	Fair Value of Liability Derivatives
Derivatives designated as hedges under SFAS 133:			
Commodity derivatives	Derivative assets – current	$ 7,339	$ 4,717
Interest rate swaps	Derivative liabilities – current	—	5,780
Interest rate swaps	Derivative liabilities – non-current	—	20,340
Total derivatives designated as hedges under SFAS 133		$ 7,339	$ 30,837
Derivatives not designated as hedges under SFAS 133:			
Commodity derivatives	Derivative assets – current	$ 343,372	$ 265,003
Commodity derivatives	Derivative assets – non-current	19,120	7,514
Commodity derivatives	Derivative liabilities – current	11,959	32,320
Commodity derivatives	Derivative liabilities – non-current	170	486
Interest rate swap	Derivative liabilities – current	—	79,677
Foreign currency derivatives	Derivative assets – current	107	26
Foreign currency derivatives	Derivative liabilities – current	—	65
Total derivatives not designated as hedges under SFAS 133		$ 374,728	$ 385,091

A description of our derivative activities is discussed in Note 12. The following tables present the impact that derivatives had on our Condensed Consolidated Statement of Income for the three months ended March 31, 2009.

Fair Value Hedges

The impact of commodity contracts designated as fair value hedges and the related hedged items on our accompanying Condensed Consolidated Statement of Income for the three months ended March 31, 2009 is presented as follows:

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Income for the Quarter Ended March 31, 2009

	Fair Value Hedges (in thousands)	
Derivatives in SFAS 133 Fair Value Hedging Relationships	Location of Gain/(Loss) on Derivatives Recognized in Income	Amount of Gain/(Loss) on Derivatives Recognized in Income
Commodity derivatives	Operating revenue	$ 7,520
Fair value adjustment for natural gas inventory designated as the hedged item	Operating revenue	(6,955)
		$ 565

Cash Flow Hedges

The impact of cash flow hedges on our Condensed Consolidated Statement of Income for the three months ended March 31, 2009 is presented as follows:

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Income and the Balance Sheet for the Quarter Ended March 31, 2009

	Cash Flow Hedges (in thousands)				
Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain/ (Loss) Recognized in AOCI Derivative (Effective Portion)	Location of Gain/ (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain/ (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion)
Interest rate swaps	$ 2,115	Interest expense	$ (1,348)		$ —
Commodity derivatives	7,155	Operating revenue	6,635	Operating revenue	(927)
Total	$ 9,270		$ 5,287		$ (927)

Derivatives Not Designated as Hedge Instruments

The impact of derivative instruments that have not been designated as hedges on our Condensed Consolidated Statement of Income for the three months ended March 31, 2009 is presented below.

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Income for the Quarter Ended March 31, 2009

Derivatives Not Designated as Hedging Instruments
(in thousands)

Derivatives Not Designated as Hedging Instruments under SFAS 133	Location of Gain/(Loss) on Derivatives Recognized in Income	Amount of Gain/(Loss) on Derivatives Recognized in Income
Commodity derivatives	Operating revenue	$ (8,125)
Interest rate swap	Interest rate swap	14,763
Foreign currency contracts	Operating revenue	243
		$ 6,881

(14) FAIR VALUE MEASUREMENTS

We adopted SFAS 157 effective January 1, 2008 for all financial assets and liabilities and any other assets and liabilities that are recognized at fair value on a recurring basis. We adopted SFAS 157 for non-financial assets and liabilities measured at fair value on a non-recurring basis effective January 1, 2009. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. Broadly, SFAS 157 provides a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three-tier valuation hierarchy based upon observable and non-observable inputs.

For valuation methodologies related to instruments accounted for at fair value on a recurring basis, see Note 3 to our Notes to Consolidated Financial Statements in our 2008 Annual Report on Form 10-K

The following tables set forth by level within the fair value hierarchy our assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2009, December 31, 2008 and March 31, 2008. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect their placement within the fair value hierarchy levels.

Recurring Fair Value Measures (in thousands)	At Fair Value as of March 31, 2009				
	Level 1	Level 2	Level 3	Counterparty Netting and Cash Collateral[a]	Total
Assets:					
Commodity derivatives	$ —	$ 340,933	$ 24,926	$ (274,917)	$ 90,942
Foreign currency derivatives	—	107	—	—	107
Total	$ —	$ 341,040	$ 24,926	$ (274,917)	$ 91,049
Liabilities:					
Commodity derivatives	$ —	$ 282,420	$ 11,519	$ (273,288)	$ 20,651
Foreign currency derivatives	—	91	—	—	91
Interest rate swaps	—	105,797	—	—	105,797
Total	$ —	$ 388,308	$ 11,519	$ (273,288)	$ 126,539

Recurring Fair Value Measures (in thousands)	At Fair Value as of December 31, 2008				
	Level 1	Level 2	Level 3	Counterparty Netting and Cash Collateral[a]	Total
Assets:					
Commodity derivatives	$ —	$ 267,932	$ 28,407	$ (208,952)	$ 87,387
Liabilities:					
Commodity derivatives	$ —	$ 211,672	$ 12,009	$ (201,381)	$ 22,300
Foreign currency derivatives	—	227	—	—	227
Interest rate swaps	—	122,675	—	—	122,675
Total	$ —	$ 334,574	$ 12,009	$ (201,381)	$ 145,202

Recurring Fair Value Measures (in thousands)	At Fair Value as of March 31, 2008				
	Level 1	Level 2	Level 3	Counterparty Netting and Cash Collateral[a]	Total
Assets:					
Short-term investments	$ —	$ —	$ 7,290	$ —	$ 7,290
Commodity derivatives	—	89,452	12,549	(54,304)	47,697
Total	$ —	$ 89,452	$ 19,839	$ (54,304)	$ 54,987
Liabilities:					
Commodity derivatives	$ —	$ 126,127	$ 5,576	$ (87,180)	$ 44,523
Interest rate swaps	—	44,164	—	—	44,164
Foreign currency derivatives	—	355	—	—	355
Total	$ —	$ 170,646	$ 5,576	$ (87,180)	$ 89,042

(a) FIN 39 permits the netting of receivables and payables when a legally enforceable master netting agreement exists between us and a counterparty. FIN 39-1 permits offsetting of fair value amounts recognized for the right to reclaim or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement. Cash collateral included on deposit in margin accounts at March 31, 2009, December 31, 2008 and March 31, 2008 totaled a net $(1.6) million, $(7.6) million and $32.9 million, respectively. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

The following tables present the changes in level 3 recurring fair value for the three months ended March 31, 2009 and 2008, respectively (in thousands):

	Three Months Ended March 31, 2009
	Commodity Derivatives
Balance as of January 1, 2009	$ 16,398
Realized and unrealized losses	(245)
Purchases, issuance and settlements	(5,307)
Transfers in and/or out of level 3[(a)]	2,561
Balances as of March 31, 2009	$ 13,407
Changes in unrealized losses relating to instruments still held as of March 31, 2009	$ (3,442)

(a) Transfers into level 3 represent existing asset and liabilities that were either previously categorized as a higher level for which the inputs became unobservable. Transfers out of level 3 represent existing assets and liabilities that were previously classified as level 3 for which the lowest significant input became observable during the period.

	Three Months Ended March 31, 2008		
	Commodity Derivatives	Short-term Investments	Total
Balance as of January 1, 2008	$ 6,422	$ —	$ 6,422
Realized and unrealized gains (losses)	1,037	(185)	852
Purchases, issuance and settlements	(486)	7,475	6,989
Balances as of March 31, 2008	$ 6,973	$ 7,290	$ 14,263
Changes in unrealized gains (losses) relating to instruments still held as of March 31, 2008	$ (789)	$ (185)	$ (974)

Gains and losses (realized and unrealized) for level 3 commodity derivatives are included in Operating revenues on the accompanying Condensed Consolidated Statements of Income. We believe an analysis of commodity derivatives classified as level 3 needs to be undertaken with the understanding that these items may be economically hedged as part of a total portfolio of instruments that may be classified in level 1 or 2, or with instruments that may not be accounted for at fair value. Accordingly, gains and losses associated with level 3 balances may not necessarily reflect trends occurring in the underlying business. Further, unrealized gains and losses for the period from level 3 items may be offset by unrealized gains and losses in positions classified in level 1 or 2, as well as positions that have been realized during the quarter. Short-term investments included in level 3 represent auction rate securities held at March 31, 2008. The unrealized losses for these investments are recognized in Accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets.

(15) IMPAIRMENT OF LONG-LIVED ASSETS

As a result of lower natural gas prices at March 31, 2009, we recorded a non-cash ceiling test impairment of oil and gas assets included in the Oil and Gas segment. The lower prices at March 31, 2009 resulted in a $43.3 million pre-tax decrease in the full cost accounting method's ceiling limit for capitalized oil and gas property costs. The write-down in the net carrying value of our natural gas and crude oil properties was recorded as Impairment of long-lived assets and was based on the March 31, 2009 NYMEX price of $3.63 per Mcf, adjusted to $2.23 per Mcf at the wellhead, for natural gas; and NYMEX price of $49.66 per barrel, adjusted to $45.32 per barrel at the wellhead, for crude oil.

(16) COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

We are subject to various legal proceedings, claims and litigation as described in Note 18 of the Notes to Consolidated Financial Statements in our 2008 Annual Report on Form 10-K. There have been no material developments in any previously reported proceedings or any new material proceedings that have developed or material proceedings that have terminated during the first three months of 2009.

In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations. We believe the amounts provided in our consolidated financial statements are adequate in light of the probable and estimable contingencies. However, there can be no assurance that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims and other matters discussed below, and to comply with applicable laws and regulations, will not exceed the amounts reflected in our consolidated financial statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of March 31, 2009, cannot be reasonably determined and could have a material adverse effect on our results of operations or financial position.

FERC Compliance Investigation

During 2007, following an internal review of natural gas marketing activities conducted within the Energy Marketing segment, we identified possible instances of noncompliance with regulatory requirements applicable to those activities. We have notified the staff of FERC of our findings. We have also evaluated public announcements of civil penalties that have been levied against other companies for violations of FERC regulatory requirements. We believe we have adequately reserved for the estimated potential penalty that could be levied on us. Although the outcome of any legal or regulatory proceedings resulting from these matters cannot be predicted with any certainty, and while the final resolution of these matters could have a material impact on the consolidated net income of any particular period, the outcome of this proceeding is not expected to have a material impact upon our overall consolidated financial position.

Long-Term Power Sales Agreement

In March 2009, our 10-year power sales contract with MEAN that originally expired in 2013 was re-negotiated and extended until 2023. Under the new contract, MEAN will purchase 20 MW of unit-contingent capacity from the Neil Simpson II and the Wygen III plants, with capacity purchase decreasing to 15 MW in 2018, 12 MW in 2020 and 10 MW in 2022. The unit-capacity from Wygen III and Neil Simpson II plants are as follows:

20 MW – 10 MW contingent on Wygen III and 10 MW contingent on Neil Simpson II
15 MW – 10 MW contingent on Wygen III and 5 MW contingent on Neil Simpson II
12 MW – 6 MW contingent on Wygen III and 6 MW contingent on Neil Simpson II
10 MW – 5 MW contingent on Wygen III and 5 MW contingent on Neil Simpson II

(17) ACQUISITION

Aquila Transaction

On July 14, 2008, we completed the acquisition of a regulated electric utility in Colorado and four regulated gas utilities in Colorado, Kansas, Nebraska and Iowa. See Note 21 of the Notes to our 2008 Annual Report on Form 10-K for additional information.

This acquisition has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the acquired assets and liabilities based on preliminary estimates of the fair values of the assets purchased and liabilities assumed as of the date of acquisition. Adjustments to the purchase price allocation during the three months ended March 31, 2009 included working capital adjustments, which resulted in a cash receipt of $7.9 million, settlement of pension liabilities, which resulted in a cash payment of $4.3 million, and adjustments to deferred income taxes. Outstanding adjustments relate to employee benefits, which we expect to finalize in the second quarter of 2009. The estimated purchase price allocations are subject to adjustment, generally within one year of the date of acquisition. Allocation of the purchase price is as follows (in thousands):

Current assets	$	113,547
Property, plant and equipment		542,094
Derivative assets		4,695
Goodwill		344,263
Intangible assets		4,884
Deferred assets		70,939
	$	1,080,422
Current liabilities	$	95,349
Deferred credits and other liabilities		54,550
	$	149,899
Net assets	$	930,523

After finalization of the working capital adjustment, the allocation of the purchase price resulted in $344.3 million of goodwill and $4.9 million of intangible assets. Goodwill of $246.3 million was allocated to the Electric Utility and $98.0 million was allocated to the Gas Utilities.

The results of operations of the acquired regulated utilities have been included in the accompanying Condensed Consolidated Financial Statements since the acquisition date.

The following pro-forma consolidated results of operations have been prepared as if the acquisition of the regulated utilities had occurred on January 1, 2008 (in thousands, except per share amounts):

	Three Month Period Ended March 31, 2008
Operating revenues	$ 488,650
Income from continuing operations	31,446
Net income available for common stock	36,421
Earnings per share –	
Basic:	
Continuing operations	$ 0.83
Total	$ 0.96
Diluted:	
Continuing operations	$ 0.82
Total	$ 0.95

The above pro-forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition been consummated at that time; nor is it intended to be a projection of future results.

(18) INCOME TAXES

Our effective tax rate for the first quarter of 2009 was lower than previous periods as a result of a positive adjustment to a previously recorded tax position. We recorded a $3.8 million reduction in tax expense in our Oil and Gas segment due to a re-measurement of this position which was recorded in accordance with FIN 48.

(19) GOODWILL

The majority of our goodwill relates to the Aquila assets, which were acquired on July 14, 2008. In accordance with SFAS 142 and a decline in our market capitalization, we tested goodwill for impairment as of March 31, 2009. We estimated the fair value of the goodwill using discounted cash flow and comparable transaction methodologies. This analysis required the input of several critical assumptions, including future growth rates, cash flow projections, operating cost escalation rates, rates of return, discount rates, and long-term earnings and valuation multiples. As a result of the analysis and given our belief that these assets will provide relatively stable, long-term cash flows with growth potential, we did not record an impairment charge for the goodwill.

(20) DISCONTINUED OPERATIONS

We account for our discontinued operations under the provisions of SFAS 144. Accordingly, results of operations and the related charges for discontinued operations have been classified as “Income from discontinued operations, net of taxes” in the accompanying Condensed Consolidated Statements of Income. Assets and liabilities of the discontinued operations have been reclassified and reflected on the accompanying Condensed Consolidated Balance Sheets as “Assets of discontinued operations” and “Liabilities of discontinued operations.” For comparative purposes, all prior periods presented have been restated to reflect the reclassifications on a consistent basis.

Sale of IPP Assets

On April 29, 2008, we entered into a definitive agreement to sell seven of our IPP plants to affiliates of Hastings and IIF for $840 million, subject to certain working capital adjustments. The transaction was completed July 11, 2008. Under the agreement, we received net pre-tax cash proceeds of $756 million, including the effects of estimated working capital adjustments and other costs and the required payoff of approximately $67.5 million of associated project level debt. The after-tax gain recorded on the asset sale, after finalization of the working capital adjustments, was $140.5 million, of which $139.7 million was recorded in 2008 in discontinued operations.

Revenues and net income from the discontinued operations associated with the divested IPP plants were as follows (in thousands):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Operating revenues	$ —	$ 26,361
Pre-tax income from discontinued operations	1,190	7,904
Income tax expense	424	3,071
Net income from discontinued operations	$ 766	$ 4,833

Allocation of corporate expenses to discontinued operations was made in accordance with SFAS 144 and EITF 87-24. The indirect corporate costs and inter-segment interest expense related to the IPP assets sold and not reclassified to discontinued operations was $3.5 million after-tax for the three months ended March 31, 2008. These allocated costs remain in the Power Generation segment.

Interest expenses included within the operations of the discontinued entities was recorded pursuant to EITF 87-24 and includes interest expense on debt which was required to be repaid as a result of the sale transaction. In accordance with EITF 87-24, interest expense was allocated to discontinued operations based on the ratio of the assets sold to total Company net assets, excluding the known debt repayment. For the three months ended March 31, 2008, interest expense allocated to discontinued operations was $2.7 million.

Net assets associated with the divested IPP plants were as follows (in thousands):

	March 31, 2008
Current assets	$ 30,177
Property, plant and equipment, net of accumulated depreciation	497,895
Goodwill	26,501
Intangible assets (net of accumulated amortization of $28,865)	20,272
Other non-current assets	14,736
Current liabilities	(31,357)
Long-tem debt	(57,857)
Other non-current liabilities	(30)
Net assets	$ 500,337

(21) SUBSEQUENT EVENTS

Sale to MDU

On April 9, 2009, Black Hills Power sold a 25% ownership interest in its Wygen III generation facility to MDU. At closing, MDU made a payment to us for its 25% share of the costs to date on the ongoing construction of the facility. Proceeds of $30.2 million were used to pay down a portion of the Acquisition Facility. MDU will continue to reimburse Black Hills Power for its 25% of the total costs paid to complete the project. In conjunction with the sales transaction, we also modified a 2004 power purchase agreement between Black Hills Power and MDU under which Black Hills Power supplied MDU with 74 MW of capacity and energy through 2016.

Guarantee

Effective May 1, 2009, we issued a guarantee for up to $37.9 million to GE for payment obligations arising from a change order to a purchase contract for a LMS100 natural gas turbine generator, which is expected to be used in meeting the needs of our Colorado Electric customers. It is a continuing guarantee which terminates upon payment in full of the purchase price to GE. Payments are scheduled based upon estimated milestone dates, with the final payment due October 27, 2010.

Enserco Credit Facility

On May 8, 2009, Enserco entered into an agreement for a $240 million committed credit facility. Societe Generale, Fortis Capital Corp., and BNP Paribas are co-lead arranger banks. This facility replaces its previously uncommitted $300 million credit facility which expires on May 8, 2009. Enserco expects to close an additional $60 million of funding in May 2009 with new facility lenders, raising the total committed facility to $300 million.

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

We are a diversified energy company operating principally in the United States with two major business groups – Utilities and Non-regulated Energy. We report our business groups in the following segments:

Business Group	Financial Segment
Utilities Group	Electric Utilities Gas Utilities
Non-regulated Energy Group	Oil and Gas Power Generation Coal Mining Energy Marketing

Our Utilities Group consists of our electric and gas utility segments. Our Electric Utilities generate, transmit and distribute electricity to approximately 202,100 customers in South Dakota, Wyoming, Colorado and Montana. In addition, Cheyenne Light, which is also reported within the Electric Utilities segment, provides natural gas to approximately 33,300 customers in Wyoming. Our Gas Utilities segment serves approximately 524,000 natural gas customers in Colorado, Nebraska, Iowa and Kansas. Our Non-regulated Energy Group engages in the production of coal, natural gas and crude oil primarily in the Rocky Mountain region; the production of electric power through ownership of a portfolio of generating plants and the sale of electric power and capacity primarily under long-term contracts; and the marketing of natural gas, crude oil and related services.

See Forward-Looking Information in the Liquidity and Capital Resources portion of this Item 2, beginning on Page 65.

Significant Events

Wygen III Power Plant Project

In March 2008, we received final regulatory approval for construction of Wygen III. Construction began immediately and the 110 MW coal-fired base load electric generating facility is expected to be completed by June, 2010. The expected cost of construction is approximately $255 million, which includes estimates for AFUDC. A 2004 Purchase Power Agreement between Black Hills Power and MDU included an option to purchase an ownership interest in Wygen III. MDU exercised this option, and under an agreement entered into in April 2009, we will retain an undivided ownership of 75% of the facility with MDU owning the remaining 25%. MDU reimbursed us for 25% of the costs incurred to date on the ongoing construction of the facility. We received $30.2 million, which was used to pay down a portion of the Acquisition Facility. We will retain responsibility for operations of the facility with a life-of-plant site lease and agreements with MDU for operations and coal supply.

Partial Sale of Wygen I to MEAN

During August 2008, we entered into a definitive agreement to sell a 23.5% ownership interest in the Wygen I plant to MEAN. The sale was completed in January, 2009 for a price of $51.0 million, which was based on the then current replacement cost for the coal-fired plant. We realized an after-tax gain of $16.9 million on the sale, and our property, plant and equipment was reduced by $26.2 million. We retain responsibility for operations of the plant, and at closing entered into a site lease, and agreements with MEAN for coal supply and operations. In addition, we renegotiated a 10-year power purchase contract requiring MEAN to purchase 20 MW of power annually from Wygen I.

Extension of Long-Term Power Sales Agreement with MEAN

In March 2009, our 10-year power sales contract with MEAN that originally expired in 2013 was re-negotiated and extended until 2023. Under the new contract, MEAN will purchase 20 MW of unit-contingent capacity from the Neil Simpson II and the Wygen III plants with capacity purchase decreasing to 15 MW in 2018, 12 MW in 2020 and 10 MW in 2022. The unit-contingent capacity from Wygen III and Neil Simpson II plants are as follows:

20 MW – 10 MW contingent on Wygen III and 10 MW contingent on Neil Simpson II
15 MW – 10 MW contingent on Wygen III and 5 MW contingent on Neil Simpson II
12 MW – 6 MW contingent on Wygen III and 6 MW contingent on Neil Simpson II
10 MW – 5 MW contingent on Wygen III and 5 MW contingent on Neil Simpson II

Colorado Electric Resource Plan

In August 2008, Black Hills Energy filed a long-term Electric Resource Plan with CPUC proposing to build five natural gas-fired power generation facilities totaling 350 MW to support the customers of Colorado Electric. In the first quarter of 2009, Colorado Electric received approval from the CPUC to build two of the five power generation facilities representing approximately 150 MW. The power generation facilities are part of a plan to replace the purchased power agreement currently with Xcel Energy which expires on December 31, 2011. The initial decision of the CPUC waives the competitive bidding process for the two turbines; the remaining three turbines will be completed through a competitive bid process.

Results of Operations

Executive Summary

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008.
Income from continuing operations for the three month period ended March 31, 2009 was $25.6 million, or $0.66 per share, compared to $11.8 million, or $0.31 per share, reported for the same period in 2008. For the three month period ended March 31, 2009, net income available for common stock was $26.4 million or $0.68 per share, compared to $16.8 million, or $0.44 per share, for the same period in 2008.

Included in the results are the earnings from the utilities acquired from Aquila on July 14, 2008 and impacts from the following notable items:

- $16.9 million after-tax gain from sale of a 23.5% interest in the Wygen I generation facility on January 22, 2009;
- $9.6 million after-tax non-cash gain, resulting from an unrealized net mark-to-market gain for certain interest rate swaps entered into in 2007;
- Non-cash ceiling test impairment of oil and gas assets totaling $27.8 million after-tax, driven by lower natural gas and crude oil prices at the end of the quarter; and
- Lower effective tax rate for the quarter relating to a $3.8 million benefit associated with an improvement of a previously recorded tax position.

The Utilities Group includes the 2009 results of the electric and gas utilities acquired from Aquila on July 14, 2008. Earnings reflect the impact of increased retail margins from an approved rate case for transmission rates and the impact of AFUDC related to the Wygen III construction partially offset by lower margins from off-system sales and higher interest expense.

Earnings from the Oil and Gas segment decreased for the quarter due to a decrease in operating revenues due to lower prices and a ceiling test impairment, partially offset by a 4% increase in production compared to the first quarter 2008. Average oil prices received, net of hedges, decreased 37% and average gas prices received, net of hedges, decreased 34%.

Increased earnings from the Power Generation segment were impacted by a $16.9 million after-tax gain on the sale of a 23.5% ownership interest in the Wygen I power generation facility to MEAN, partially offset by increased interest expense. In addition, for the three months ended March 31, 2008, results included $5.4 million of allocated indirect corporate costs and intersegment net interest expense not classified to discontinued operations for the IPP Transaction.

Lower earnings from the Coal Mining segment resulted from increased depreciation and coal taxes, partially offset by revenue increases from higher average sale prices and lower diesel fuel costs.

Increased earnings from the Energy Marketing segment reflect higher realized crude oil margins received and lower unrealized mark-to-market losses partially offset by lower realized natural gas margins. Realized natural gas margins were impacted by changes in market conditions as lower geographic and calendar spreads compared to 2008 contributed to the earnings decline. As part of our efforts to preserve our liquidity, we have intentionally limited the usage of Enserco’s uncommitted credit facility. This has had a negative impact on marketing results.

Income from discontinued operations was $0.8 million, or $0.02 per share, for the three month period ended March 31, 2009, compared to $5.1 million, or $0.13 per share, for the same period in 2008. The Income from discontinued operations in 2009 relates to working capital adjustments and the related impact on the gain on sale from the IPP Transaction.

Consolidated Results

Revenues and Income (Loss) from Continuing Operations provided by each business group were as follows (in thousands):

	Three Months Ended March 31,	
	2009	2008
Revenues		
Utilities	$ 393,397	$ 99,302
Non-regulated Energy	44,546	53,548
	$ 437,943	$ 152,850
Income (loss) from continuing operations		
Utilities	$ 26,582	$ 10,167
Non-regulated Energy	(6,493)	3,583
Corporate	5,536	(1,934)
	$ 25,625	$ 11,816

Income from continuing operations increased $13.8 million for the three months ended March 31, 2009 due primarily to the following:

- $17.3 million income from the Gas Utilities segment;
- An $18.0 million increase in Power Generation earnings;
- A $0.7 million increase in Energy Marketing earnings; and
- A $7.5 million increase in corporate income.

The increases in earnings were partially offset by:

- A $0.9 million decrease in Electric Utilities earnings;
- A $28.3 million decrease in Oil and Gas earnings; and
- A $0.8 million decrease in Coal Mining earnings.

See the following discussion under the captions “Utilities Group” and “Non-regulated Energy Group” for more detail on our results of operations by business segment.

The following business group and segment information does not include intercompany eliminations or results of discontinued operations. Amounts are presented on a pre-tax basis unless otherwise indicated.

Utilities Group

In July 2008, we acquired from Aquila regulated electric utility assets in Colorado and four gas utilities assets operating in Colorado, Nebraska, Iowa and Kansas. Operations from the acquired utilities have been included in the Utilities Group results from the July 14, 2008 acquisition date.

With the completion of the acquisition, we are reporting two segments within the Utilities Group: Electric Utilities and Gas Utilities. The Electric Utilities segment includes the electric operations of Black Hills Power, Colorado Electric and the electric and natural gas operations of Cheyenne Light. The Gas Utilities segment includes the regulated natural gas utility operations of Black Hills Energy in Colorado, Nebraska, Iowa and Kansas.

Electric Utilities

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Revenue – electric	$ 122,177	$ 82,574
Revenue – gas	15,098	17,034
Total revenue	137,275	99,608
Fuel and purchased power – electric	64,896	40,256
Purchased gas	10,258	11,858
Total fuel and purchased power	75,154	52,114
Gross margin – electric	57,281	42,318
Gross margin – gas	4,840	5,176
Total gross margin	62,121	47,494
Operating expenses	42,875	27,628
Operating income	$ 19,246	$ 19,866
Income from continuing operations and net income available for common stock	$ 9,317	$ 10,167

The following tables summarize regulated sales revenues, quantities generated and purchased, sales quantities and degree days for our Electric Utilities segment. Included in 2009 reported amounts for the quarter are the operations of Colorado Electric, acquired July 14, 2008 as part of the Aquila Transaction:

Sales Revenues	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Residential:		
Black Hills Power	$ 14,281	$ 12,966
Cheyenne Light	7,487	9,950
Colorado Electric	16,503	—
Total Residential	38,271	22,916
Commercial:		
Black Hills Power	14,643	13,484
Cheyenne Light	12,061	11,421
Colorado Electric	13,228	—
Total Commercial	39,932	24,905
Industrial:		
Black Hills Power	4,750	5,296
Cheyenne Light	2,533	1,988
Colorado Electric	8,092	—
Total Industrial	15,375	7,284
Municipal:		
Black Hills Power	636	625
Cheyenne Light	241	232
Colorado Electric	1,029	—
Total Municipal	1,906	857
Contract Wholesale:		
Black Hills Power	6,553	6,931
Off-system Wholesale:		
Black Hills Power	9,220	15,097
Cheyenne Light	1,980	1,260
Colorado Electric	4,053	—
Total Off-system Wholesale	15,253	16,357
Other:		
Black Hills Power	4,375	3,233
Cheyenne Light	101	91
Colorado Electric	411	—
Total Other	4,887	3,324
Total Sales Revenues	$ 122,177	$ 82,574

Quantities Generated and Purchased	Three Months Ended March 31,	
	2009	2008
	(in MWh)	
Generated –		
Coal-fired:		
Black Hills Power	437,551	432,882
Cheyenne Light	191,556	188,013
Colorado Electric	66,475	—
Total Coal	695,582	620,895
Gas and Oil-fired:		
Black Hills Power	1,075	37,000
Cheyenne Light	—	—
Colorado Electric	—	—
Total Gas and Oil	1,075	37,000
Total Generated:		
Black Hills Power	438,626	469,882
Cheyenne Light	191,556	188,013
Colorado Electric	66,475	—
Total Generated	696,657	657,895
Purchased:		
Black Hills Power	432,839	384,581
Cheyenne Light	157,987	138,631
Colorado Electric	487,526	—
Total Purchased	1,078,352	523,212
Total Generated and Purchased	1,775,009	1,181,107

Quantity Sold	Three Months Ended March 31,	
	2009	2008
	(in MWh)	
Residential:		
Black Hills Power	163,476	163,034
Cheyenne Light	71,126	75,342
Colorado Electric	142,673	—
Total Residential	377,275	238,376
Commercial:		
Black Hills Power	175,256	173,459
Cheyenne Light	145,545	145,317
Colorado Electric	149,466	—
Total Commercial	470,267	318,776
Industrial:		
Black Hills Power	85,984	102,669
Cheyenne Light	42,822	33,747
Colorado Electric	121,814	—
Total Industrial	250,620	136,416
Municipal:		
Black Hills Power	8,095	8,208
Cheyenne Light	1,025	1,020
Colorado Electric	7,420	
Total Municipal	16,540	9,228
Contract Wholesale:		
Black Hills Power	168,679	171,620
Off-system Wholesale:		
Black Hills Power	243,786	227,741
Cheyenne Light	70,104	64,972
Colorado Electric	105,943	—
Total Off-system Wholesale	419,833	292,713
Total Quantity Sold	1,703,214	1,167,129
Losses and Company Use:		
Black Hills Power	26,190	7,733
Cheyenne Light	18,921	6,245
Colorado Electric	26,684	—
Total Losses and Company Use	71,795	13,978
Total Energy	1,775,009	1,181,107

Degree Days

	Three Months Ended March 31,			
	2009		2008	
Heating Degree Days:	Actual	Variance from Normal	Actual	Variance from Normal
Actual –				
Black Hills Power	3,254	(1)%	3,361	2%
Cheyenne Light	2,824	(10)%	3,236	3%
Colorado Electric	2,370	(10)%	—	—

Electric Utilities Power Plant Availability

	Three Months Ended March 31,	
	2009	2008
Coal-fired plants	97.3%	94.1%
Other plants	99.2%	94.9%
Total availability	98.0%	94.4%

Cheyenne Light Natural Gas Distribution

Included in the Electric Utilities is Cheyenne Light's natural gas distribution system. The following table summarizes certain operating information of these natural gas distribution operations:

	Three Months Ended March 31,	
	2009	2008
Sales Revenues (in thousands):		
Residential	$ 9,012	$ 10,009
Commercial	4,429	5,028
Industrial	1,434	1,788
Other	223	209
Total Sales Revenues	$ 15,098	$ 17,034
Sales Margins (in thousands):		
Residential	$ 1,171	$ 1,278
Commercial	3,277	3,509
Industrial	169	180
Other	223	209
Total Sales Margins	$ 4,840	$ 5,176
Volumes Sold (Dth):		
Residential	1,015,246	1,208,093
Commercial	584,423	686,272
Industrial	247,325	261,955
Total Volumes Sold	1,846,994	2,156,320

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008. Income from continuing operations for the Electric Utilities decreased $0.9 million from the prior period primarily due to the following:

- A $1.0 million decrease in margins from off-system sales reflecting the lower margins available in the industry's current low energy price environment; and
- A $3.3 million increase in interest expense due to additional debt associated with the acquisition of Colorado Electric.

Partially offsetting the increases were the following:

- Increased gross margins of $1.6 million primarily due to transmission rate increases effective January 1, 2009 at Black Hills Power; and
- Increased AFUDC of $1.5 million due to construction of the Wygen III plant in 2009.

Gas Utilities

Operating results for the Gas Utilities are as follows:

	Three Months Ended March 31, 2009 (in thousands)
Revenue:	
Natural gas – regulated	$ 248,981
Other – non-regulated services	7,356
Total sales	256,337
Cost of sales:	
Natural gas – regulated	181,215
Other – non-regulated services	4,570
Total cost of sales	185,785
Gross margin	70,552
Operating expenses	41,177
Operating income	$ 29,375
Income from continuing operations and net income available for common stock	$ 17,265

The following tables summarize regulated Gas Utilities' sales revenues, sales margins and volumes for the three months ended March 31, 2009:

	Sales Revenues (in thousands)	Sales Margins (in thousands)	Volumes Sold (Dth)
Residential:			
Colorado	$ 27,410	$ 5,115	2,351,614
Nebraska	59,282	15,135	5,699,778
Iowa	54,545	15,565	5,465,557
Kansas	30,705	9,056	2,946,898
Total Residential	171,942	44,871	16,463,847
Commercial:			
Colorado	5,832	967	509,478
Nebraska	21,959	4,744	2,335,660
Iowa	25,487	5,122	2,822,937
Kansas	10,416	2,219	1,120,927
Total Commercial	63,694	13,052	6,789,002
Industrial:			
Colorado	130	35	12,257
Nebraska	1,513	142	202,481
Iowa	617	66	82,132
Kansas	1,260	214	189,254
Total Industrial	3,520	457	486,124
Transportation:			
Colorado	176	176	234,974
Nebraska	3,952	3,952	7,583,683
Iowa	1,100	1,100	4,067,274
Kansas	1,606	1,606	3,492,627
Total Transportation	6,834	6,834	15,378,558
Other:			
Colorado	29	29	—
Nebraska	648	648	890
Iowa	426	426	36,173
Kansas	1,888	1,449	59,582
Total Other	2,991	2,552	96,645
Total Regulated	248,981	67,766	39,214,176
Non-regulated Services	7,356	2,786	—
Total	$ 256,337	$ 70,552	39,214,176

Degree Days	2009	
Heating Degree Days:	Actual	Variance From Normal
Colorado	2,524	(12)%
Nebraska	2,979	(6)%
Iowa	3,439	(1)%
Kansas	2,202	(14)%
Combined Gas Utilities Heating Degree Day	3,013	(6)%

Results from the Gas Utilities for the three month period ended March 31, 2009 reflect the operations from the gas utilities acquired from Aquila on July 14, 2008.

The Gas Utilities were acquired on July 14, 2008 and, consequently, information for the quarter ended March 31, 2008 is not available. Our Gas Utilities are highly seasonal and sales volumes depend largely on weather and seasonal heating and industrial loads. Approximately 74% of our Gas Utilities' revenues are expected in the fourth and first quarters. Therefore, revenues for and certain expenses of, these operations fluctuate significantly among quarters.

Depending on the state, the winter heating season begins around November 1 and ends around March 31. Margins for the Gas Utilities for the quarter ended March 31, 2009 increased 27% over the quarter ended December 31, 2008. This increase was driven by a 33% increase in residential, commercial and industrial volumes.

Regulatory Matters – Utilities Group

The following summarizes our recent rate case activity:

In millions	**Type of Service**	**Date Requested**	**Date Effective**	**Amount Requested**	**Amount Approved**
Nebraska Gas (1)	Gas	11/2006	9/2007	$ 16.3	$ 9.2
Iowa Gas (2)	Gas	6/2008	Pending	$ 13.6	Pending
Colorado Gas (3)	Gas	6/2008	4/2009	$ 2.8	$ 1.4
Black Hills Power (4)	Electric	9/2008	1/2009	$ 4.5	$ 3.8

(1) In November 2006, Nebraska Gas filed for a $16.3 million rate increase. Interim rates were implemented in February 2007 and, in July 2007, the NPSC granted a $9.2 million increase in annual revenues based on an equity return of 10.4% on a capital structure of 51% equity and 49% debt. Nebraska Gas appealed the decision, and the district court affirmed the NPSC order in February 2008. Because Nebraska Gas collected interim rates subject to refund, it was required to refund to customers the difference between the higher interim rates and the final rates plus interest (approximately $5.6 million). The NPA appealed one aspect of our refund plan worth approximately $0.8 million. On April 15, 2009, the District Court affirmed the NPSC refund plan order, and thereby rejected NPA's appeal.

(2) Iowa Gas and the OCA reached a settlement agreement that resolved all issues in the rate case. This agreement was filed with the IUB in March 2009 and is subject to their approval. The settlement agreement provides for no refund of interim rates collected, a final rate increase of $10.4 million plus actual rate case expenses, and the implementation of a three-year pilot program for recovery of carrying charges on integrity capital expenditures up to $6.0 million per year. It is anticipated that the IUB will issue an order by July 2, 2009.

(3) In June 2008, Colorado Gas filed for a $2.8 million rate increase. The increase was based on a proposed equity return of 11.5% on a capital structure of 50% equity and 50% debt. Interim rates were not available for collection in Colorado. On September 19, 2008, Colorado Gas filed the second phase of its rate request. On January 29, 2009, a settlement agreement was filed with the CPUC and a settlement was approved with new rates effective on April 1, 2009. The new rates included an increase in annual revenues of $1.4 million, which was based on a 10.25% return on equity with a capital structure of 49.52% debt and 50.48% equity.

(4) On February 10, 2009, the FERC approved a revision to the method used to determine the revenue component of Black Hills Power's open access transmission tariff, and increased the utility's annual transmission revenue requirement by approximately $3.8 million. The revenue requirement is based on an equity return of 10.8%, and a capital structure consisting of 57% equity and 43% debt. The new rates had an effective date of January 1, 2009.

Non-regulated Energy Group

An analysis of results from our Non-regulated Energy Group's operating segments follows:

Oil and Gas

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Revenue	$ 16,511	$ 26,122
Operating expenses*	62,262	20,489
Operating income	$ (45,751)	$ 5,633
Income (loss) from continuing operations and net income available for common stock	$ (25,720)	$ 2,551

*2009 operating expenses include a $43.3 million pre-tax ceiling test impairment charge.

The following tables provide certain operating statistics for our Oil and Gas segment:

	Three Months Ended March 31,	
	2009	2008
Fuel production:		
Bbls of oil sold	99,370	99,975
Mcf of natural gas sold	2,688,890	2,563,190
Mcf equivalent sales	3,285,110	3,163,040

	Three Months Ended March 31,	
	2009	2008
Average price received: [a]		
Gas/Mcf [b] [c]	$ 4.91	$ 7.46
Oil/Bbl	$ 50.42	$ 79.50
Depletion expense/Mcfe	$ 2.49	$ 2.33

(a) Net of hedge settlement gains/losses
(b) Exclusive of gas liquids
(c) Does not include the negative revenue impacts of a $1.2 million and $2.1 million royalty settlement accrual for March 31, 2009 and 2008, respectively, resulting in a $0.48/Mcf and $0.88/Mcf price impact

The following are summaries of LOE/Mcfe:

	Three Months Ended March 31, 2009			Three Months Ended March 31, 2008		
Location	LOE	Gathering, Compression and Processing	Total	LOE	Gathering, Compression and Processing	Total
New Mexico	$ 1.22	$ 0.26	$ 1.48	$ 1.54	$ 0.44	$ 1.98
Colorado	0.74	0.46	1.20	1.22	0.84	2.06
Wyoming	1.42	—	1.42	1.81	—	1.81
All other properties	0.97	0.41	1.38	1.32	(0.02)	1.30
All locations	$ 1.17	$ 0.24	$ 1.41	$ 1.52	$ 0.25	$ 1.77

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008. Income from continuing operations decreased $28.3 million for the three months ended March 31, 2009 compared to the same period in 2008 primarily due to:

- A $27.8 million after-tax non-cash ceiling test impairment charge due to a write-down in value of our natural gas and crude oil properties resulting from low quarter-end prices for the commodities. The write-down of gas and oil properties was based on period-end NYMEX prices of $3.63 per Mcf, adjusted to $2.23 per Mcf at the wellhead, for natural gas; and $49.66 per barrel, adjusted to $45.32 per barrel at the wellhead, for crude oil; and
- Revenue decreased $9.6 million, despite a 4% increase in production, due to a 37% decrease in the average hedged price of oil received and a 34% decrease in average hedged price of gas received; and
- Increased depletion expense of $0.8 million primarily due to higher depletion rates.

Partially offsetting these were the following:

- A $1.0 million decrease in LOE as compared to 2008, which had some severe weather impacts;
- A $1.7 million decrease in production taxes due to lower oil and natural gas prices; and
- A $3.8 million income tax benefit related to an adjustment of a previously recorded tax position.

Coal Mining

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Revenue	$ 14,402	$ 13,247
Operating expenses	14,182	11,617
Operating income	$ 220	$ 1,630
Income from continuing operations and net income available for common stock	$ 819	$ 1,629

The following table provides certain operating statistics for our Coal Mining segment:

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Tons of coal sold	1,506	1,545
Cubic yards of overburden moved	3,162	3,030

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008.
Income from continuing operations from our Coal Mining segment for the three months ended March 31, 2009 decreased $0.8 million compared to the same period in the prior year. Results were impacted by the following:

- Operating expenses increased $2.6 million, or 22%, during the three months ended March 31, 2009 primarily due to increased depreciation expense due to increased equipment usage and an increased asset base and increased coal taxes due to higher coal prices. Cubic yards of overburden moved increased 4%.

Partially offsetting the increased expenses were the following:

- Revenue increased $1.2 million, or 9%, for the three month period ended March 31, 2009 compared to the same period in 2008 due to an increase in average price received. The higher average price received includes the impact of regulated sales prices determined in part by a return on depreciable asset component; and

- Lower diesel fuel costs.

Energy Marketing

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Revenue –		
Realized gas marketing gross margin	$ 10,971	$ 13,423
Unrealized gas marketing gross margin	(1,336)	(6,785)
Realized oil marketing gross margin	2,977	1,573
Unrealized oil marketing gross margin	(5,792)	(2,092)
	6,820	6,119
Operating expenses	5,263	5,937
Operating income	$ 1,557	$ 182
Income from continuing operations and net income available for common stock	$ 1,037	$ 299

The following is a summary of average daily volumes marketed:

	Three Months Ended March 31,	
	2009	2008
Natural gas physical sales – MMBtus	2,252,800	1,794,090
Crude oil physical sales – Bbls	11,060	7,080

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008. Income from continuing operations increased $0.7 million for the three months ended March 31, 2009 compared to the same period in 2008, primarily due to:

- A $1.7 million increase in unrealized marketing margins; and
- Lower operating expenses primarily due to lower bank fees from decreased use of lines of credit.

Partially offsetting these increases were the following:

- A $1.0 million decrease in realized marketing margins primarily due to prevailing conditions in natural gas markets affecting both transportation and storage strategies. In addition, gross margins from crude oil were lower due to the impact of decreasing commodity prices on inventory held to meet pipeline requirements. As part of our efforts to preserve liquidity, we have intentionally limited usage of the uncommitted credit facility. This has had a negative impact on marketing results.

Power Generation

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Revenue	$ 7,619	$ 8,864
Operating gains (expenses)	22,125	(7,248)
Operating income	$ 29,744	$ 1,616
Income (loss) from continuing operations	$ 17,153	$ (896)

The following table provides certain operating statistics for our retained plants within the Power Generation segment:

	Three Months Ended March 31,	
	2009	2008
Contracted power plant fleet availability:		
Coal-fired plant	95.5%	96.9%
Other plants	98.0%	99.9%
Total availability	96.6%	98.0%

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008. Income from continuing operations increased $18.0 million for the three months ended March 31, 2009 compared to the same period in 2008, and was primarily impacted by:

- A $16.9 million after-tax gain on the sale to MEAN of a 23.5% ownership interest in the Wygen I power generation facility. In conjunction with the sale, MEAN will make payments for costs associated with coal supply, plant operations and administrative services. In addition, a 10-year power purchase contract under which MEAN was obligated to buy from us 20 MW of power annually was terminated.

Partially offsetting were the following:

- Allocated indirect corporate costs and inter-segment interest expense related to the IPP assets sold and not reclassified to discontinued operations, of $5.4 million for the three months ended March 31, 2008; and
- A $3.6 million increase in interest expense primarily due to a change in inter-segment debt to equity capital structure.

Corporate

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008. Income increased $7.5 million primarily due to unrealized net, mark-to-market gains at March 31, 2009 of approximately $9.6 million after-tax on certain interest rate swaps and a decrease in transition and integration costs for the Aquila Transaction to $0.7 million in the first three months of 2009 compared to $1.4 million in 2008, partially offset by a $2.9 million after-tax increase in interest expense.

Discontinued Operations

Earnings from discontinued operations were $0.8 million for the three month period ended March 31, 2009, compared to $5.1 million for the same period in 2008. The income from discontinued operations in 2009 relates to the final working capital adjustments for the IPP Transaction.

Critical Accounting Policies

There have been no material changes in our critical accounting policies from those reported in our 2008 Annual Report on Form 10-K filed with the SEC. For more information on our critical accounting policies, see Part II, Item 7 of our 2008 Annual Report on Form 10-K.

Liquidity and Capital Resources

Cash Flow Activities

During the three month period ended March 31, 2009, we generated sufficient cash flow from operations to meet our operating needs, fund our property, plant and equipment additions and to pay dividends on our common stock. We received proceeds of $51.9 million for the sale of a 23.5% interest in the Wygen I power plant to MEAN. We plan to fund future property and investment additions including the construction costs of the 110 MW Wygen III generation facility located near Gillette, Wyoming and generation for Colorado Electric from internally generated cash resources and external financings.

Cash flows from operations of $200.3 million for the three month period ended March 31, 2009 represent a $146.7 million increase compared to the same period in the prior year. The cash provided by operating activities for the current period was due to an increase of $13.8 million in our income from continuing operations and changes in working capital as follows:

- A $114.6 million increase in cash flows from working capital changes. This increase primarily resulted from a $43.4 million increase in cash flows from decreased net purchases of materials, supplies and fuel and a $146.4 million increase from accounts receivable and other current assets partially offset by a $75.3 million decrease from accounts payable and other current liabilities. Changes in materials, supplies and fuel primarily relate to natural gas held in storage by Energy Marketing and the Gas Utilities which fluctuates based on seasonal trends and economic decisions reflecting current market conditions;

and adjusted for non-cash charges and other items as follows:

- A $14.3 million decrease in cash flows related to changes in deferred income taxes which is primarily a result of the deferred tax benefit associated with a non-cash ceiling test impairment charge applicable to our crude oil and natural gas properties;
- A $13.9 million increase in depreciation, depletion and amortization;
- A $43.3 million non-cash effect from the ceiling test impairment;

- A $26.0 million non-cash effect of the gain on sale of operating assets. This gain relates to the sale of the 23.5% interest in the Wygen I power plant to MEAN; and

- A $14.8 million non-cash effect of unrealized mark-to-market gains on interest rate swaps.

During the three months ended March 31, 2009, we had cash outflows from investing activities of $11.4 million, which were primarily due to the following:

- Cash outflows of $71.3 million for property, plant and equipment additions. These outflows include approximately $25.5 million related to the construction of our Wygen III power plant, approximately $9.5 million in oil and gas property maintenance capital and development drilling, and approximately $20.0 million of distribution, transmission and generation at our Electric Utilities, which includes new transmission at Colorado Electric and an air condenser upgrade at Black Hills Power;

- Cash inflows of $51.9 million of proceeds from the sale of the 23.5% interest in the Wygen I power plant to MEAN; and

- Cash inflows of $7.9 million for working capital adjustments on the purchase price allocation of the Aquila Transaction.

During the three months ended March 31, 2009, we had net cash outflows from financing activities of $235.9 million primarily due to:

- $224.0 million net are payments on the revolving credit facility; and

- $13.8 million payment of cash dividends on common stock.

Dividends

Dividends paid on our common stock totaled $13.8 million during the three months ended March 31, 2009, or $0.355 per share. On April 28, 2009, our Board of Directors declared a quarterly dividend of $0.355 per share payable June 1, 2009, which is equivalent to an annual dividend rate of $1.42 per share. 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.

Financing Transactions and Short-Term Liquidity

Our principal sources of short-term liquidity are our revolving credit facility and cash provided by operations. As of March 31, 2009, we had approximately $121.6 million of cash unrestricted for operations.

Corporate Credit Facility

Our $525.0 million revolving credit facility expires on May 4, 2010. The cost of borrowings or letters of credit issued under the facility is determined based on our credit ratings. At our current ratings levels, the facility has an annual facility fee of 17.5 basis points, and has a borrowing spread of 70 basis points over LIBOR (which equates to a 1.2% one-month borrowing rate as of March 31, 2009).

Our revolving credit facility can be used to fund our working capital needs and for general corporate purposes. At March 31, 2009, we had borrowings of $97.0 million and $56.7 million of letters of credit issued on our revolving credit facility. Available capacity remaining on our revolving credit facility was approximately $371.3 million at March 31, 2009.

The credit facility includes customary affirmative and negative covenants, such as limitations on the creation of new indebtedness and on certain liens, restrictions on certain transactions and maintenance of the following financial covenants:

- A consolidated net worth in an amount of not less than the sum of $625 million and 50% of our aggregate consolidated net income beginning January 1, 2005;
- A recourse leverage ratio not to exceed 0.70 to 1.00 for the first year after the Aquila acquisition and thereafter, a ratio not to exceed 0.65 to 1.00; and
- An interest expense coverage ratio of not less than 2.5 to 1.0.

If these covenants are violated, it would be considered an event of default entitling the lenders to terminate the remaining commitment and accelerate all principal and interest outstanding.

In addition to covenant violations, an event of default under the credit facility may be triggered by other events, such as a failure to make payments when due or a failure to make payments when due in respect of, or a failure to perform obligations relating to, other debt obligations of $20 million or more. Subject to applicable cure periods (non of which apply to a failure to timely pay indebtedness), an event of default would permit the lenders to restrict our ability to further access the credit facility for loans or new letters of credit, and could require both the immediate repayment of any principal and interest outstanding and the cash collateralization of outstanding letter of credit obligations.

The credit facility prohibits us from paying cash dividends if a default or an event of default exists prior to, or would result, after giving effect to such action.

Our consolidated net worth was $1.1 billion at March 31, 2009, which was approximately $274.3 million in excess of the net worth we were required to maintain under the credit facility. At March 31, 2009, our long-term debt ratio was 30.5%, our total debt leverage ratio (long-term debt and short-term debt) was 47.8%, and our recourse leverage ratio was approximately 52.2%. Our interest expense coverage ratio for the twelve month period ended March 31, 2009 was 4.3 to 1.0.

Enserco Credit Facility

Our Energy Marketing segment, Enserco, had a $300 million uncommitted, discretionary line of credit to provide support for the purchase, sale, transportation and storage of natural gas and crude oil. The line of credit, which was secured by this segment's assets, expired on May 8, 2009. The Enserco Credit Facility allowed for the issuance of letters of credit and loans for our marketing operations. At March 31, 2009, there were outstanding letters of credit issued under the facility of $95.1 million, with no borrowing balances outstanding on the facility.

On May 8, 2009, Enserco entered into an agreement for a $240 million committed credit facility. Societe Generale, Fortis Capital Corp., and BNP Paribas are co-lead arranger banks. This facility replaces its previously uncommitted $300 million credit facility which expires on May 8, 2009. Enserco expects to close an additional $60 million of funding in May 2009 with new facility lenders, raising the total committed facility to $300 million.

Acquisition Facility

In July 2008, in conjunction with the closing of the Aquila Transaction, we borrowed $382.8 million under our $1 billion bridge acquisition credit facility dated May 7, 2007. The Acquisition Facility was structured as a single-draw term loan facility for the sole purpose of financing the Aquila Transaction and following our July 2008 borrowing we have no additional borrowing capacity available under the facility.

Borrowings under the term loan are available under a base rate option, which is based on the then-current prime rate, or under a LIBOR option, which is based on the then-current LIBOR plus an applicable margin. The loan matures on December 29, 2009 and has the following interest rate:

- The applicable margin for base-rate borrowings is (i) 200 basis points for the period commencing December 18, 2008 through March 31, 2009, (ii) 250 basis points for the period commencing April 1, 2009 through June 30, 2009, (iii) 300 basis points for the period commencing July 1, 2009 through September 30, 2009, and (iv) 350 basis points thereafter. If our credit ratings, as assigned by S&P and Moody's, fall below investment grade, the applicable margin will increase by an additional 25 basis points; and

- The applicable margin for LIBOR borrowings is (i) 300 basis points for the period commencing December 18, 2008 through March 31, 2009, (ii) 350 basis points for the period commencing April 1, 2009 through June 30, 2009, (iii) 400 basis points for the period commencing July 1, 2009 through September 30, 2009, and (iv) 450 basis points thereafter. If our credit ratings, as assigned by S&P and Moody's, fall below investment grade, the applicable margin will increase by 25 basis points.

As of March 31, 2009, the facility has a borrowing spread of 300 basis points over LIBOR (which equates to a 3.5% one-month borrowing rate as of March 31, 2009).

The Acquisition Facility also includes certain affirmative and negative covenants and events of default that largely replicate the covenants in our corporate revolving credit facility. We were in compliance with all such covenants as of March 31, 2009.

On April 9, 2009, we received proceeds of $30.2 million for the sale of 23.5% of the Wygen III plant to MDU. These proceeds were used to pay down a portion of the Acquisition Facility.

Future Financing Plans

We have an effective shelf registration statement on file with the SEC under which we may issue, from time to time, senior debt securities, subordinated debt securities, common stock, preferred stock, warrants and other securities. Although the shelf registration statement does not limit our issuance capacity, our ability to issue securities is limited to the authority granted by our Board of Directors, certain covenants in our finance arrangements and restrictions imposed by federal and state regulatory authorities.

We continue to evaluate the debt capital markets and prepare for long-term debt issuances, some of which may be completed in the second quarter of 2009, to replace the Acquisition Credit Facility, refinance other short-term debt, and fund our power generation construction projects.

In the unexpected event we are unable to complete debt financing on acceptable terms, we will consider implementing alternative measures to conserve or raise capital. These alternatives could include deferring our planned capital expenditure program, implementing asset sales, issuing equity, reducing or eliminating our dividend payments, or curtailing certain business activities, including our marketing operations.

Interest Rate Swaps

We have entered into floating-to-fixed interest rate swap agreements to reduce our exposure to interest rate fluctuations.

We have interest rate swaps with a notional amount of $250.0 million that are not designated as hedge instruments in accordance with SFAS 133. Accordingly, mark-to-market changes in value on the swaps are recorded within the income statement. During the first quarter of 2009, we recorded a $14.8 million pre-tax unrealized mark-to-market non-cash gain on the swaps. The mark-to-market value on these swaps was a liability of $79.7 million at March 31, 2009. Subsequent mark-to-market adjustments could have a significant impact on our results of operations. A one basis point move in the interest rate curves over the term of the swaps would have a pre-tax impact of approximately $0.4 million. These swaps are for terms of ten and twenty years and have amended mandatory early termination dates ranging from September 30, 2009 to December 29, 2009. We may choose to cash settle these swaps at their fair value prior to their mandatory early termination dates, or unless these dates are extended, we will cash settle these swaps for an amount equal to their fair value on the termination dates.

In addition, we have $150.0 million notional amount floating-to-fixed interest rate swaps, having a maximum term of 8 years. These swaps have been designated as cash flow hedges in accordance with SFAS 133 and accordingly, their mark-to-market adjustments are recorded in Accumulated other comprehensive loss on the accompanying Condensed Consolidated Balance Sheets.

There have been no other material changes in our financing transactions and short-term liquidity from those reported in Item 7 of our 2008 Annual Report on Form 10-K filed with the SEC.

Capital Requirements

During the three months ended March 31, 2009, capital expenditures were approximately $100.2 million for property, plant and equipment additions, which were partially financed through approximately $28.9 million of accrued liabilities. We currently expect total capital expenditures in 2009 to approximate $313.5 million. This sum includes, but is not limited to: $62.1 million for our share of the 110 MW Wygen III power plant located near Gillette, Wyoming in which we retain 75% ownership interest in the plant; $73.8 million related to maintenance capital for our new utility properties, and $38.6 million within our Oil and Gas segment primarily for maintenance capital and development drilling.

Forecasted capital requirements for maintenance capital and development capital are as follows:

	Three Months Ended March 31, 2009 Expenditures	Total 2009 Planned Expenditures
	(in thousands)	
Utilities:		
Electric Utilities – Wygen III[1]	$ 25,539	$ 62,100
Electric Utilities [2] [3]	20,041	135,268
Gas Utilities	10,501	42,508
Non-regulated Energy:		
Oil and Gas[4]	9,501	38,621
Power Generation	1,396	4,925
Coal Mining	4,294	12,592
Energy Marketing	—	4,135
Corporate	—	13,342
	$ 71,272	$ 313,491

(1) Forecasted expenditures of the Wygen III coal-fired plant reflect our 75% ownership interest in the plant.

(2) Electric Utilities capital requirements include approximately $17.6 million for transmission projects in 2009.

(3) The 2009 total planned expenditures do not include capital requirements associated with our plans to build gas-fired power generation facilities to serve our Colorado Electric customers. In February 2009, the CPUC authorized Colorado Electric to build two natural gas-fired combustion turbine facilities. We are currently evaluating the total costs of building these new facilities and expect to spend capital in 2009 particularly related to the commitment to purchase the turbine generators from GE. The total construction cost is expected to be approximately $225 million to $275 million to be completed by the end of 2011

(4) Development capital for our oil and gas properties is expected to be limited to no more than the cash flows produced by those properties. Continued low commodity prices make many of our development drilling sites uneconomical, which could further reduce our planned development capital expenditures.

As a result of the current global credit crisis we are re-evaluating all of our forecasted capital expenditures, and if determined prudent, may defer some of these expenditures for a period of time. Future projects are dependent upon the availability of attractive economic opportunities, and as a result, actual expenditures may vary significantly from forecasted estimates.

Contractual Obligations

Unconditional purchase obligations for firm transportation and storage fees for our Energy Marketing segment increased $8.6 million from $93.5 million at December 31, 2008 to $102.1 million at March 31, 2009. Approximately $67.0 million of the firm transportation and storage fee obligations relate to the 2009-2011 period with the remaining occurring thereafter.

Guarantees

See Note 6 to our Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

New Accounting Pronouncements

Other than the new pronouncements reported in our 2008 Annual Report on Form 10-K filed with the SEC and those discussed in Notes 2 and 3 of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q, there have been no new accounting pronouncements that affect us.

FORWARD-LOOKING INFORMATION

This report contains forward-looking information. Forward-looking information involves risks and uncertainties, and certain important factors can cause actual results to differ materially from those anticipated. The forward-looking statements contained in this report include:

- We expect to refinance in the bank loan markets or the debt capital markets the acquisition debt we incurred in the Aquila Transaction before the acquisition loan matures in the fourth quarter of 2009. Some important factors that could cause actual results to differ materially from those anticipated include:
  - § Our ability to access the bank loan and debt capital markets depends on market conditions beyond our control. If the credit markets remain tight and do not improve, we may not be able to permanently finance our acquisition debt on reasonable terms, if at all.
  - § Our ability to raise capital in the debt capital markets depends upon our financial condition and credit ratings, among other things. If our financial condition deteriorates unexpectedly, or our credit ratings are lowered, we may not be able to permanently finance the acquisition debt on reasonable terms, if at all.
- We anticipate that our existing credit capacity and available cash will be sufficient to fund our working capital needs and capital requirements. Some important factors that could cause actual results to differ materially from those anticipated include:
  - § Our access to revolving credit capacity depends on maintaining compliance with loan covenants. If we violate these covenants, we may lose revolving credit capacity and not have sufficient cash available for our peak winter needs and other working capital requirements, and our forecasted capital expenditure requirements.
  - § Counterparties may default on their obligations to supply commodities, return collateral to us, or otherwise meet their obligations under commercial contracts, including those designed to hedge against movements in commodity prices.

- In connection with the IPP Transaction, we deferred tax payments of $185 million. Some important factors that could cause actual results to differ materially from those anticipated include:
  - § The Internal Revenue Service could successfully challenge our deferred tax planning strategies, which could impair our ability to defer all or part of these tax payments.
- We expect to make contributions to our defined benefit pension plans of approximately $14.4 million and $16.7 million in 2009 and 2010, respectively. Some important factors that could cause actual contributions to differ materially from anticipated amounts include:
  - § The actual value of the plans' invested assets.
  - § The discount rate used in determining the funding requirement.
- We expect the goodwill related to our utility assets to fairly reflect the long-term value of stable, long-lived utility assets. Some important factors that could cause us to revisit the fair value of this goodwill include:
  - § A significant, sustainable deterioration of the market value of our common stock.
  - § Negative regulatory orders or other events that materially impact our Utilities' ability to generate stable cash flow over an extended period of time.

- We expect to make approximately $313.5 million of capital expenditures in 2009. Some important factors that could cause actual costs to differ materially from those anticipated include:

  § The timing of planned generation, transmission or distribution projects for our Utilities is influenced by state and federal regulatory authorities and third parties. The occurrence of events that impact (favorably or unfavorably) our ability to make planned or unplanned capital expenditures could cause our 2009 forecasted capital expenditures to change.

  § Forecasted capital expenditures associated with our Oil and Gas segment are driven, in part, by current market prices. A continued decline in crude oil and natural gas prices may cause us to change our planned 2009 capital expenditures related to our oil and gas operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Utilities

We produce, purchase and distribute power in four states and purchase and distribute natural gas in five states. All of our gas distribution utilities have PGA provisions that allow them to pass the prudently-incurred cost of gas through to the customer. To the extent that gas prices are higher or lower than amounts in our current billing rates, adjustments are made on a periodic basis to “true-up” billed amounts to match the actual natural gas cost we incurred. These adjustments are subject to periodic prudence reviews by the state utility commissions. In South Dakota, Colorado, Wyoming and Montana, we have a mechanism for our electric utilities that serves a purpose similar to the PGAs for our gas utilities. To the extent that our fuel and purchased power energy costs are higher or lower than the energy cost built into our tariffs, the difference (or a portion thereof) is passed through to the customer.

The fair value of our Utilities derivative contracts are summarized below (in thousands):

	March 31, 2009	December 31, 2008
Net derivative liabilities	$ (543)	$ (7,444)
Cash collateral	2,044	8,744
	$ 1,501	$ 1,300

Non Regulated Trading Activities

The following table provides a reconciliation of activity in our natural gas and crude oil marketing portfolio that has been recorded at fair value including market value adjustments on inventory positions that have been designated as part of a fair value hedge during the three months ended March 31, 2009 (in thousands):

Total fair value of energy marketing positions marked-to-market at December 31, 2008	$	28,447 [(a)]
Net cash settled during the period on positions that existed at December 31, 2008		(11,531)
Unrealized loss on new positions entered during the period and still existing at March 31, 2009		(4,680)
Realized loss on positions that existed at December 31, 2008 and were settled during the period		(1,944)
Change in cash collateral		12,642
Unrealized gain on positions that existed at December 31, 2008 and still exist at March 31, 2009		10,837
Total fair value of energy marketing positions at March 31, 2009	$	33,771 [(a)]

(a) The fair value of energy marketing positions consists of derivative assets/liabilities held at fair value in accordance with SFAS 157 and market value adjustments to natural gas inventory that has been designated as a hedged item as part of a fair value hedge in accordance with SFAS 133, as follows (in thousands):

	March 31, 2009	December 31, 2008
Net derivative assets (liabilities)	$ 39,843	$ 54,117
Cash collateral	(3,673)	(16,315)
Market adjustment recorded in material, supplies and fuel	(2,399)	(9,355)
	$ 33,771	$ 28,447

GAAP restricts mark-to-market accounting treatment primarily to only those contracts that meet the definition of a derivative under SFAS 133. Therefore, the above reconciliation does not present a complete picture of our overall portfolio of trading activities or our expected cash flows from energy trading activities. In our natural gas and crude oil marketing operations, we often employ strategies that include utilizing derivative contracts along with inventory, storage and transportation positions to accomplish the objectives of our producer services, end-use origination and wholesale marketing groups. Except in circumstances when we are able to designate transportation, storage or inventory positions as part of a fair value hedge, SFAS 133 generally does not allow us to mark our inventory, transportation or storage positions to market. The result is that while a significant majority of our energy marketing positions are fully economically hedged, we are required to mark some parts of our overall strategies (the derivatives) to market value, but are generally precluded from marking the rest of our economic hedges (transportation, inventory or storage) to market. Volatility in reported earnings and derivative positions should be expected given these accounting requirements.

To value the assets and liabilities for our outstanding derivative contracts, we use the fair value methodology outlined in SFAS 157. See Note 3 of the Notes to Consolidated Financial Statements in our 2008 Annual Report on Form 10-K and Note 12 of the accompanying Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

The sources of fair value measurements were as follows (in thousands):

Source of Fair Value of Energy Marketing Positions	Maturities: Less than 1 year	Maturities: 1 – 2 years	Total Fair Value
Cash collateral	$ (3,673)	$ —	$ (3,673)
Level 2	28,525	2,369	30,894
Level 3	8,749	200	8,949
Market value adjustment for inventory (see footnote (a) above)	(2,399)	—	(2,399)
Total fair value of our energy marketing positions	$ 31,202	$ 2,569	$ 33,771

The following table presents a reconciliation of our March 31, 2009 energy marketing positions recorded at fair value under GAAP to a non-GAAP measure of the fair value of our energy marketing forward book wherein all forward trading positions are marked-to-market (in thousands):

Fair value of our energy marketing positions marked-to-market in accordance with GAAP (see footnote (a) above)	$ 33,771
Market value adjustments for inventory, storage and transportation positions that are part of our forward trading book, but that are not marked-to-market under GAAP	5,026
Fair value of all forward positions (non-GAAP)	38,797
Cash collateral included in GAAP marked-to-market fair value	3,673
Fair value of all forward positions excluding cash collateral (non-GAAP)	$ 42,470

There have been no material changes in market risk faced by us from those reported in our 2008 Annual Report on Form 10-K filed with the SEC. For more information on market risk, see Part II, Items 7 and 7A. in our 2008 Annual Report on Form 10-K, and Note 12 of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Activities Other Than Trading

We have entered into agreements to hedge a portion of our estimated 2009, 2010 and 2011 natural gas and crude oil production from the Oil and Gas segment. The hedge agreements in place are as follows:

Natural Gas

Location	Transaction Date	Hedge Type	Term	Volume (MMBtu/day)		Price
San Juan El Paso	04/25/2007	Swap	04/09 – 06/09	2,500	$	7.21
San Juan El Paso	04/26/2007	Swap	04/09 – 06/09	2,500	$	7.15
San Juan El Paso	05/09/2007	Swap	04/09 – 06/09	5,000	$	7.24
CIG	05/09/2007	Swap	04/09 – 06/09	2,000	$	6.87
San Juan El Paso	07/27/2007	Swap	07/09 – 09/09	5,000	$	7.63
CIG	09/07/2007	Swap	07/09 – 09/09	1,500	$	6.48
AECO	09/07/2007	Swap	04/08 – 10/09	1,000	$	6.89
San Juan El Paso	10/29/2007	Swap	07/09 – 09/09	5,000	$	7.38
San Juan El Paso	10/29/2007	Swap	10/09 – 12/09	5,000	$	7.53
CIG	10/29/2007	Swap	10/09 – 12/09	1,500	$	7.07
NWR	11/16/2007	Swap	01/09 – 12/09	1,500	$	6.87
San Juan El Paso	12/13/2007	Swap	10/09 – 12/09	1,500	$	7.39
San Juan El Paso	12/13/2007	Swap	10/09 – 12/09	1,500	$	7.41
CIG	01/03/2008	Swap	01/10 – 03/10	2,000	$	7.49
NWR	01/03/2008	Swap	01/10 – 03/10	1,500	$	7.50
AECO	01/03/2008	Swap	11/09 – 03/10	1,000	$	8.07
San Juan El Paso	01/23/2008	Swap	01/10 – 03/10	5,000	$	7.50
San Juan El Paso	02/28/2008	Swap	01/10 – 03/10	3,000	$	8.55
San Juan El Paso	04/09/2008	Swap	04/10 – 06/10	5,000	$	7.26
San Juan El Paso	04/30/2008	Swap	04/10 – 06/10	2,500	$	7.65
AECO	08/20/2008	Swap	04/10 – 06/10	1,000	$	7.73
San Juan El Paso	08/20/2008	Swap	07/10 – 09/10	5,000	$	7.74
AECO	08/20/2008	Swap	07/10 – 09/10	1,000	$	7.88
AECO	10/24/2008	Swap	10/10 – 12/10	1,000	$	7.05
San Juan El Paso	12/19/2008	Swap	10/09 – 12/09	1,000	$	5.12
San Juan El Paso	12/19/2008	Swap	04/10 – 06/10	1,500	$	5.39
San Juan El Paso	12/19/2008	Swap	07/10 – 09/10	3,000	$	5.95
San Juan El Paso	12/19/2008	Swap	10/10 – 12/10	5,000	$	5.89
CIG	01/26/2009	Swap	04/10 – 06/10	2,000	$	4.45
CIG	01/26/2009	Swap	07/10 – 09/10	2,000	$	4.47
CIG	01/26/2009	Swap	10/10 – 12/10	2,000	$	4.68
CIG	01/26/2009	Swap	01/11 – 03/11	2,000	$	6.00
NWR	01/26/2009	Swap	01/11 – 03/11	2,000	$	6.05
San Juan El Paso	01/26/2009	Swap	01/11 – 03/11	5,000	$	6.38
San Juan El Paso	02/13/2009	Swap	01/11 – 03/11	2,500	$	6.16
San Juan El Paso	02/13/2009	Swap	10/10 – 12/10	3,000	$	5.35
NWR	02/13/2009	Swap	04/10 – 12/10	1,000	$	4.20
AECO	03/04/2009	Swap	01/11 – 03/11	1,000	$	5.95
NWR	03/04/2009	Swap	07/09 – 09/09	1,000	$	3.07
NWR	03/04/2009	Swap	04/10 – 06/10	1,000	$	4.06
NWR	03/04/2009	Swap	07/10 – 09/10	1,000	$	4.12
NWR	03/04/2009	Swap	10/10 – 12/10	1,000	$	4.55
NWR	03/20/2009	Swap	01/10 – 03/10	500	$	4.58
San Juan El Paso	03/20/2009	Swap	01/10 – 03/10	1,000	$	4.87

Crude Oil

Location	Transaction Date	Hedge Type	Term	Volume (Bbls/month)		Price
NYMEX	04/26/2007	Swap	04/09 – 06/09	5,000	$	70.25
NYMEX	05/10/2007	Swap	04/09 – 06/09	5,000	$	69.10
NYMEX	05/29/2007	Put	04/09 – 06/09	5,000	$	65.00
NYMEX	06/22/2007	Swap	07/09 – 09/09	5,000	$	72.10
NYMEX	07/27/2007	Put	07/09 – 09/09	5,000	$	65.00
NYMEX	09/12/2007	Swap	07/09 – 09/09	5,000	$	71.20
NYMEX	09/12/2007	Put	04/09 – 06/09	5,000	$	70.00
NYMEX	10/29/2007	Put	10/09 – 12/09	5,000	$	75.00
NYMEX	10/29/2007	Swap	10/09 – 12/09	5,000	$	80.75
NYMEX	11/16/2007	Put	07/09 – 09/09	5,000	$	75.00
NYMEX	11/16/2007	Put	10/09 – 12/09	5,000	$	75.00
NYMEX	01/03/2008	Put	01/10 – 03/10	5,000	$	80.00
NYMEX	01/03/2008	Swap	01/10 – 03/10	5,000	$	88.70
NYMEX	01/23/2008	Swap	10/09 – 12/09	5,000	$	83.10
NYMEX	01/23/2008	Swap	01/10 – 03/10	5,000	$	82.90
NYMEX	02/28/2008	Put	01/10 – 03/10	5,000	$	85.00
NYMEX	04/09/2008	Swap	04/10 – 06/10	5,000	$	99.60
NYMEX	04/30/2008	Put	04/10 – 06/10	5,000	$	85.00
NYMEX	05/29/2008	Put	04/10 – 06/10	5,000	$	105.00
NYMEX	07/16/2008	Swap	04/10 – 06/10	5,000	$	135.10
NYMEX	07/16/2008	Swap	07/10 – 09/10	5,000	$	134.90
NYMEX	08/20/2008	Put	07/10 – 09/10	5,000	$	90.00
NYMEX	09/03/2008	Put	07/10 – 09/10	5,000	$	90.00
NYMEX	10/24/2008	Put	07/10 – 09/10	5,000	$	60.00
NYMEX	12/05/2008	Swap	10/10 – 12/10	5,000	$	65.20
NYMEX	01/26/2009	Swap	10/10 – 12/10	5,000	$	60.15
NYMEX	01/26/2009	Swap	01/11 – 03/11	5,000	$	60.90
NYMEX	02/13/2009	Swap	01/11 – 03/11	5,000	$	60.05
NYMEX	03/04/2009	Swap	10/10 – 12/10	5,000	$	55.80
NYMEX	03/04/2009	Swap	01/11 – 03/11	5,000	$	57.00
NYMEX	04/08/2009	Swap	04/11 – 06/11	5,000	$	68.80
NYMEX	04/23/2009	Swap	04/11 – 06/11	5,000	$	65.10

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of March 31, 2009. Based on their evaluation, they have concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2009 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. On July 14, 2008, we acquired the assets of Aquila's regulated electric utility in Colorado and its regulated gas utilities in Colorado, Kansas, Nebraska and Iowa (the "Acquired Businesses"). The internal controls of the Acquired Businesses are an area of focus for us. We are in the process of reviewing the internal controls of the Acquired Businesses and making any necessary changes. As permitted by the guidance set forth by the Securities and Exchange Commission, the Acquired Businesses were not included in management's assessment of internal control over financial reporting for the year ended December 31, 2008.

Our assessment of the effectiveness of our internal controls over financial reporting as of March 31, 2009 excluded the assets and operations acquired on July 14, 2008 in the Aquila Transaction, which are doing business as Black Hills Energy. Such exclusion was in accordance with SEC guidance that an assessment of a recently acquired business may be omitted in management's report on internal control over financial reporting, provided the acquisition took place within twelve months of management's evaluation. Collectively, Black Hills Energy comprised 40% of our consolidated assets at March 31, 2009, 68% of our consolidated revenues and 56% of our net income for the quarter ended March 31, 2009. Our disclosure controls and procedures were not materially impacted by the acquisition.

Part II – Other Information

Item 1. Legal Proceedings

For information regarding legal proceedings, see Note 18 in Item 8 of our 2008 Annual Report on Form 10-K and Note 16 in Item 1 of Part I of this Quarterly Report on Form 10-Q, which information from Note 16 is incorporated by reference into this item.

Item 1A. Risk Factors

There have been no material changes in risk factors involving us from those previously disclosed in Item 1A. of Part I in our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
January 1, 2009 – January 31, 2009	9,388 (1)	$	27.29	—	—
February 1, 2009 – February 28, 2009	1,063	$	26.61	—	—
March 1, 2009 – March 31, 2009	2,293	$	16.55	—	—
Total	12,744	$	25.30	—	—

(1) Shares were acquired from certain officers and key employees under the share withholding provisions of the Omnibus Incentive Plan for the payment of taxes associated with the vesting of shares of Restricted Stock and the distribution of vested restricted stock units.

Item 5. Other Information

Entry into a Material Definitive Agreement

On May 8, 2009, the Registrant's subsidiary, Enserco Energy Inc. ("Enserco"), entered into a Third Amended and Restated Credit Agreement effective as of May 8, 2009, by and among Enserco Energy Inc., as borrower, Fortis Capital Corp., as administrative agent and collateral agent; Societe Generale as Syndication Agent, BNP Paribas as Documentation Agent, U.S. Bank National Association, The Bank of Tokyo Mitsubishi UFJ, Ltd., New York Branch and the other financial institutions which may become parties hereto.

The Third Amended and Restated Credit Agreement provides for a $300 million committed stand-alone credit facility to replace Enserco's previously uncommitted $300 million credit facility, which was due to expire May 9, 2009. Enserco has received commitments on $240 million under the facility and has the right to receive commitments up to the $300 million maximum line. The facility is secured by all of Enserco's assets and provides support for the purchase and sale of natural gas and crude oil.

Item 6. Exhibits

Exhibit 3	Amended and Restated Bylaws of Black Hills Corporation dated January 30, 2009 (filed as Exhibit 3 to the Company's 8-K filed on February 3, 2009 and incorporated by reference herein).
Exhibit 10	Third Amended and Restated Credit Agreement effective May 8, 2009 among Enserco Energy Inc., as borrower, Fortis Capital Corp., as administrative agent and collateral agent; Societe Generale as Syndication Agent, BNP Paribas as Documentation Agent, U.S. Bank National Association, The Bank of Tokyo Mitsubishi UFJ, Ltd., New York Branch and the other financial institutions which may become parties hereto.
Exhibit 12	Statements Regarding Computation of Ratio of Earnings to Fixed Charges.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.

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/ David R. Emery
David R. Emery, Chairman, President and
Chief Executive Officer

/s/ Anthony S. Cleberg
Anthony S. Cleberg, Executive Vice President
and Chief Financial Officer

Dated: May 8, 2009

EXHIBIT INDEX

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THIRD
AMENDED AND RESTATED
CREDIT AGREEMENT

Dated to be Effective as of May 8, 2009
among

ENSERCO ENERGY INC.

as Borrower,

and

FORTIS CAPITAL CORP.
as Administrative Agent, Collateral Agent,
Co-Lead Arranger, Co-Bookrunner, an Issuing Bank, and a Bank

and

SOCIETE GENERALE

as Co-Lead Arranger, Co-Bookrunner, Syndication Agent, an Issuing Bank, and a Bank

and

BNP PARIBAS

as Co-Lead Arranger, Co-Bookrunner, Documentation Agent, an Issuing Bank, and a Bank

and

U.S. BANK NATIONAL ASSOCIATION

as a Bank

and

THE BANK OF TOKYO MITSUBISHI UFJ, LTD., NEW YORK BRANCH

as a Bank

and

THE OTHER FINANCIAL INSTITUTIONS WHICH
MAY BECOME PARTIES HERETO

TABLE OF CONTENTS

SCHEDULES*

Schedule 1.01	Existing Letters of Credit
Schedule 2.01	Committed Line and Committed Line Portion
Schedule 6.05	Litigation, and Patent, Trademark, etc. Claims
Schedule 6.07	ERISA Matters
Schedule 6.12	Environmental Matters
Schedule 6.16	Subsidiaries and Equity Investments
Schedule 6.17	Insurance Matters
Schedule 6.19	Bank Accounts
Schedule 7.03(f)	Inventory Locations
Schedule 8.01	Permitted Indebtedness and Liens
Schedule 8.06	Contingent Obligations
Schedule 8.12	Directors and Officers
Schedule 11.02	Lending Offices and Addresses for Notices

EXHIBITS*

Exhibit A-1	Form of Notice of Borrowing
Exhibit A-2	Form of Notice of Conversion/Continuation
Exhibit B	Form of Compliance Certificate
Exhibit C	Form of Assignment and Acceptance
Exhibit D	Form of Borrowing Base Collateral Position Report
Exhibit E	Form of Net Fixed Price Volume Report
Exhibit F	[Reserved]
Exhibit G	[Reserved]
Exhibit H	Subordination Agreement
Exhibit I	Form of Notice of Borrowing Base Sub-Cap Election
Exhibit J	[Reserved]
Exhibit K	Form of Notice of Ninety (90) Day Swap L/C Cap Election
Exhibit L	Form of Three Hundred Sixty-Five (365) Day Swap L/C Cap Election
Exhibit M	Form of Notice of Transportation and Storage L/C Cap Election
Exhibit N	Form of Assignment of Hedging Account
Exhibit O-1	Form of Notice of Subscription Increase
Exhibit O-2	Form of Notice of Committed Line Portion Increase
Exhibit P	Form of Agent Confirmation of Letter of Credit Issuance/Amendment Approval

* The Schedules and Exhibits have been excluded from this filing and will be furnished to the SEC upon request.

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") is entered into effective as of May 8, 2009, by and among **ENSERCO ENERGY INC.**, a South Dakota corporation (the "Borrower"), **FORTIS CAPITAL CORP.**, a Connecticut corporation ("Fortis"), as a Bank, an Issuing Bank and as administrative agent, documentation agent and collateral agent for the Banks, **SOCIETE GENERALE**, a bank organized under the laws of France ("SocGen"), as an Issuing Bank, a Bank and the Syndication Agent, **BNP PARIBAS**, a bank organized under the laws of France ("BNP"), as an Issuing Bank, a Bank and the Documentation Agent, **U.S. BANK NATIONAL ASSOCIATION**, a national banking association ("U.S. Bank"), as a Bank, **THE BANK OF TOKYO MITSUBISHI UFJ, LTD., NEW YORK BRANCH**, a bank organized under the laws of Japan, acting through its New York Branch, as a Bank, and each other financial institution which may become a party hereto (collectively, the "Banks").

WHEREAS, Fortis, as Agent, the Banks and the Borrower have entered into a Second Amended and Restated Credit Agreement effective as of June 1, 2006 (as amended, the "Existing Credit Agreement") which presently provides for an Uncommitted Line of $300,000,000.00; and

WHEREAS, the Borrower has requested and the Banks are prepared to extend the existing facility for a period of one year, to convert the facility into a committed facility, and to make certain other amendments to the Existing Credit Agreement;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

ARTICLE I
DEFINITIONS

1.01 Certain Defined Terms. The following terms have the following meanings:

"Account" has the meaning stated in the New York Uniform Commercial Code as in effect from time to time.

"Account Debtor" means a Person who is obligated to the Borrower under an Account of the Borrower.

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary); provided, however, that the relevant Borrower or the Subsidiary is the surviving entity.

"Advance Maturity Date" means the maturity date of advances made hereunder which will be the Expiration Date.

"Advance Line Limit" means the maximum amount of Revolving Loans which may be outstanding at any time, which maximum amount shall be $50,000,000.00.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agent" means Fortis in its capacity as administrative agent and collateral agent for the Banks hereunder, and any successor agent arising under Section 10.09.

"Agents" means the Agent, the Documentation Agent and the Syndication Agent.

"Agent's Payment Office" means the address for payments set forth on Schedule 11.02 hereto in relation to Agent, or such other address as Agent may from time to time specify.

"Agreement" means this Credit Agreement.

"Aggregate Amount" means the Effective Amount of all outstanding Revolving Loans plus the Effective Amount of all L/C Obligations.

"Applicable Margin" means two and three-quarters of one percent (2.75%).

"Approved Brokerage Accounts" means brokerage accounts maintained by the Borrower with an Eligible Broker for the purpose of allowing the Borrower to engage in the purchase and sale of commodity futures, commodity options, forward or leverage contracts and/or actual or cash commodities, and subject to a fully perfected first priority security interest in favor of Agent for the benefit of the Banks (including a tri-party control agreement, acceptable to Banks).

"Arrangers" means Fortis, SocGen and BNP.

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external counsel, the reasonable allocated cost of internal legal services and all disbursements of internal counsel.

"Available Committed Line Portion" means, with respect to any Bank at any time, an amount equal to the excess, if any, of (a) such Bank's Committed Line Portion then subscribed by it over (b) such Bank's total Effective Amount at such time.

"Bank Blocked Accounts" means (a) account no. _____ in the name of Borrower maintained with Wells Fargo into which collections from the Borrower's Accounts will be deposited pursuant to Section 7.14 below and which is subject to a Blocked Account

Agreement, (b) account no. _____ CAD in the name of the Borrower maintained with Wells Fargo into which collections in Canadian Dollars from the Borrower's Accounts will be deposited pursuant to Section 7.14 below and which is subject to a Blocked Account Agreement, and (c) any other account approved by Agent which is also subject to a Blocked Account Agreement.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978, as amended (11 U.S.C. §101, et seq.).

"Banks" shall initially mean the Banks identified on the signature pages hereto and their successors and assigns. At such time as additional lending institutions are added to this Agreement, either pursuant to Section 2.01A, through an amendment to this Agreement or through an Assignment and Acceptance in accordance with Section 11.07 hereof, the term "Banks" shall mean the Banks identified on the signature pages hereto and their successors and assigns and each such additional lending institution. References to the "Banks" shall include Fortis, SocGen and BNP, including in their capacity as Issuing Banks; for purposes of clarification only, to the extent that Fortis, SocGen and BNP may have any rights or obligations in addition to those of the Banks due to their status as Issuing Banks and, in the case of Fortis, as Agent, Fortis', SocGen's and BNP's status as such will be specifically referenced.

"Base Rate" means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate; or (b) the per annum rate of interest established by Fortis Bank S.A./N.V. from time to time at its principal office in New York City as its "prime rate" or "base rate" for U.S. dollar loans (with any change on such "prime rate" or "base rate" to become effective as and when such "prime rate" or "base rate" changes). (The "prime rate" or "base rate" is a rate set by Fortis Bank S.A./N.V. based upon various factors including Fortis Bank S.A./N.V.'s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate.)

"Base Rate Loan" means any Loan bearing interest based upon the Base Rate.

"Blocked Account Agreements" means (a) the Blocked Account Agreement dated June 1, 2007, as amended, among Agent, Borrower and Wells Fargo, and (b) any other Blocked Account Agreement pertaining to a Bank Blocked Account.

"Borrower" means Enserco Energy Inc., a South Dakota corporation.

"Borrower's Canadian Security Agreement" means a security agreement, as amended, in form and substance acceptable to Agent, duly executed by the Borrower and delivered to Agent, for the benefit of the Banks, granting to Agent, as collateral agent for the Banks, a first and prior security interest in and Lien upon the Borrower's Collateral located in Canada, subject to Permitted Liens.

"Borrower's Second Amended and Restated Security Agreement" means a security agreement, as amended, in form and substance acceptable to Agent, duly executed by the Borrower and delivered to Collateral Agent (as defined therein), for the benefit of the Secured Parties (as defined therein), granting to Collateral Agent, as collateral agent for the

Secured Parties, a first and prior security interest in and Lien upon all Collateral, subject to Permitted Liens.

"Borrowing" means a borrowing hereunder consisting of Revolving Loans made to the Borrower on the same day by the Banks under Article II.

"Borrowing Base Advance Cap" means at any time an amount equal to the least of:

(a) the Committed Line Portions then subscribed to by the Banks as shown on Schedule 2.01 which as of the date of the Agreement aggregate $200,000,000.00;

(b) the Borrowing Base Sub-Cap; or

(c) the sum of:

(i) the amount of Cash Collateral and other liquid investments which are acceptable to the Banks in their sole discretion and which are subject to a first perfected security interest in favor of Agent, as collateral agent for the Banks, which shall not include Cash Collateral in which a Lien has been granted by the Borrower in order to secure the margin requirements of a swap contract permitted under Section 8.06(b); plus

(ii) 90% of equity (net liquidity value) in Approved Brokerage Accounts; plus

(iii) 90% of the amount of Tier I Accounts; plus

(iv) 85% of the amount of Tier II Accounts; plus

(v) 85% of the amount of Tier I Unbilled Eligible Accounts; plus

(vi) 80% of the amount of Tier II Unbilled Eligible Accounts; plus

(vii) 80% of the amount of Eligible Inventory that is not line fill or tank bottom; plus

(viii) 50% of the amount of Eligible Inventory which consists of line fill or tank bottom; provided that the amount to be included in the Borrowing Base Advance Cap under this clause (viii) after the application of the 50% advance rate shall not to exceed $5,000,000.00; plus

(ix) 80% of the amount of Eligible Exchange Receivables; plus

(x) 80% of the amount of Undelivered Product Value; less

(xi) the amounts (including disputed items) which would be subject to a so-called "First Purchaser Lien" as defined in Texas Bus. & Com. Code Section 9.343, comparable laws of the states of Oklahoma, Kansas, Wyoming or New Mexico, or any other comparable law, except to the extent a Letter of Credit or other Collateral acceptable to Agent secures payment of amounts subject to such First Purchaser Lien; less

(xii) 120% of the amount of any mark to market exposure to the Swap Banks under Swap Contracts as reported by the Swap Banks, reduced by Cash Collateral or other Collateral acceptable to Agent held by a Swap Bank.

In no event shall any amounts described in (c)(i) through (c)(x) above which may fall into more than one of such categories be counted more than once when making the calculation under subsection (c) of this definition.

"Borrowing Base Collateral Position Report" means a report, substantially in the form of Exhibit D attached hereto, detailing all Collateral which has been or is being used in determining availability for an advance or letter of credit issuance under the Borrowing Base Line. Such report to be executed by a Responsible Officer of the Borrower, delivered to the Agent and each Bank in accordance with the requirements of Section 7.02(b) of this Agreement, including schedules in form and substance reasonably acceptable to the Agent showing the Borrower's (a) balances of all Cash Collateral, (b) Tier I Accounts (describing in sufficient detail any offsets, counterclaims, deductions, or reconciliations, by counterparty, as provided in the definitions of "Eligible Accounts" or "Tier I Accounts", as well as credit limits), (c) Tier II Accounts (describing in sufficient detail any offsets, counterclaims or deductions, by counterparty, as provided in the definitions of "Eligible Accounts" or "Tier II Accounts", as well as credit limits), (d) Tier I Unbilled Eligible Accounts (including any offsets, counterclaims or deductions by counterparty, as provided in the definitions of "Eligible Accounts" or "Tier I Accounts", as well as credit limits), (e) Tier II Unbilled Eligible Accounts (including any offsets, counterclaims or deductions by counterparty, as provided in the definitions of "Eligible Accounts" or "Tier II Accounts", as well as credit limits), (f) a schedule of Eligible Inventory (including Eligible Inventory that is line fill and/or tank bottom, detailed as separate items) together with supporting information including but not limited to market values, (g) any broker's account statements reflecting the net liquidating value of Approved Brokerage Accounts and balances in such accounts, (h) a schedule of Eligible Exchange Receivables (describing in sufficient detail any offsets, counterclaims or deductions by counterparty, as provided in the definition of "Eligible Exchange Receivables", as well as credit limits), (i) Undelivered Product Value, by counterparty, showing all related liabilities including accounts payable, accrued payables, and mark-to-market losses, (j) a schedule of all actual and potential first purchaser liabilities, (k) the amount of mark-to-market exposure owed to the Swap Banks under Swap Contracts as reported by the Swap Banks, and (l) all Loans and Letters of Credit outstanding. The Borrower will also provide the Agent and the Banks, together with the delivery of each

Borrowing Base Collateral Position Report, if available, but in no event less than once a month, bank account statements covering Cash Collateral and copies of any other supporting third party documentation relating to the assets more fully described in any Borrowing Base Collateral Position Report that the Agent may reasonably request.

"Borrowing Base Line" means the line of credit (a) to finance working capital requirements related to Product activities; (b) to provide for Letters of Credit as described hereunder; and (c) to fund payments due to any Swap Bank under a Swap Contract.

"Borrowing Base Sub-Cap" means, on the Closing Date, an amount equal to $200,000,000.00; provided, however, Borrower may elect to change such Borrowing Base Sub-Cap five (5) times during any twelve (12) month period to be any of $100,000,000.00, $150,000,000.00, $175,000,000.00, $200,000,000.00, $250,000,000.00, $300,000,000.00, $325,000,000.00 or $350,000,000.00; provided that the Borrowing Base Sub-Cap shall never exceed the lower of (a) the Committed Line Portions subscribed to by the Banks as shown on Schedule 2.01 at the time of such election or (b) the Total Available Committed Line Portion if a Defaulting Bank exists hereunder; provided further that such modified Borrowing Base Sub-Cap shall continue in effect until again changed by Borrower in accordance with this Agreement, or until automatically reduced as hereinafter set forth. Notwithstanding the foregoing, Borrower may not elect a Borrowing Base Sub-Cap unless Borrower's Net Working Capital and Tangible Net Worth at the time of election are each greater than, or equal to, the greater of $50,000,000.00 or 25% of the elected Borrowing Base Sub-Cap.

Borrower may elect to change which Borrowing Base Sub-Cap is in effect from time to time by delivering to Agent and Banks a written notice of such election in the form of Exhibit I which is attached hereto. In the event that at the time or after Borrower makes a Borrowing Base Sub-Cap election Borrower's Net Working Capital or Tangible Net Worth as reflected on a Compliance Certificate delivered to Agent is not in compliance with the requirements set forth above for such Borrowing Base Sub-Cap, the Borrowing Base Sub-Cap shall be automatically reduced to the appropriate level set forth above to cause compliance with the requirements set forth above. Such reduction shall take place upon Agent's receipt of such Compliance Certificate or notice of election. **NOTWITHSTANDING THE FOREGOING, BORROWER MAY NOT ELECT A BORROWING BASE SUB-CAP IN AN AMOUNT IN EXCESS OF THE LOWER OF (A) THE THEN TOTAL COMMITTED LINE AMOUNT SUBSCRIBED AS SET FORTH ON SCHEDULE 2.01 FROM TIME TO TIME OR (B) THE TOTAL AVAILABLE COMMITTED LINE PORTION IF A DEFAULTING BANK EXISTS HEREUNDER.**

"Borrowing Date" means any date on which a Borrowing occurs under Section 2.03.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Dallas, Texas are authorized, or required, by law to close, and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in U.S. dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"Canadian Dollars," and "C $" each mean lawful money of Canada.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any Bank or of any corporation controlling a Bank.

"Capital Stock" means capital stock, equity interest or other obligations or securities of, or any interest in, any Person.

"Cash Collateral" means currency issued by the United States or Canada and Marketable Securities which have been Cash Collateralized for the benefit of the Banks or the Swap Banks, as applicable.

"Cash Collateralize" means to pledge and deposit with or deliver to Wells Fargo, for the benefit of Agent, the Issuing Banks and the Banks, Cash Collateral as collateral for the Obligations pursuant to documentation in form and substance satisfactory to Agent (which documents are hereby consented to by all the Banks). The Borrower hereby grants Agent, for the benefit of Agent, the Issuing Banks and the Banks, a security interest in all such Cash Collateral to secure the Obligations. Cash Collateral consisting of cash shall be maintained in the Bank Blocked Accounts.

"Change of Control" means the sale, pledge, hypothecation, assignment or other transfer, whether direct or indirect, of more than twenty-five percent (25%) of the Capital Stock or other ownership rights in the Borrower to any entity other than Parent, Black Hills Non-regulated Holdings, LLC or any other direct or indirect Subsidiary of Parent (including any sale, pledge, hypothecation, assignment or other transfer by Parent of the Capital Stock or other ownership rights in any Person owning, directly or indirectly, more than twenty-five percent (25%) of the Capital Stock or other ownership rights in the Borrower) without the prior written consent of all of the Banks.

"Clearinghouse Account" means the account entitled "ENSERCO" maintained on behalf of the Borrower with Natural Gas Exchange Inc.

"Close-out Amount" shall have the meaning ascribed to it in the Intercreditor Agreement.

"Closing Date" means the date on which all conditions precedent set forth in Section 5.01 are satisfied or waived by all Banks.

"Code" means the Internal Revenue Code of 1986, and regulations promulgated thereunder.

"Collateral" means all assets of the Borrower including, without limitation, all accounts, equipment, chattel paper, inventory, Product in transit, instruments, contract rights, the Bank Blocked Accounts, stock, partnership interests, and general intangibles, whether presently existing or hereafter acquired or created and the proceeds thereof and excluding the Borrower's real estate and fixed assets and funds held in the Borrower's Clearinghouse Account.

"Collateral Position" means the total availability under the Borrowing Base Advance Cap.

"Commercial Letters of Credit" means a Letter of Credit which is intended at the time of Issuance to be drawn upon for the purchase of Product.

"Commitment Fee Rate" means, for any day, the rate per annum equal to 0.50%.

"Committed Line" means the aggregate Committed Line Portions of all the Banks as is set forth on Schedule 2.01 hereto, as may be increased from time to time pursuant to Section 2.01B.

"Committed Line Portion" means for each Bank the "Dollar Amount" of the "Committed Line Portions" assigned to such Bank as set forth on Schedule 2.01 hereto, as may be increased from time to time pursuant to Section 2.01B.

"Committed Line Portion Increase" has the meaning specified in Section 2.01B(a).

"Committed Line Portion Increase Effective Date" has the meaning specified in Section 2.01B(b).

"Compliance Certificate" means a certificate, in form attached hereto as Exhibit B, whereby the Borrower certifies that it is in compliance with this Agreement.

"Contingent Obligation" means, as to any Person, any direct or indirect liability of that Person, whether or not contingent, with or without recourse, (a) with respect to any Indebtedness, lease, dividend, letter of credit or other obligation of another Person (which obligations and Person are referred to herein as the "primary obligation" and the "primary obligor," respectively), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefore, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each, a "Guaranty Obligation"); (b) with respect to any Surety Instrument (other than any Letter of Credit) issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments; or (c) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered; or (d) in respect of any swap contract, including Swap Contracts.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of

trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Control Agreements" means (a) the Security Agreement Assignment of Hedging Account, dated September 15, 2008, between Agent, Borrower and BNP Paribas Commodity Futures, Inc., and (b) any other control agreement, in form and substance satisfactory to Agent, executed by Agent, Borrower and a depository institution, pursuant to which Borrower assigns, pledges and transfers all of its right, title and interest in and to an account specified therein and pursuant to which the parties agree that such account will be under the sole dominion and control of Agent.

"Conversion/Continuation Date" means any date on which, under Section 2.04, the Borrower (a) converts Loans of one Type to another Type, or (b) continues such Loans as Loans of the same Type, but with a new Interest Period.

"Cost of Funds" means with respect to any Bank, the rate per annum quoted by such Bank to the Agent as contemplated in the Reference Bank Cost of Funds Rate as its cost of funds with respect to a requested Eurodollar Rate Loan, as determined solely by such Bank in its reasonable discretion which determination may include, without limitation, such factors as such Bank shall deem appropriate from time to time, including without limitation, market, regulatory and liquidity conditions; provided that such rate is not necessarily the cost to such Bank of funding the specific requested Eurodollar Rate Loan, and may exceed such Bank's actual cost of borrowing in the interbank market or other markets in which such Bank may obtain funds from time to time for amounts similar to the amount of the requested Eurodollar Rate Loan.

"Credit Extension" means and includes (a) the making of any Loans hereunder, and (b) the Issuance of any Letters of Credit hereunder.

"Credit Limit" means the maximum amount of Accounts and Exchange Receivables, in the aggregate, owing by a Person to the Borrower which may be treated as Eligible Accounts and Eligible Exchange Receivables with respect to such Person, as indicated on the approved account list as agreed to by the Banks from time to time.

"Current Assets" means those assets of the Borrower and its consolidated Subsidiaries which would be classified as current assets of a corporation conducting a business the same as or similar to the businesses of the Borrower and its consolidated Subsidiaries.

"Current Liabilities" means Indebtedness of the Borrower and its consolidated Subsidiaries which would be classified as current liabilities of a corporation conducting a business the same as or similar to the businesses of the Borrower and its consolidated Subsidiaries.

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

"Default Rate" has the meaning specified in Subsection 2.07(a).

"Defaulting Bank" means at any time any Bank that (a) within one Business Day of when due, has failed to fund any portion of any Revolving Loan or L/C Advance (or any participation in the foregoing) to the Borrower, the Agent, or Issuing Bank, required pursuant to the terms of this Agreement to be funded by such Bank, or has notified the Agent that it does not intend to do so; (b) within one Business Day of when due, has failed to pay over to the Agent or any other Bank any amount other than as set forth in clause (a) above, required to be paid by such Bank pursuant to the terms hereof, unless such amount is the subject of a good faith dispute; (c) that has become subject to a bankruptcy proceeding or other similar proceeding as debtor; or (d) that is controlled by an entity which has been deemed insolvent or has become subject to a bankruptcy proceeding or similar proceeding as debtor. With respect to any Bank that is a "Defaulting Bank" pursuant to clauses (a) through (d) above, upon (i) such "Defaulting Bank" paying all amounts owed to the applicable Bank(s) or the Agent pursuant to the terms hereof, as reasonably determined by such Bank(s), Issuing Banks, and the Agent, as applicable, and (ii) the approval of the Borrower, Issuing Banks and Agent, such "Defaulting Bank" shall cease to be a "Defaulting Bank;" provided, however, for the avoidance of doubt, any interest that accrued under this Agreement on any amount that a Defaulting Bank failed to advance, shall be for the account of the party that advanced such amount (or parties on a pro rata basis if more than one Bank advanced such amount), from the time such advance was made by the applicable Bank(s) until, but not including, the date that the Defaulting Bank made the applicable payment or advance (as the case may be) to such Bank(s).

"Delta" in relation to an option contract referencing Product, means the change in the option premium under such option for a one unit change in the price of the underlying Product.

"Delta Equivalent Basis" means the method of calculating the quantity of cash (or futures) position in Product that will theoretically hedge an option position against an adverse change in the price of any underlying Product by multiplying the Delta of the option by the relevant contract size or nominal amount.

"Documentation Agent" means BNP.

"Economic Basis" means GAAP adjusted to include (a) the forward value of both hedged and unhedged physical transportation capacity for up to four (4) years, net of associated transportation costs for such period, (b) the forward value of both hedged and unhedged physical storage capacity for up to four (4) years net of associated storage costs for such period, and (c) the lower of cost or market adjustment to bring the value of Product inventory to market for inventory transactions that do not classify for "hedge accounting treatment."

"Effective Amount" means (a) with respect to any Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Loans occurring on such date; and (b) with respect to any outstanding L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any Issuances of Letters of Credit occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including changes as a result of expiration or cancellation, any amendments, reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing

under Letters of Credit taking effect on such date. In determining the Effective Amount of any Letter of Credit that is denominated in Canadian Dollars, the Agent may at any time determine the United States Dollar Equivalent of such Letter of Credit and if the Agent determines that the United States Dollar Equivalent is in excess of the U.S. Dollar amounts shown on the Agent's books and records at such time, the Agent may advise the Borrower. In such event, the Effective Amount of such Letter of Credit shall be deemed to be the United States Dollar Equivalent amount and the Agent shall record and reflect such revised amount on its books and records.

"Elected Ninety (90) Day Swap L/C Cap" means an initial election of an amount equal to $50,000,000.00; provided, however, Borrower may elect to change such Elected Ninety (90) Day Swap L/C Cap five (5) times during any twelve (12) month period to be $25,000,000.00, $50,000,000.00, $75,000,000.00 or $100,000,00.00, which modified Elected Ninety (90) Day Swap L/C Cap shall continue in effect until again changed by Borrower in accordance with this Agreement, or until automatically reduced as hereinafter set forth. Notwithstanding the foregoing, Borrower may not elect an Elected Ninety (90) Day Swap L/C Cap unless the Borrowing Base Sub-Cap in effect at the time of election is greater than or equal to, the amounts specified below:

(a) If the Borrower elects $25,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $100,000,000.00; or

(b) If the Borrower elects $50,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $175,000,000.00; or

(c) If the Borrower elects $75,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $250,000,000.00; or

(d) If the Borrower elects $100,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to $300,000,000.00.

Borrower may elect to change which Elected Ninety (90) Day Swap L/C Cap is in effect from time to time by delivering to Agent a written notice of such election in the form of Exhibit K which is attached hereto. In the event that at the time or after Borrower makes an Elected Ninety (90) Day Swap L/C Cap election the Borrowing Base Sub-Cap is not in compliance with the requirements set forth above, the Elected Ninety (90) Day Swap L/C Cap shall be automatically reduced to the appropriate level set forth above to cause compliance with the requirements set forth above, provided that if Borrower fails to qualify for any of (a), (b), (c) or (d) above, the Elected Ninety (90) Day Swap L/C Cap shall be zero. Such reduction shall take place upon Agent's receipt of such Compliance Certificate or notice of election. **NOTWITHSTANDING THE FOREGOING, BORROWER MAY NOT ELECT AN ELECTED NINETY (90) DAY SWAP L/C CAP IN AN AMOUNT IN EXCESS OF THE AMOUNT OF THE THEN L/C SUB-LIMIT CAP FOR NINETY (90) DAY SWAP LC/S AS SET FORTH IN THE DEFINITION OF L/C SUB-LIMIT CAP BELOW.**

"Elected Ninety (90) Day Transportation and Storage L/C Cap" means an initial election of an amount equal to $50,000,000.00; provided, however, Borrower may elect to change such Elected Ninety (90) Day Transportation and Storage L/C Cap five (5) times during

any twelve (12) month period to be $50,000,000.00, $100,000,000.00 or $150,000,000.00, which modified Elected Ninety (90) Day Transportation and Storage L/C Cap shall continue in effect until again changed by Borrower in accordance with this Agreement, or until automatically reduced as hereinafter set forth. Notwithstanding the foregoing, Borrower may not elect an Elected Ninety (90) Day Transportation and Storage L/C Cap unless the Borrowing Base Sub-Cap in effect at the time of election is greater than or equal to, the amounts specified below:

(a) If the Borrower elects $50,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $100,000,000.00; or

(b) If the Borrower elects $100,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $175,000,000.00; or

(c) If the Borrower elects $150,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to $300,000,000.00.

Borrower may elect to change which Elected Ninety (90) Day Transportation and Storage L/C Cap is in effect from time to time by delivering to Agent a written notice of such election in the form of Exhibit M which is attached hereto. In the event that at the time or after Borrower makes an Elected Ninety (90) Day Transportation and Storage L/C Cap election the Borrowing Base Sub-Cap is not in compliance with the requirements set forth above, the Elected Ninety (90) Day Transportation and Storage L/C Cap shall be automatically reduced to the appropriate level set forth above to cause compliance with the requirements set forth above, provided that if Borrower fails to qualify for any of (a), (b) or (c) above, the Elected Ninety (90) Day Transportation and Storage L/C Cap shall be zero. Such reduction shall take place upon Agent's receipt of such Compliance Certificate or notice of election. **NOTWITHSTANDING THE FOREGOING, BORROWER MAY NOT ELECT AN ELECTED NINETY (90) DAY TRANSPORTATION AND STORAGE L/C CAP IN AN AMOUNT IN EXCESS OF THE AMOUNT OF THE THEN L/C SUB-LIMIT CAP FOR NINETY (90) DAY TRANSPORTATION AND STORAGE LC/S AS SET FORTH IN THE DEFINITION OF L/C SUB-LIMIT CAP BELOW.**

Any such election made by the Borrower shall at all times be subject to the following:

If the then elected Borrowing Base Sub-Cap is:	Then the aggregate amount of the Elected Ninety (90) Day Transportation and Storage L/C Cap and the Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap may not exceed:
$100,000,000.00	$50,000,000.00
$150,000,000.00	$50,000,000.00
$175,000,000.00	$100,000,000.00
$200,000,000.00	$100,000,000.00
$250,000,000.00	$100,000,000.00
$300,000,000.00 or more	$150,000,000.00

"Elected Three Hundred Sixty-Five (365) Day Swap L/C Cap" means an initial election of an amount equal to $50,000,000.00; provided, however, Borrower may elect to change such Elected Three Hundred Sixty-Five (365) Day Swap L/C Cap five (5) times during any twelve (12) month period to be $25,000,000.00, $50,000,000.00 or $75,000,000.00, which modified Elected Three Hundred Sixty-Five (365) Day Swap L/C Cap shall continue in effect until again changed by Borrower in accordance with this Agreement, or until automatically reduced as hereinafter set forth. Notwithstanding the foregoing, Borrower may not elect an Elected Three Hundred Sixty-Five (365) Day Swap L/C Cap unless the Borrowing Base Sub-Cap in effect at the time of election is greater than or equal to, the amounts specified below:

(a) If the Borrower elects $25,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $100,000,000.00; or

(b) If the Borrower elects $50,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $175,000,000.00; or

(c) If the Borrower elects $75,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $250,000,000.00.

Borrower may elect to change which Elected Three Hundred Sixty-Five (365) Day Swap L/C Cap is in effect from time to time by delivering to Agent a written notice of such election in the form of Exhibit L which is attached hereto. In the event that at the time or after Borrower makes an Elected Three Hundred Sixty-Five (365) Day Swap L/C Cap election the Borrowing Base Sub-Cap is not in compliance with the requirements set forth above, the Elected Three Hundred Sixty-Five (365) Day Swap L/C Cap shall be automatically reduced to the appropriate level set forth above to cause compliance with the requirements set forth above,

provided that if Borrower fails to qualify for any of (a), (b), (c) or (d) above, the Elected Three Hundred Sixty-Five (365) Day Swap L/C Cap shall be zero. Such reduction shall take place upon Agent's receipt of such Compliance Certificate or notice of election. **NOTWITHSTANDING THE FOREGOING, BORROWER MAY NOT ELECT AN ELECTED THREE HUNDRED SIXTY-FIVE (365) DAY SWAP L/C CAP IN AN AMOUNT IN EXCESS OF THE AMOUNT OF THE THEN L/C SUB-LIMIT CAP FOR THREE HUNDRED SIXTY-FIVE (365) DAY SWAP LC/S AS SET FORTH IN THE DEFINITION OF L/C SUB-LIMIT CAP BELOW.**

"Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap" means an initial election of an amount equal to $50,000,000.00; provided, however, Borrower may elect to change such Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap five (5) times during any twelve (12) month period to be $25,000,000.00, $50,000,000.00, $75,000,000.00 or $100,000,000.00 which modified Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap shall continue in effect until again changed by Borrower in accordance with this Agreement, or until automatically reduced as hereinafter set forth. Notwithstanding the foregoing, Borrower may not elect an Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap unless the Borrowing Base Sub-Cap in effect at the time of election is greater than or equal to, the amounts specified below:

(a) If the Borrower elects $25,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $100,000,000.00; or

(b) If the Borrower elects $50,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $175,000,000.00;

(c) If the Borrower elects $75,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be equal to or greater than $250,000,000.00; or

(d) If the Borrower elects $100,000,000.00, the Borrowing Base Sub-Cap in effect at the time of election must be $350,000,000.00.

Borrower may elect to change which Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap is in effect from time to time by delivering to Agent a written notice of such election in the form of Exhibit M which is attached hereto. In the event that at the time or after Borrower makes an Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap election the Borrowing Base Sub-Cap is not in compliance with the requirements set forth above, the Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap shall be automatically reduced to the appropriate level set forth above to cause compliance with the requirements set forth above, provided that if Borrower fails to qualify for any of (a), (b), (c) or (d) above, the Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap shall be zero. Such reduction shall take place upon Agent's receipt of such Compliance Certificate or notice of election. **NOTWITHSTANDING THE FOREGOING, BORROWER MAY NOT ELECT AN ELECTED THREE HUNDRED SIXTY-FIVE (365) DAY TRANSPORTATION AND STORAGE L/C CAP IN AN AMOUNT IN EXCESS OF THE AMOUNT OF THE THEN L/C SUB-LIMIT CAP FOR THREE HUNDRED SIXTY-FIVE (365) DAY TRANSPORTATION AND**

STORAGE LC/S AS SET FORTH IN THE DEFINITION OF L/C SUB-LIMIT CAP BELOW.

Any such election made by the Borrower shall at all times be subject to the following:

If the then elected Borrowing Base Sub-Cap is:	Then the aggregate amount of the Elected Ninety (90) Day Transportation and Storage L/C Cap and the Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap may not exceed:
$100,000,000.00	$50,000,000.00
$150,000,000.00	$50,000,000.00
$175,000,000.00	$100,000,000.00
$200,000,000.00	$100,000,000.00
$250,000,000.00	$100,000,000.00
$300,000,000.00 or more	$150,000,000.00

"Eligible Accounts" means, at the time of any determination thereof, each of the Borrower's Accounts as to which the following requirements have been fulfilled to the satisfaction of all the Banks:

(a) Such Account is the result of a sale of Product to a Tier I or Tier II Account Party, subject to the following limits;

(i) If the aggregate amount of Accounts for an Account Debtor exceeds $500,000.00, the Eligible Accounts from such Account Debtor may not exceed the aggregate amount pre-approved by the Required Banks; or

(ii) If such Account is secured by letters of credit issued in favor of the Borrower by a bank with a credit rating equal to A- (Standard & Poor's) or A3 (Moody's) or higher or by a bank approved by the Required Banks, the aggregate undrawn amount of such letter(s) of credit; or

(iii) $500,000.00 in the aggregate amount per Account Debtor if no limit has been established pursuant to (i) or (ii) above.

(b) Borrower has lawful and absolute title to such Account;

(c) Such Account is a valid, legally enforceable obligation of the Person who is obligated under such Account for goods actually delivered to such Account Debtor in the ordinary course of the Borrower's business;

(d) Such Account shall have excluded therefrom any portion that is subject to any dispute, offset, counterclaim reduction, adjustment, contra account or other claim or defense on the part of the Account Debtor or to any claim on the part of the Account Debtor denying liability under such Account or to any offset relating to out-of-the-money mark to market exposure with respect to such Account; provided, however, that in the event that the portion that is subject to any such dispute, counterclaim or other claim or defense is secured with a letter of credit, such portion secured by the letter of credit shall not be excluded;

(e) Such Account is not evidenced by any chattel paper, promissory note or other instrument;

(f) Such Account is subject to a perfected first priority security interest (or properly filed and acknowledged assignment, in the case of U.S. government contracts, if any) in favor of Agent pursuant to the Loan Documents, prior to the rights of, and enforceable as such against, any other Person, and such Account is not subject to any security interest or Lien in favor of any Person other than the Liens of the Banks pursuant to the Loan Documents and First Purchaser Liens;

(g) Such Account shall have excluded therefrom any portion which is not payable in United States Dollars or Canadian Dollars. If an Account is payable in Canadian Dollars, it shall be taken into account for purposes of any dollar limitations contained herein at the United States Dollar Equivalent of such Account;

(h) Such Account has been due and payable for 15 days or less (or 30 days or less, if the Account Debtor is a governmental entity) from the due date under the related invoice and no extension or indulgence has been granted extending the due date beyond a 15 day period (or 30 days, as the case may be) and no invoice shall have a due date more than 45 days from the date of the invoice. In the event that 25% or more of the Accounts of any Account Debtor exceed the time limitations set forth above, all Accounts of such Account Debtor shall be excluded;

(i) No Account Debtor in respect of such Account is an Affiliate of the Borrower; provided, however, if the Account Debtor which is an Affiliate of the Borrower is a Tier II Account Party and, at the time the Account is created, Parent has an investment grade credit rating, such Account shall not be excluded, except that Accounts where the Account Debtor is an Affiliate of the Borrower shall be excluded if they exceed in the aggregate ten percent (10%) of the Borrowing Base Advance Cap;

(j) No Account Debtor in respect of such Account is incorporated in or primarily conducting business in any jurisdiction outside of the U.S. or Canada, unless such Account Debtor and the Account is approved in writing by all Banks; and

(k) No Account Debtor, or guarantor of such Account Debtor's Obligations with respect to such Account (provided the Banks have relied on the

creditworthiness of the guarantor in approving such Account), in respect of such Account (i) is insolvent, or generally fails to pay, or admits in writing its inability to pay its debts as they become due, whether at stated maturity or otherwise, or (ii) commences any Insolvency Proceeding with respect to itself; or (iii) has had an Insolvency Proceeding commenced or filed against it;

provided that the amount of Accounts owing by an Account Debtor to the Borrower (excluding Accounts described in paragraph (a)(ii) above relating to Accounts secured by letters of credit) which may be treated as Eligible Accounts may not exceed the Credit Limit for such Account Debtor.

For purposes of applying the above requirements for determining an Eligible Account, if the Agent requests the approval of a Bank to treat an Account as an Eligible Account, and such Bank does not respond to Agent within five (5) Business Days of the receipt of such written request, such Bank shall be deemed to have approved the treatment of the Account as an Eligible Account.

"Eligible Assignee" means (a) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $100,000,000.00; (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000.00; provided, however, that such bank is acting through a branch or agency located in the United States; (c) a Person that is primarily engaged in the business of commercial lending and that is (i) a Subsidiary of a Bank (or bank referred to in the preceding clauses (a) or (b)), (ii) a Subsidiary of a Person of which a Bank (or bank referred to in the preceding clauses (a) or (b)), is a Subsidiary, or (iii) a Person of which a Bank (or bank referred to in the preceding clauses (a) or (b)) is a Subsidiary; and (d) any Person upon which Agent, the Issuing Banks and Borrower have agreed may serve as an Eligible Assignee.

"Eligible Broker" means any broker approved in writing by Agent and all the Banks.

"Eligible Commodity Futures Accounts" means an account or accounts with an Eligible Broker in which Agent is granted a first and prior security interest as Agent for the Banks pursuant to Hedging Assignments which security interest is subject only to the rights of the Eligible Broker under such accounts.

"Eligible Exchange Receivables" means all enforceable rights of the Borrower under an Exchange Receivable which (a) are evidenced by a written agreement enforceable against the Exchange Debtor thereof, (b) are current pursuant to the terms of the contract or invoice, (c) are free and clear of all Liens in favor of third parties, except Liens in favor of the Agent for the benefit of the Banks, (d) are not the subject of a dispute between the Exchange Debtor and the Borrower, (e) are valued at an independent posting acceptable to the Agent in its sole discretion, (f) if arising pursuant to contracts involving an amount in excess of an aggregate of $500,000.00, are (i) contracts by exchangers pre-approved by the Required Banks in their sole discretion, or (ii) contracts secured by letters of credit in form acceptable to Agent in its sole

discretion, (g) when added to the Exchange Receivables owing by any one Exchange Debtor, is for an amount less than $500,000.00 in the aggregate, and (h) have not been otherwise determined by the Required Banks in their sole discretion to be unacceptable to the Required Banks; provided that the amount of Exchange Receivables owing by an Exchange Debtor to the Borrower (excluding Exchange Receivables described in clause (f)(ii) above relating to contracts secured by letters of credit) which may be treated as an Eligible Exchange Receivables may not exceed the Credit Limit for such Exchange Debtor. Such Exchange Receivable shall have excluded therefrom any portion that is subject to any dispute, offset, counterclaim reduction, adjustment, contra account, account payable exchange payable or other claim or defense on the part of the Exchange Debtor or to any claim on the part of the Exchange Debtor denying liability under such Exchange Receivable; provided, however, that in the event that the portion that is subject to any such dispute, counterclaim or other claim or defense is secured with a letter of credit, such portion secured by the letter of credit shall not be excluded. The Product and Account relating to or creating any Eligible Exchange Receivable shall not be simultaneously included in any other availability calculation, including, without limitation, Undelivered Product Value, Eligible Inventory or Eligible Accounts.

"Eligible Inventory" means, at the time of determination thereof, all of the Borrower's inventory located in the U.S. or Canada valued at current market (as referenced by a published source reasonably acceptable to the Agent), and in all instances as to which the following requirements have been fulfilled to the satisfaction of the Required Banks:

(a) The inventory is owned by the Borrower free and clear of all Liens in favor of third parties, except Liens in favor of the Banks under the Loan Documents and except for Permitted Liens;

(b) The inventory has not been identified to deliveries with the result that a buyer would have rights to the inventory that would be superior to Agent's security interest for the benefit of the Banks, nor shall such inventory have become the subject of a customer's ownership or Lien;

(c) The inventory is in transit in the U.S. or Canada under the control and ownership of the Borrower or is in a pipeline or a bill of lading has been issued to Agent if such inventory is in the hands of a third party carrier or is located in the U.S. or Canada at the locations described on Schedule 7.03(f), or at such other place as has been specifically agreed to in writing by the Agent and the Borrower;

(d) If the inventory is located in a terminal or storage facility, such terminal or facility, together with the related storage agreement, must be acceptable to the Agent in its sole discretion, and the Borrower shall have furnished to each owner of a storage facility (with a copy delivered to the Agent) a signed letter noting the Banks' first priority security interest in such inventory (subject to Permitted Liens) in form and substance satisfactory to Agent addressed to each such owner of a storage facility;

(e) The inventory is subject to a fully perfected first priority security interest in favor of Agent for the benefit of the Banks pursuant to the Loan Documents; and

(f) With respect to natural gas inventory located in a storage facility or pipeline, the following shall apply:

(i) Eligible Inventory shall have excluded therefrom any portion that is subject to any dispute, offset, counterclaim reduction, adjustment, or other claim (other than any rights to applicable contractual future demand charges for storage and transportation ("Demand Charges")).

(ii) Eligible Inventory in a storage facility or pipeline of a specific operator (each, and "Operator") will be reduced by: (A) for Eligible Inventory in a third-party storage facility, 100% of the Demand Charges of such specific Operator (the "Storage Inventory Reduction") and (B) for Eligible Inventory in a third-party pipeline, 50% of the Demand Charges of such specific Operator (the "Pipeline Inventory Reduction"), but in the case of (A) or (B), Eligible Inventory will be reduced only by Demand Charges beyond the mark to market valuation period; provided, however, (x) if the Borrower fails to deliver within sixty (60) days after the Closing Date a legal opinion or other evidence reasonably acceptable to the Supermajority Banks confirming that each Operator has the right (contractual or otherwise) to rebid capacity should the Borrower default in the payment of any Demand Charges, then the Pipeline Inventory Reduction with respect to all Operators shall be 100% or (y) if the Borrower delivers within sixty (60) days after the Closing Date a legal opinion or other evidence reasonably acceptable to the Supermajority Banks confirming that some or all Operators have the right (contractual or otherwise) to rebid capacity should the Borrower default in the payment of any Demand Charges, then the Pipeline Inventory Reduction with respect to each Operator that has the right to rebid capacity as confirmed by such legal opinion or other evidence shall remain at 50% and the Pipeline Inventory Reduction with respect to all other Operators shall be 100%.

(iii) The Storage Inventory Reduction and the applicable Pipeline Inventory Reduction shall be reduced (i.e. the percentages shall be decreased) by a percentage determined in the good faith discretion of the Supermajority Banks upon receipt of a legal opinion or other evidence confirming, to the reasonable satisfaction of the Supermajority Banks, that (A) if the Borrower defaults under any storage or transport service contract, its liability for Demand Charges are limited to the difference between the replacement shipper's rate and the amount set forth in the applicable storage or pipeline service agreement or (B) the exposure of Eligible Inventory to Demand Charges is otherwise limited.

(iv) In the event that any portion of Eligible Inventory that is subject to any such dispute, counterclaim or other claim (including

Demand Charges) is secured with a letter of credit, such portion secured by the letter of credit shall not be excluded from Eligible Inventory.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

"ERISA" means the Employee Retirement Income Security Act of 1974, and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

"Eurodollar Effective Amount" means the product of the principal amount of a Eurodollar Rate Loan or requested Eurodollar Rate Loan and the number of days in the applicable Interest Period for such Eurodollar Rate Loan.

"Eurodollar Rate" means for any Interest Period with respect to any Eurodollar Rate Loan:

(a) the rate per annum equal to the rate determined by Agent to be the offered rate that appears on the page of the Dow Jones Market Service screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to

such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by Agent as the rate of interest (rounded upward to the next 1/100th of 1%) at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by the London Branch of Fortis Bank, S.A./N.V. as stated on Dow Jones Market Service Page 3750 as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period. If such interest rates shall cease to be available from Dow Jones Market Service, such interest rates shall be determined from such financial reporting service or other information as shall be mutually acceptable to Agent and the Borrower.

"Eurodollar Rate Loan" means a Loan that bears interest at a rate based on the Eurodollar Rate.

"Event of Default" means any of the events or circumstances specified in Section 9.01.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended, and regulations promulgated thereunder.

"Exchange Debtor" means a Person who is obligated to the Borrower under an Exchange Receivable.

"Exchange Receivable" means a right of the Borrower to receive Product in exchange for the sale or trade of Product previously delivered to an Exchange Debtor by the Borrower.

"Existing Letters of Credit" means all Letters of Credit existing as of the Closing Date as set forth on Schedule 1.01.

"Expiration Date" means the earliest to occur of:

(a) May 7, 2010; or

(b) the date on which this Agreement is terminated pursuant to Section 9.02.

"FDIC" means the Federal Deposit Insurance Corporation, and any Governmental Authority succeeding to any of its principal functions.

"Federal Funds Rate" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by Agent of the rates for the last transaction in overnight Federal Funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal Funds transactions in New York City selected by Agent.

"First Purchaser Lien" has the meaning specified in the definition of "Borrowing Base Advance Cap."

"Foreign Bank" has the meaning specified in Section 10.10.

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guaranty Obligation" has the meaning specified in the definition of "Contingent Obligation."

"Hedging Assignment" means a security agreement among Borrower, Agent and a broker relating to the collateral assignment to Agent, as collateral agent for the Banks, of all sums owing from time to time to Borrower with respect to any Eligible Commodities Futures Accounts maintained by Borrower, such agreement to be substantially in the form attached hereto as Exhibit N or in other form and substance acceptable to the Banks in their sole discretion.

"Honor Date" has the meaning specified in Subsection 3.03(b).

"ICC" has the meaning specified in Section 3.09.

"Indebtedness" of any Person means, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property); (f) all obligations with respect to capital leases; (g) all obligations with respect to Swap Contracts; (h) all indebtedness referred to in clauses (a) through (g) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness; and (i) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) above.

"Indemnified Liabilities" has the meaning specified in Section 11.05.

"Indemnitees" has the meaning specified in Section 11.05.

"Independent Auditor" has the meaning specified in Subsection 7.01(a).

"Information" has the meaning specified in Section 11.08.

"Insolvency Proceeding" means, with respect to any Person (a) any case, action or proceeding with respect to such Person before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Intercreditor Agreement" means the First Amended and Restated Intercreditor Agreement dated as of May 8, 2009, among the Banks relating to the sharing of Collateral with and among the Swap Banks.

"Intercreditor Agreement Adjusted Pro Rata Share" shall have the meaning ascribed to the term "Adjusted Pro Rata Share" in the Intercreditor Agreement.

"Interest Payment Date" means the later of (a) the 5th Business Day of each month, or (b) the date of payment shown on the monthly billing delivered to the Borrower by the Agent (which date of payment shall be no less than two (2) Business Days after delivery of such monthly billing), but in no event later than the Expiration Date.

"Interest Period" means, as to any Eurodollar Rate Loan, the period commencing on the Borrowing Date of such Loan or on the Conversion/Continuation Date on which the Loan

is converted into or continued as a Eurodollar Rate Loan, and ending on the date selected by the Borrower in its Notice of Borrowing or Notice of Conversion/Continuation as the ending date thereof, not to exceed a period of one week or one, two or three months thereafter; provided, however, that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period pertaining to a Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the scheduled Expiration Date.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions under the Code.

"Issuance Date" means the date on which any Letter of Credit is actually issued hereunder.

"Issue" means, with respect to any Letter of Credit, to issue or to extend the expiry of, or to renew or increase the amount of, such Letter of Credit; and the terms "Issued," "Issuing" and "Issuance" have corresponding meanings.

"Issuing Bank Sub-Limit" means, with respect to each Issuing Bank, the limit set opposite such Issuing Bank under the heading "Sub-Limit" in the table below; provided that while any Bank qualifies as a Defaulting Bank hereunder, each Bank's "Sub-Limit" shall be reduced to an amount equal to (a) such Issuing Bank's Issuing Percentage Cap (expressed as a decimal, rounded to the ninth decimal place) at such time, times (b) the Total Available Committed Line Portion at such time, rounded to the nearest whole dollar.

Issuing Bank	Sub-Limit
Fortis	$300,000,000.00
SocGen	$0
BNP	$66,000,000.00

At such time as SocGen notifies the Borrower and the Agent that it may serve as an Issuing Bank, it shall notify the Borrower, the Agent and the other Issuing Banks of its Issuing Bank Sub-Limit.

"Issuing Banks" means Fortis and BNP and any of their Affiliates, and any other Bank, subject to Agent's consent not to be unreasonably withheld (upon Agent's consent such Bank shall provide written notice to the Agent, the Borrower and the other Issuing Banks of such Bank's Issuing Bank Sub-Limit and Issuing Percentage Cap), in such Bank's or Affiliate's capacity as an issuer of one or more Letters of Credit hereunder, together with any replacement letter of credit issuer arising under Section 2.14. At such time as SocGen notifies the Borrower and Agent in writing that it has received internal credit approval to act as an Issuing Bank, it shall be considered an Issuing Bank hereunder.

"Issuing Percentage Cap" means, with respect to each Issuing Bank, the percentage set opposite such Issuing Bank under the heading "Issuing Percentage" in the table below, as such amounts may be amended from time to time pursuant to Section 11.01 hereof.

Issuing Bank	Issuing Percentage
Fortis	81.967213115%
SocGen	0%
BNP	18.032786885%

At such time as SocGen notifies the Borrower and the Agent that it may serve as an Issuing Bank, it shall notify the Borrower, the Agent and the other Issuing Banks of its Issuing Percentage Cap.

"L/C Advance" means each Bank's participation in any L/C Borrowing or Reducing L/C Borrowing in accordance with its Pro Rata Advance Share with respect to Letters of Credit Issued hereunder (or if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Agreement, with respect to each Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable).

"L/C Amendment Application" means an application form for amendment of outstanding Standby or Commercial Letters of Credit as shall at any time be in use at any Issuing Bank, as such Issuing Bank shall request.

"L/C Application" means an application form for Issuances of Standby or Commercial Letters of Credit as shall at any time be in use at any Issuing Bank, as such Issuing Bank shall request.

"L/C Borrowing" means an extension of credit resulting from either a drawing under any Letter of Credit or a Reducing L/C Borrowing, which extension of credit shall not have been reimbursed on the date when made nor converted into a Borrowing of Revolving Loans under Section 3.03.

"L/C Cap" means the maximum availability for Issuance of Letters of Credit under the Borrowing Base Line which shall be an amount equal to the total Effective Amount of L/C Obligations plus the Effective Amount of then outstanding Loans not to exceed the lesser of the Borrowing Base Advance Cap or the L/C Sub-limit Cap for each type of Letter of Credit.

"L/C Obligations" means at any time the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, plus (b) the amount of all unreimbursed drawings under all Letters of Credit, including all outstanding L/C Borrowings.

"L/C-Related Documents" means the Letters of Credit, the L/C Applications, the L/C Amendment Applications and any other document relating to any Letter of Credit, including, but not limited to, any Issuing Bank's standard form documents for letter of credit issuances.

"L/C Sub-limit Cap" means the cap upon L/C Obligations under particular categories of Letters of Credit Issued under the Borrowing Base Line as follows (each such category below is referred to herein as a "Type" of Letter of Credit):

(a) Performance L/Cs - $25,000,000.00;

(b) Ninety (90) Day Transportation and Storage L/Cs - $150,000,000.00 but not to exceed the Elected Ninety (90) Day Transportation and Storage L/C Cap then in effect;

(c) Three Hundred Sixty-Five (365) Day Transportation and Storage L/Cs - $75,000,000.00 but not to exceed the Elected Three Hundred Sixty-Five (365) Day Transportation and Storage L/C Cap then in effect;

(d) Ninety (90) Day Swap L/Cs - $100,000,000.00, but not to exceed the Elected Ninety (90) Day Swap L/C Cap then in effect;

(e) Three Hundred Sixty-Five (365) Day Swap L/Cs - $75,000,000.00 but not to exceed the Elected Three Hundred Sixty-Five (365) Day Swap L/C then in effect;

(f) Ninety (90) Day Supply L/Cs – the Committed Line Portions subscribed to by the Banks as shown on Schedule 2.01 less (i) any amounts outstanding under (a), (b), (c), (d) and (e) above, (ii) the aggregate undrawn amounts of all outstanding Three Hundred Sixty-Five (365) Day Supply L/Cs and (iii) the Effective Amount of all Revolving Loans; and

(g) Three Hundred Sixty-Five (365) Day Supply L/Cs - $25,000,000.00.

In the event Committed Line Portions are increased to $350,000,000.00 pursuant to Section 2.01B, the dollar limit in paragraph (c) above shall be $100,000,000.00.

"Lending Office" means, as to any Bank, the office or offices of such Bank specified as its "Lending Office" on Schedule 11.02, or such other office or offices as such Bank may from time to time notify the Borrower and Agent.

"Letters of Credit" means (a) any letters of credit (whether Standby Letters of Credit or Commercial Letters of Credit) Issued by an Issuing Bank pursuant to Article III, (b) any Reducing Letters of Credit, and (c) any Existing Letters of Credit.

"Lien" means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge, encumbrance, or lien, statutory or other in respect of any property, including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law.

"Loan" means any extension of credit by a Bank to the Borrower under Article II or Article III in the form of a Revolving Loan or an L/C Advance.

"Loan Documents" means this Agreement, the Notes, the Security Agreements, the L/C-Related Documents, the fee letters and all other documents delivered to Agent or any Bank in connection herewith.

"Loan Parties" means the Borrower and any Subsidiaries. "Loan Party" means any of the foregoing.

"Long Position" means the aggregate number of MMBTUS of natural gas or barrels of crude oil/distillates for crude blending which are either held in inventory or which Borrower has contracted to purchase (whether by purchase of a contract on a commodities exchange or otherwise), or which Borrower will receive in exchange or under a swap contract including, without limitation, all option contracts (calculated on a Delta Equivalent Basis) representing the obligation of Borrower to purchase Product at the option of a third party, and in each case, for which a fixed purchase price has been set. Long Positions will be expressed as a positive number.

"Margin Stock" means "margin stock" as such term is defined in Regulation T, U or X of the FRB.

"Marketable Securities" means (a) certificates of deposit issued by any bank with a Fitch rating of A or better, (b) commercial paper rated P-1, A-1 or F-1, (c) bankers acceptances rated prime, or (d) U.S. Government obligations with tenors of 90 days or less.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects of the Borrower or the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party or (d) any Loan Party at any time asserts that any Loan Document is not legal or valid, or is not binding upon or enforceable against such Loan Party.

"Maturity Date" means May 7, 2011.

"Maximum Rate" has the meaning specified in Section 11.10.

"Multiemployer Plan" means a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three (3) calendar years, has made, or been obligated to make, contributions.

"Net Fixed Price Volume" means the number of MMBTUS of natural gas or barrels of crude oil/distillates for crude blending resulting from the netting of the sum of all Long Positions and Short Positions of Borrower.

"Net Fixed Price Volume Report" means a report in form attached hereto as Exhibit E.

"Net Working Capital" means the excess of Current Assets over Current Liabilities (excluding the current portion of Subordinated Debt), less investments in Capital Stock. In calculating Net Working Capital, (i) the amount of Subordinated Debt excluded from liabilities in such calculation shall not exceed 50% of the resulting Net Working Capital, provided, however, in the event Subordinated Debt is used to prevent any financial covenant default, the limitation on the amount of Subordinated Debt excluded from liabilities may be removed upon approval of the Required Banks; and (ii) all amounts due from Parent, employees, owners, Subsidiaries and Affiliates shall be excluded from Current Assets.

"Ninety (90) Day Supply L/Cs" means Letters of Credit with a tenor of less than ninety-one (91) days Issued to facilitate the purchase of Product for resale or to secure the purchase of Product.

"Ninety (90) Day Swap L/Cs" means standby Letters of Credit with a tenor of less than ninety-one (91) days Issued to support payments owed to counterparties under swap contracts.

"Ninety (90) Day Transportation and Storage L/Cs" means Letters of Credit with a tenor of less than ninety-one (91) days Issued to secure companies for transportation expenses and storage expenses.

"Non-Defaulting Banks" means, at any time, each Bank that is not a Defaulting Bank at such time.

"Notes" means the promissory notes executed by the Borrower in favor of a Bank pursuant to Subsection 2.02(b), in form approved by the Banks. A Note will be issued by the Borrower to each entity that becomes a Bank hereunder from time to time, but will not be issued to Participants of a Bank.

"Notice of Borrowing" means the applicable notice in substantially the form of Exhibit A-1.

"Notice of Committed Line Portion Increase" has the meaning specified in Section 2.01B(b).

"Notice of Conversion/Continuation" means a notice in substantially the form of Exhibit A-2.

"Notice of Subscription Increase" has the meaning specified in Section 2.01A(b).

"Obligations" means (a) all advances, debts, liabilities, obligations, covenants and duties arising under any Loan Document owing by the Borrower to any Bank, or any affiliate of any Bank, Agent, or any Indemnitee, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising, including without limitation overdraft costs arising as a result of transfers of funds made through the automated clearinghouse system and all obligations of the Borrower under Revolving Loans and arising from Letters of Credit, excluding any of the foregoing referred to in clause (b) hereof, and (b) all indebtedness, liabilities and obligations owing by Borrower to any Swap Bank under a Swap Contract, whether due or to become due, absolute or contingent, or now existing or hereafter arising. For purposes of determining the amount of the Borrower's Obligations under a Swap Contract, the amount of such Obligation shall be an amount equal to the Close-out Amount with respect to such Swap Contract.

"Organization Documents" means (a) for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation, (b) for any partnership, the partnership agreement, (c) for any limited liability company, the articles of organization and all other documents or filings as may be required by the Secretary of State (or other applicable governmental agency) in the state of such limited liability company's formation.

"Other Taxes" has the meaning specified in Subsection 4.01(b).

"Parent" means Black Hills Corporation.

"Participant" has the meaning specified in Subsection 11.07(d).

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Borrower sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

"Performance L/C" means any Letters of Credit securing counterparties for performance under Product contracts with an expiry date of 365 days or less.

"Permitted Liens" has the meaning specified in Section 8.01.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Borrower sponsors or maintains or to which the Borrower makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Product" means natural gas, crude oil or distillates for crude blending.

"Pro Rata Adjusted Share" means, at any time that one or more Banks qualifies as a Defaulting Bank hereunder, with respect to each Non-Defaulting Bank, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank's Committed Line Portion divided by the Committed Line (excluding the aggregate Committed Line Portions of all Defaulting Banks); provided that the application of the Pro Rata Adjusted Share shall in no event result in a Non-Defaulting Bank being obligated to extend credit in an amount in excess of its Committed Line Portion, and no adjustment to a Non-Defaulting Bank's Committed Line Portion shall arise from such Non-Defaulting Bank's agreement herein to fund in accordance with its Pro Rata Adjusted Share.

"Pro Rata Advance Share" means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank's Committed Line Portion divided by the Committed Line.

"Pro Rata Share" means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank's total Effective Amount divided by the combined total Effective Amount of all the Banks.

"Reducing Letters of Credit" means any letters of credit (whether Standby Letters of Credit or Commercial Letters of Credit) that (a) are Issued by an Issuing Bank pursuant to Article III, and (b) specifically provide that the amount available for drawing under such letters of credit will be reduced, automatically and without any further amendment or endorsement to such letters of credit, by the amount of any payment or payments made to the beneficiary of such Letter of Credit by the Borrower if such payment or payments (i) are made through a Bank and (ii) reference such letters of credit by the letter of credit numbers thereof, notwithstanding the fact that such payment or payments are not made pursuant to conforming and proper draws under such letters of credit.

"Reducing L/C Borrowing" means any extension of credit by the Banks to the Borrower for the purpose of funding any payment or payments made to the beneficiary of a Reducing Letter of Credit by the Borrower if such payment or payments (a) are made through a Bank, (b) reference the Reducing Letter of Credit by the letter of credit number thereof, and (c) are not made pursuant to a conforming and proper draws under such Reducing Letter of Credit.

"Reference Bank Cost of Funds Rate" means an average rate determined from time to time as a simple average of the Cost of Funds rates submitted at the sole discretion of the Non-Defaulting Banks (at the request of the Agent, it being understood that any Non-Defaulting

Bank will have the right to elect not to submit its Cost of Funds to the Agent (as contemplated below)), which average rate shall be calculated as follows, with respect to each determination date: (i) a simple average of all of the Cost of Funds rates submitted by the Banks with respect to such determination date; and (ii) the minimum number of Cost of Funds rates to be used to calculate the simple average shall not be less than half the number of Banks (excluding Defaulting Banks) holding a Committed Line Portion as of the applicable determination date. If the number of submitted Cost of Funds rates, with respect to any determination date, is fewer than the minimum number of Cost of Funds rates required pursuant to clause (ii) above, then the highest of the Eurodollar Rates determined as of such determination date based on an Interest Period lasting (w) one week, (x) two weeks, (y) one month or (z) two months, shall be used in substitution for each such rate fewer than the minimum number of Cost of Funds rates required pursuant to clause (ii) above so that the average rate shall be determined from a number of rates equal to the minimum number of Cost of Funds rates required pursuant to clause (ii) above (even if, for the avoidance of doubt, such Eurodollar Rate is used multiple times for the purposes of such calculation).

Upon the Agent's receipt of a Notice of Borrowing requesting a Eurodollar Rate Loan, the Agent shall promptly request each Non-Defaulting Bank to submit its Cost of Funds rate for purposes of calculating the Reference Bank Cost of Funds Rate. Each Non-Defaulting Bank shall provide its Cost of Funds rate to the Agent no later than 10:00 a.m. (New York City time) on the Business Day immediately succeeding the day on which such Cost of Funds rate was requested by the Agent (such Business Day, the "Determination Date"). Any Non-Defaulting Bank that fails to submit a Cost of Funds rate by such time on the Determination Date shall be deemed to have elected not to submit a Cost of Funds rate with respect to such Notice of Borrowing. The Agent shall calculate the "Reference Bank Cost of Funds Rate" in accordance with the procedures set forth above and shall provide such rate to the Borrower no later than noon (New York City time) on the Determination Date, which rate, in each case, shall be provided to the Borrower as a simple average rate, without identifying the underlying rates submitted by the Banks. Notwithstanding any provisions to the contrary in this Agreement, with respect to any Notice of Borrowing that is designated a "revocable" notice by the Borrower (by checking the appropriate box on such Notice of Borrowing), the Borrower shall be permitted to revoke such Notice of Borrowing by providing a written refusal to borrow to the Agent not later than 2:00 p.m. (New York City time) on the Determination Date; provided that the Borrower shall be permitted to invoke such refusal to borrow not more than three times in any calendar month. If no refusal to borrow is received by the Agent prior to 2:00 p.m. (New York City time) on a Determination Date, the Agent will promptly provide each Bank with a confirmed Notice of Borrowing confirming the initial Notice of Borrowing and the applicable rate that shall initially apply to such Borrowing.

"Related Persons" means any Person, together with its respective Affiliates and the officers, directors, employees, agents, attorneys-in-fact, correspondents, participants and assignees of such Persons and Affiliates.

"Reportable Event" means, any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Required Banks" means Banks, at any time, with a minimum of two (2) Banks, holding at least fifty-one percent (51%) of all of the Total Available Committed Line Portion at such time, which amount shall, for the avoidance of doubt, be allocated to each Non-Defaulting Bank in an amount equal to its Committed Line Portion, and to each Defaulting Bank, its Effective Amount thereof, in each case at such time.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Responsible Officer" means those persons named on the Responsible Officer List.

"Responsible Officer List" means the list of the Borrower's Responsible Officers furnished to Agent hereunder as it may be modified from time to time.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock, membership interest or equity interest of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock, membership interest or equity interest or of any option, warrant or other right to acquire any such capital stock, membership interest or equity interest.

"Revolving Loan" has the meaning specified in Section 2.01.

"Security Agreements" means the Borrower's Second Amended and Restated Security Agreement, the Borrower's Canadian Security Agreement, the Blocked Account Agreements, the Control Agreements, and all Hedging Assignments, all of which shall also secure the Swap Banks (as more fully described in such agreements), notwithstanding the fact that the definitions used herein of any of the foregoing terms may refer to the securing only of the Banks.

"Sharing Event" shall have the meaning ascribed to it in the Intercreditor Agreement.

"Short Position" means the aggregate number of MMBTUS of natural gas or barrels of crude oil/distillates for crude blending which Borrower has contracted to sell (whether by sale of a contract on a commodities exchange or otherwise) or deliver on exchange or under a swap contract, including, without limitation, all option contracts (calculated on a Delta Equivalent Basis) representing the obligation of Borrower to sell Product at the option of a third party and in each case for which a fixed sales price has been set. Short Positions shall be expressed as a negative number.

"SocGen Canada" has the meaning specified in Section 8.06(e).

"Standby Letter of Credit" means a Letter of Credit which is not intended at the time Issued to be drawn upon.

"Subordinated Debt" means Indebtedness of the Borrower which has been reported to the Banks and which has been subordinated to the Obligations pursuant to a subordination agreement substantially in the form attached hereto as Exhibit H.

"Subscription Increase" has the meaning specified in Section 2.01A(c).

"Subscription Increase Effective Date" has the meaning specified in Section 2.01A(b).

"Subsidiary" of a Person means any corporation, association, partnership, joint venture or other business entity of which more than 50% of the voting stock or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Borrower.

"Supermajority Banks" means a minimum of two (2) Banks, holding at least sixty-seven percent (67%) of all of the Total Available Committed Line Portion at such time, which amount shall, for the avoidance of doubt, be allocated to each Non-Defaulting Bank in an amount equal to its Committed Line Portion, and to each Defaulting Bank, its Effective Amount thereof, in each case at such time.

"Supply L/Cs" means Ninety (90) Day Supply L/Cs and Three Hundred Sixty-Five (365) Day Supply L/Cs.

"Support Agreement" means the Support Agreement dated May 8, 2009 from Parent addressed to Agent for the benefit of the Banks.

"Surety Instruments" means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Swap Banks" means Fortis, BNP, SocGen and U.S. Bank and their Affiliates in their capacity as a party to a Swap Contract, and any other Bank approved by all the Banks which has signed and become a party to the Intercreditor Agreement. The term 'Swap Banks' shall also include a former Bank or an Affiliate of a former Bank that is party to a Swap Contract with the Borrower, provided that such former Bank or Affiliate was a Bank or an Affiliate of a Bank at the time it entered into such Swap Contract and thereafter remains a party to the Intercreditor Agreement and entitled to the benefit of the Security Agreements. BNP Paribas Futures, Inc. shall not be treated as a Swap Bank.

"Swap Contract" means any agreement entered into with any Swap Bank, whether or not in writing, relating to any single transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor

transaction, currency swap, cross-currency rate swap, currency option or any other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing and, unless the context clearly requires, any master agreement relating to or governing any or all of the foregoing. No Swap Contract will be executed hereunder unless it is subject to the applicable ISDA Master Agreement or its equivalent (i.e., long-form confirmations).

"Swap L/Cs" means Ninety (90) Day Swap L/Cs and Three Hundred Sixty-Five (365) Day Swap L/Cs.

"Syndication Agent" means SocGen.

"Tangible Net Worth" means (a) the Borrower's and its Subsidiaries' assets, on a consolidated basis, less (b) Total Liabilities, less (c) all amounts due from Parent, employees, owners, Subsidiaries and Affiliates, less (d) investments in Capital Stock (other than Subsidiaries), less (e) the intangible assets of the Borrower and its Subsidiaries. In calculating Tangible Net Worth, the amount of Subordinated Debt excluded from liabilities in such calculation shall not exceed 50% of the resultant Tangible Net Worth, provided, however, in the event Subordinated Debt is used to prevent any financial covenant default, the limitation on the amount of Subordinated Debt excluded from liabilities may be removed upon approval of the Required Banks.

"Taxes" has the meaning specified in Subsection 4.01(a).

"Three Hundred Sixty-Five (365) Day Supply L/Cs" means Letters of Credit with a tenor greater than ninety (90) days and less than three hundred sixty-five (365) days Issued to facilitate the purchase of Product for resale or to secure the purchase of Product, which Letter of Credit may contain a clause providing for automatic renewal of the expiry date for periods up to 365 days with a 90-day minimum notice of non-renewal.

"Three Hundred Sixty-Five (365) Day Swap L/Cs" means standby Letters of Credit with a tenor greater than ninety (90) days and less than three hundred sixty-five (365) days Issued to support payments owed to counterparties under swap contracts.

"Three Hundred Sixty-Five (365) Day Transportation and Storage L/Cs" means Letters of Credit with a tenor greater than ninety (90) days and less than three hundred sixty-five (365) days Issued to secure companies for transportation expenses and storage expenses.

"Tier I Account" means an Eligible Account with a Tier I Account Party.

"Tier I Account Party" means an Account Debtor which is approved by the Agent as a Tier I Account Party.

"Tier I Unbilled Eligible Account" means Unbilled Eligible Accounts with a Tier I Account Party.

"Tier II Account" means an Eligible Account with a Tier II Account Party.

"Tier II Account Party" means an Account Debtor which is not a Tier I Account Party.

"Tier II Unbilled Eligible Account" means Unbilled Eligible Accounts with a Tier II Account Party.

"Total Available Committed Line Portion" means, at any time, the Committed Line minus the aggregate Available Committed Line Portions of all Defaulting Banks at such time.

"Total Liabilities" means all of Borrower's and its Subsidiaries' liabilities, on a consolidated basis, excluding Subordinated Debt.

"Transportation Agreement" means any agreement between Borrower and any transporter of Product.

"Transportation Agreement Report" means a report containing (a) the value of Borrower's liability under each Transportation Agreement, (b) the related marketing contracts and offsetting profits for each Transportation Agreement, and (c) a certification of compliance of limits set for Unhedged Transportation Exposure.

"Transportation and Storage L/Cs" means Ninety (90) Day Transportation and Storage L/Cs and Three Hundred Sixty-Five (365) Day Transportation and Storage L/Cs.

"Type" means either a Base Rate Loan or a Eurodollar Rate Loan, or in the case of Letters of Credit, a category of Letter of Credit (see definition of "L/C Sub-limit Cap").

"Unbilled Eligible Accounts" means Accounts of the Borrower for Product which has been delivered to an Account Debtor and which would be Eligible Accounts but for the fact that such Accounts have not actually been invoiced at such time.

"Undelivered Product Value" means the lesser of the (a) cost or (b) current market value of Product purchased by the Borrower under the Letters of Credit but which has not been physically delivered to the Borrower, net of offsets. For the avoidance of doubt, Transportation and Storage L/Cs and Swap L/Cs may not be included in this calculation. Undelivered Product Value cannot simultaneously be included in an Eligible Exchange Receivable.

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"Unhedged Transportation Exposure" means the amount of any transportation expenses Borrower incurs prior to the transportation of Product less any such expenses that are supported by Transportation and Storage L/Cs issued pursuant to this Agreement.

"United States" and "U.S." each means the United States of America.

"United States Dollar Equivalent," of any Canadian Dollars shall mean the amount of such Canadian Dollars converted to United States Dollars computed, unless otherwise agreed, at Fortis' selling rate for Canadian Dollars most recently in effect on or prior to the date of determination.

"United States Dollars," and "U.S.$" each mean lawful money of the United States.

"Wells Fargo" means Wells Fargo Bank, National Association.

1.02 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and Subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

(iii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to Agent, the Banks, the Borrower and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Banks or Agent merely because of Agent's or Banks' involvement in their preparation.

(h) Unless otherwise indicated, references to "$" shall mean United States Dollars.

1.03 Accounting Principles.

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made in accordance with GAAP, consistently applied, except for the financial computations relating to the terms "Net Cumulative Loss," "Net Working Capital," "Tangible Net Worth" and "Total Liabilities" as used in Section 7.15(c) which are to be made on an Economic Basis.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Borrower.

ARTICLE II
THE CREDITS

2.01 Amounts and Terms of Committed Line. Each Bank severally agrees on the terms and conditions set forth herein, to make Loans, from time to time, in United States Dollars, to the Borrower under the Borrowing Base Line (each such loan, a "Revolving Loan") on any Business Day during the period from the Closing Date to the Expiration Date to finance working capital needs of the Borrower, in an aggregate amount not to exceed at any time (a) such Bank's Committed Line Portion for the Borrowing Base Line; or (b) such Bank's Pro Rata Advance Share of such Loans (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.01, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share of such Loans, if applicable); provided, however, that, after giving effect to any Borrowing of Revolving Loans, (i) the Aggregate Amount shall not at any time exceed the lesser of (x) the Borrowing Base Advance Cap or (y) the Total Available Committed Line Portion, (ii) the Effective Amount of all Revolving Loans shall not exceed the Advance Line Limit, and (iii) the Effective Amount of all Revolving Loans of any Bank plus such Bank's Pro Rata Share of the Effective Amount of all L/C Obligations shall not exceed such Bank's Committed Line Portion.

2.01A Increase in Subscribed Amounts.

(a) Subject to the terms and conditions set forth herein, Borrower shall have the right, without the consent of the Banks, but with the prior approval of the Agent and the Issuing Banks (not to be unreasonably withheld or delayed), to solicit the Banks or any other lending institutions to increase the subscribed amount of such Bank's Committed Line Portion or to become a Bank hereunder, in each case to provide Borrower with an increase in the subscribed

amounts of the Committed Line Portions (a "Subscription Increase"), provided that (i) at the time of such solicitation and at the time of the effectiveness of a Subscription Increase, no Event of Default shall have occurred and be continuing, (ii) the aggregate subscribed amount of Committed Line Portions, after the Subscription Increase, does not exceed $300,000,000.00, and (iii) no Bank's subscribed amount of its Committed Line Portion shall be increased without its consent.

(b) Any Subscription Increase shall be requested by written notice from the Borrower to the Agent and the Issuing Banks (a "Notice of Subscription Increase") in the form of Exhibit O-1 attached hereto and shall be approved by the Agent and the Issuing Banks, such consent not to be unreasonably withheld or delayed. Each such Notice of Subscription Increase shall specify (i) the proposed effective date of such Subscription Increase, which date shall be no earlier than five (5) Business Days after receipt by the Agent and the Issuing Banks of such Notice of Subscription Increase, (ii) the amount of the requested Subscription Increase, (iii) the identity of each existing Bank or new Bank that has agreed in writing to participate in the Subscription Increase, and (iv) the amount of the respective subscriptions of the then existing Banks from and after the Subscription Increase Effective Date (as defined below), as well as the subscriptions of the new Banks. The Agent and the Issuing Banks shall review each Notice of Subscription Increase and shall notify the Borrower whether or not the Agent and the Issuing Banks consent to the proposed Subscription Increase. If the Agent and the Issuing Banks consent to such Subscription Increase (such consent not to be unreasonably withheld or delayed), the Agent and the Issuing Banks shall execute a counterpart of the Notice of Subscription Increase and such Subscription Increase shall be effective on the proposed effective date set forth in the Notice of Subscription Increase or on another date agreed to by the Agent, the Issuing Banks and the Borrower (such date referred to as the "Subscription Increase Effective Date").

(c) On each Subscription Increase Effective Date, to the extent that there are Loans outstanding as of such date, (i) each Bank shall, by wire transfer of immediately available funds, deliver to the Agent such Bank's New Funds Amount, which amount, for each Bank, shall constitute Loans made by such Bank to the Borrower pursuant to this Agreement on such Subscription Increase Effective Date, (ii) the Agent shall, by wire transfer of immediately available funds, pay to each then Reducing Percentage Bank its Reduction Amount, which amount, for each such Reducing Percentage Bank, shall constitute a prepayment by the Borrower pursuant to Section 2.05, ratably in accordance with the respective principal amounts thereof, of the principal amounts of all then outstanding Loans of such Reducing Percentage Bank, and (iii) the Borrower shall be responsible to pay to each Bank any breakage fees or costs in connection with the reallocation of any outstanding Loans as provided in Section 4.04.

(d) For purposes of this Section 2.01A and Exhibit O-1, the following defined terms shall have the following meanings: (i) "New Funds Amount" means the amount equal to the product of a Bank's increased Committed Line Portion represented as a percentage of the aggregate increase in the Committed Line after giving effect to the Subscription Increase, times the aggregate principal amount of the outstanding Loans immediately prior to giving effect to the Subscription Increase, if any, as of a Subscription Increase Effective Date (without regard to any increase in the aggregate principal amount of Loans as a result of Borrowings made after giving effect to the Subscription Increase on such Subscription Increase Effective Date); (ii)

"Reducing Percentage Bank" means each then existing Bank immediately prior to giving effect to the Subscription Increase that does not increase its respective Committed Line Portions as a result of the Subscription Increase and any Defaulting Bank and whose relative percentage of the Committed Line Portions shall be reduced after giving effect to such Subscription Increase; and (iii) "Reduction Amount" means the amount by which a Reducing Percentage Bank's outstanding Loans decrease as of a Subscription Increase Effective Date (without regard to the effect of any Borrowings made on such Subscription Increase Effective Date after giving effect to the Subscription Increase).

(e) Each Subscription Increase shall become effective on its Subscription Increase Effective Date and upon such effectiveness (i) the Agent shall record in the register each new Bank's information as provided in the Notice of Subscription Increase and pursuant to an administrative questionnaire satisfactory to the Agent that shall be executed and delivered by each new Bank to the Agent on or before the Subscription Increase Effective Date, (ii) Schedule 2.01 hereof shall be amended and restated to set forth all Banks that will be Banks hereunder after giving effect to such Subscription Increase (which shall be set forth in Annex I to the applicable Notice of Subscription Increase) and the Agent shall distribute to each Bank a copy of such amended and restated Schedule 2.01, and (iii) each new Bank identified on the Notice of Subscription Increase for such Subscription Increase shall be a "Bank" for all purposes under this Agreement.

2.01B Increase in Committed Line Portions.

(a) Subject to the terms and conditions set forth herein, Borrower shall have the right, without the consent of the Banks, but with the prior approval of the Agent and the Issuing Banks (not to be unreasonably withheld or delayed), to solicit the Banks or any other lending institutions to increase the amount of such Bank's Committed Line Portion or to become a Bank hereunder, in each case to provide Borrower with an increase in the amounts of the Committed Line Portions (a "Committed Line Portion Increase"), provided that (i) at the time of such solicitation and at the time of the effectiveness of a Committed Line Portion Increase, no Event of Default shall have occurred and be continuing, (ii) the aggregate amount of Committed Line Portions, after the Committed Line Portion Increase, does not exceed $350,000,000.00, and (iii) no Bank's Committed Line Portion shall be increased without its consent.

(b) Any Committed Line Portion Increase shall be requested by written notice from the Borrower to the Agent and the Issuing Banks (a "Notice of Committed Line Portion Increase") in the form of Exhibit O-2 attached hereto and shall be approved by the Agent and the Issuing Banks, such consent not to be unreasonably withheld or delayed. Each such Notice of Committed Line Portion Increase shall specify (i) the proposed effective date of such Committed Line Portion Increase, which date shall be no earlier than five (5) Business Days after receipt by the Agent and the Issuing Banks of such Notice of Committed Line Portion Increase, (ii) the amount of the requested Committed Line Portion Increase, (iii) the identity of each existing Bank or new Bank that has agreed in writing to participate in the Committed Line Portion Increase, and (iv) the amount of the respective increases of the then existing Banks from and after the Committed Line Portion Increase Effective Date (as defined below), as well as the Committed Line Portion of the new Banks. The Agent and the Issuing Banks shall review each Notice of Committed Line Portion Increase and shall notify the Borrower whether or not the

Agent and the Issuing Banks consent to the proposed Committed Line Portion Increase. If the Agent and the Issuing Banks consent to such Committed Line Portion Increase (such consent not to be unreasonably withheld or delayed), the Agent and the Issuing Banks shall execute a counterpart of the Notice of Committed Line Portion Increase and such Committed Line Portion Increase shall be effective on the proposed effective date set forth in the Notice of Committed Line Portion Increase or on another date agreed to by the Agent, the Issuing Banks and the Borrower (such date referred to as the "Committed Line Portion Increase Effective Date").

(c) On each Committed Line Portion Increase Effective Date, to the extent that there are Loans outstanding as of such date, (i) each Bank shall, by wire transfer of immediately available funds, deliver to the Agent such Bank's New Funds Amount, which amount, for each Bank, shall constitute Loans made by such Bank to the Borrower pursuant to this Agreement on such Committed Line Portion Increase Effective Date, (ii) the Agent shall, by wire transfer of immediately available funds, pay to each then Reducing Percentage Bank its Reduction Amount, which amount, for each such Reducing Percentage Bank, shall constitute a prepayment by the Borrower pursuant to Section 2.05, ratably in accordance with the respective principal amounts thereof, of the principal amounts of all then outstanding Loans of such Reducing Percentage Bank, and (iii) the Borrower shall be responsible to pay to each Bank any breakage fees or costs in connection with the reallocation of any outstanding Loans as provided in Section 4.04.

(d) For purposes of this Section 2.01B and Exhibit O-2, the following defined terms shall have the following meanings: (i) "New Funds Amount" means the amount equal to the product of a Bank's increased Committed Line Portion represented as a percentage of the aggregate increase in the Committed Line after giving effect to the Committed Line Portion Increase, times the aggregate principal amount of the outstanding Loans immediately prior to giving effect to the Committed Line Portion Increase, if any, as of a Committed Line Portion Increase Effective Date (without regard to any increase in the aggregate principal amount of Loans as a result of Borrowings made after giving effect to the Committed Line Portion Increase on such Committed Line Portion Increase Effective Date); (ii) "Reducing Percentage Bank" means each then existing Bank immediately prior to giving effect to the Committed Line Portion Increase that does not increase its respective Committed Line Portions as a result of the Committed Line Portion Increase and any Defaulting Bank and whose relative percentage of the Committed Line Portions shall be reduced after giving effect to such Committed Line Portion Increase; and (iii) "Reduction Amount" means the amount by which a Reducing Percentage Bank's outstanding Loans decrease as of a Committed Line Portion Increase Effective Date (without regard to the effect of any Borrowings made on such Committed Line Portion Increase Effective Date after giving effect to the Committed Line Portion Increase).

(e) Each Committed Line Portion Increase shall become effective on its Committed Line Portion Increase Effective Date and upon such effectiveness (i) the Agent shall record in the register each new Bank's information as provided in the Notice of Committed Line Portion Increase and pursuant to an administrative questionnaire satisfactory to the Agent that shall be executed and delivered by each new Bank to the Agent on or before the Committed Line Portion Increase Effective Date, (ii) Schedule 2.01 hereof shall be amended and restated to set forth all Banks that will be Banks hereunder after giving effect to such Committed Line Portion Increase (which shall be set forth in Annex I to the applicable Notice of Committed Line

Portion Increase) and the Agent shall distribute to each Bank a copy of such amended and restated Schedule 2.01, (iii) the sub-limit caps set forth herein shall be adjusted as appropriate to take into account such Committed Line Portion Increase, and (iv) each new Bank identified on the Notice of Committed Line Portion Increase for such Committed Line Portion Increase shall be a "Bank" for all purposes under this Agreement.

2.02 Loan Accounts.

(a) The Loans made by each Bank and the Letters of Credit Issued by an Issuing Bank shall be evidenced by one or more accounts or records maintained by Agent in the ordinary course of business. The accounts or records maintained by Agent shall be rebuttable presumptive evidence of the amount of the Loans made by the Banks to the Borrower and the Letters of Credit Issued for the account of the Borrower hereunder, and the interest and payments thereon. Any failure to so record or any error in so doing shall not, however, limit or otherwise affect the Obligation of the Borrower hereunder to pay any amount owing with respect to the Loans or any Letter of Credit.

(b) Upon the request of any Bank made through Agent, the Loans made by such Bank may be evidenced by one or more Notes, instead of loan accounts. Each such Bank may endorse on the schedules annexed to its Note(s) the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Borrower with respect thereto. Each such Bank is irrevocably authorized by the Borrower to endorse its Note(s) and each Bank's record shall be rebuttable presumptive evidence of the information set forth therein; provided, however, that the failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the Obligations of the Borrower hereunder or under any such Note to such Bank.

2.03 Procedure for Borrowing.

(a) Each Borrowing of Revolving Loans consisting only of Base Rate Loans shall be made upon the Borrower's irrevocable written notice delivered to the Agent in the form of a Notice of Borrowing, which notice must be received by Agent prior to 1:00 p.m. (New York City time) one (1) Business Day prior to the requested Borrowing Date, specifying the amount of the Borrowing. Each such Notice of Borrowing shall be by electronic transfer or facsimile, confirmed immediately in an original writing. Each Borrowing of Revolving Loans that includes any Eurodollar Rate Loans shall be made upon the Borrower's irrevocable written notice delivered to the Agent in the form of a Notice of Borrowing which notice must be received by Agent prior to 1:00 p.m. (New York City time) three (3) Business Days prior to the requested Borrowing Date, specifying the amount of the Borrowing. Each such Notice of Borrowing shall be by electronic transfer or facsimile, confirmed immediately in an original writing. Each requested Eurodollar Rate Loan must have a Eurodollar Effective Amount of at least $5,000,000.00.

(b) Agent will promptly notify each Bank of its receipt of any Notice of Borrowing and of the amount of such Bank's Pro Rata Share of that Borrowing (or if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(b), with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if

applicable). If such Notice of Borrowing relates to a request for a Eurodollar Rate Loan, the Agent will provide such notification to each Bank at least three (3) Business Days prior to the requested Borrowing Date.

(c) Each Bank will make the amount of its Pro Rata Share (or if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(c), with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable) of such Borrowing available to Agent for the account of the Borrower at Agent's Payment Office by 3:00 p.m. (New York City time) on the Borrowing Date requested by the Borrower in funds immediately available to Agent. The proceeds of such Loan will be made available to the Borrower by the Agent at such office by crediting the Borrower's Bank Blocked Account referred to in clause (a) of the definition thereof with the aggregate of the amounts made available by the Agent.

2.03A Conversion and Continuation Elections.

(a) The Borrower may, upon irrevocable written notice to Agent in accordance with Subsection 2.03A(b):

(i) elect, as of any Business Day, in the case of Base Rate Loans, or as of the last day of the applicable Interest Period, in the case of any Eurodollar Rate Loan, to convert any such Loans into Loans of any other Type (provided, however, the Eurodollar Effective Amount of each Eurodollar Rate Loan must be at least $5,000,000.00); or

(ii) elect, as of the last day of the applicable Interest Period, to continue any Revolving Loans having Interest Periods expiring on such day (provided, however, the Eurodollar Effective Amount of each Eurodollar Rate Loan must be at least $5,000,000.00);

provided, however, that if at any time the aggregate amount of Eurodollar Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof, to have a Eurodollar Effective Amount of less than $5,000,000.00, such Eurodollar Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Borrower to continue such Loans as, and convert such Loans into, Eurodollar Rate Loans shall terminate.

(b) The Borrower shall deliver a Notice of Conversion/Continuation to be received by Agent not later than 1:00 p.m. (New York City time) on the Conversion/Continuation Date if the Loans are to be converted into Base Rate Loans; and three (3) Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Eurodollar Rate Loans, specifying:

(i) the proposed Conversion/Continuation Date;

(ii) the aggregate amount of Loans to be converted or continued;

(iii) the Type of Loans resulting from the proposed conversion or continuation; and

(iv) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Eurodollar Rate Loans, the Borrower has failed to timely select a new Interest Period to be applicable to its Eurodollar Rate Loans, or if any Default or Event of Default then exists, the Borrower shall be deemed to have elected to convert such Eurodollar Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) Agent will promptly notify each Bank of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Borrower, Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans, with respect to which the notice was given, held by each Bank. Agent will promptly notify, in writing, each Bank of the amount of such Bank's Pro Rata Share of that Conversion/Continuation (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 2.03(A), with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable).

(e) Unless all Banks otherwise agree, during the existence of a Default or Event of Default, the Borrower may not elect to have a Loan converted into or continued as a Eurodollar Rate Loan.

(f) After giving effect to any Borrowing, conversion or continuation of Loans, there may not be more than ten (10) Interest Periods in effect.

2.04 Optional Prepayments. The Borrower may, at any time or from time to time, upon the Borrower's irrevocable written notice to Agent received prior to 12:00 p.m. noon (New York City time) on the date of prepayment, prepay Loans in whole or in part, together with any amounts due under Section 4.04. Agent will promptly notify each Bank of its receipt of any such prepayment, and of such Bank's Pro Rata Share of such prepayment (which share may be affected by the allocation rules set forth in Section 2.10 with respect to Defaulting Banks).

2.05 Mandatory Prepayments of Loans.

(a) The Aggregate Amount shall not at any time exceed the Borrowing Base Advance Cap. If the Aggregate Amount on any day ever exceeds the Borrowing Base Advance Cap, the Borrower shall immediately (1) repay on that date the excess amount or (2) Cash Collateralize on such date the excess amount.

(b) If on any date the Effective Amount of all L/C Obligations exceeds the L/C Cap, or any LC Obligations relating to a Type of Letter of Credit described herein exceeds the applicable L/C Sub-limit Cap, the Borrower shall Cash Collateralize on such date the outstanding Letters of Credit, or the outstanding Type of Letters of Credit, as the case may be, in an amount equal to the excess above any such cap, and on the Maturity Date, Borrower shall

Cash Collateralize all then outstanding Letters of Credit in an amount equal to the Effective Amount of all L/C Obligations related to such Letters of Credit. If on any date after giving effect to any Cash Collateralization made on such date pursuant to the preceding sentence, the Effective Amount of all Revolving Loans then outstanding plus the Effective Amount of all L/C Obligations exceeds the lesser of (a) the Borrowing Base Advance Cap or (b) the total Committed Line, the Borrower shall immediately, and without notice or demand, prepay the outstanding principal amount of the Revolving Loans and L/C Borrowings by an amount equal to the applicable excess.

2.06 Repayment. The Borrower shall repay the principal amount of each Revolving Loan to Agent on behalf of the Banks, on the Advance Maturity Date for such Loan.

2.07 Interest.

(a) Each Revolving Loan (except for a Revolving Loan made as a result of a drawing under a Letter of Credit or a Reducing L/C Borrowing) shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a floating rate per annum equal to the Base Rate plus the Applicable Margin at all times such Loan is a Base Rate Loan or at the greater of (i) the Eurodollar Rate plus the Applicable Margin, and (ii) the Reference Bank Cost of Funds Rate plus the Applicable Margin, at all times such Loan is an Eurodollar Rate Loan. Each Revolving Loan made as a result of a drawing under a Letter of Credit or a Reducing L/C Borrowing shall bear interest on the outstanding principal amount thereof from the date funded at a floating rate per annum equal to the Base Rate plus the Applicable Margin until such Loan has been outstanding for more than two (2) Business Days and, thereafter, shall bear interest on the outstanding principal amount thereof at a floating rate per annum equal to the Base Rate, plus three percent (3.0%) per annum (the "Default Rate").

(b) Interest on each Revolving Loan shall be paid in arrears on each Interest Payment Date.

(c) Notwithstanding subsection (a) of this Section, if any amount of principal of or interest on any Loan, or any other amount payable hereunder or under any other Loan Document is not paid in full when due (whether at stated maturity, by acceleration, demand or otherwise), the Borrower agrees to pay interest on such unpaid principal or other amount, from the date such amount becomes due until the date such amount is paid in full, and after as well as before any entry of judgment thereon to the extent permitted by law, payable on demand, at a fluctuating rate per annum equal to the Default Rate.

(d) Anything herein to the contrary notwithstanding, the Obligations of the Borrower to any Bank hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Bank would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Bank, and in such event the Borrower shall pay such Bank interest at the highest rate permitted by applicable law.

(e) Regardless of any provision contained in any Note or in any of the Loan Documents, none of the Banks shall ever be deemed to have contracted for or be entitled to receive, collect or apply as interest under any such Note or any Loan Document, or otherwise, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, in the event that any of the Banks ever receive, collect or apply as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance of the Note, and, if the principal balance of such Note is paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, the Borrower and such Bank shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee, or premium, rather than as interest, (ii) exclude voluntary prepayments and the effect thereof, and (iii) spread the total amount of interest throughout the entire contemplated term of such Note so that the interest rate is uniform throughout such term; provided, however, that if all Obligations under the Note and all Loan Documents are performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual term thereof exceeds the maximum lawful rate, such Bank shall refund to the Borrower the amount of such excess, or credit the amount of such excess against the aggregate unpaid principal balance of such Bank's Note at the time in question.

2.08 Fees.

(a) In addition to certain fees described in Section 3.08, the Borrower shall pay the Agent, the Arrangers and the Banks fees in accordance with separate fee letters between the Agent, the Banks and Borrower.

(b) The Borrower agrees to pay to the Agent for the account of each Bank a commitment fee for the period from and including the Closing Date to but not including the Maturity Date, computed at the Commitment Fee Rate on the average daily Available Committed Line Portion of such Bank during the period for which payment is made; provided that for any day that a Bank is a Defaulting Bank hereunder, its average daily Available Committed Line Portion shall be deemed to be, solely for purposes of this Section 2.08(b), zero. The commitment fee shall accrue through the last day of each calendar month and shall be payable monthly in arrears on the later of (i) the fifth (5^{th}) Business Day of each of calendar month, or (ii) the date of payment shown on the billing delivered to the Borrower by the Agent (which date of payment shall be no less than two (2) Business Days after delivery of such billing), but in no event later than the Maturity Date, or such earlier date as the Committed Line Portion of such Bank shall terminate as provided herein, commencing on the first of such dates to occur after the date hereof (or if such day is not a Business Day, the next succeeding Business Day).

(c) Except as provided in clauses (a) and (b) above, the Borrower shall not pay any fees to any of the Banks without providing prior notice to Agent and the Arrangers.

2.09 Computation of Interest and Fees.

(a) All computations of interest and fees (other than fees due and payable at closing) shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof through the last day thereof.

(b) Each determination of an interest rate by Agent shall be rebuttable presumptive evidence thereof.

2.10 Payments by the Borrower.

(a) All payments to be made by the Borrower shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Borrower shall be made to Agent for the account of the Banks at Agent's Payment Office, and shall be made in United States Dollars and in immediately available funds, no later than 1:00 p.m. (New York City time) on the date specified herein. Agent will promptly distribute to each Bank its Pro Rata Share (or after the occurrence of a Sharing Event, under the Intercreditor Agreement, its Intercreditor Agreement Adjusted Pro Rata Share) of such payment in like funds as received. Any payment received by Agent later than 1:00 p.m. (New York City time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue. If and to the extent the Borrower makes a payment in full to Agent no later than 1:00 p.m. (New York City time) on any Business Day and Agent does not distribute to each Bank its Pro Rata Share of such payment in like funds as received on the same Business Day, Agent shall pay to each Bank on demand interest on such amount as should have been distributed to such Bank at the Federal Funds Rate for each day from the date such payment was received until the date such amount is distributed.

(i) For any payment received by Agent from or on behalf of the Borrower in respect of Obligations that are then due and payable (and prepayments pursuant to Section 2.04), and with respect to any proceeds obtained upon the exercise of any remedies of Agent for the benefit of the Banks hereunder or under any other Loan Document, in each case prior to the occurrence of a Sharing Event, Agent will promptly distribute such amounts in like funds as received to each Bank, its Pro Rata Share; provided, however, that with respect to any Bank that is a Defaulting Bank at the time that Agent makes any distribution of payments contemplated above, all amounts paid by or on behalf of the Borrower for the account of such Defaulting Bank arising from any such Obligation will be applied, as follows: first, to Agent, any Issuing Bank, or any other Bank, on a pro rata basis, for amounts then due and payable from such Defaulting Bank to such parties in connection with any such party's advance of funds that have not been reimbursed by the Defaulting Bank under this Agreement with respect to any Revolving Loans or L/C Advance to the extent that such obligations of the Defaulting Bank relate to Revolving Loans or Letters of Credit extended or Issued (as applicable) prior to such Bank becoming a Defaulting Bank and not thereafter repaid, amended or Issued; second, to an account identified by and under the control of Agent (maintained for the benefit of the Banks), until amounts deposited in such account, with respect to a

Defaulting Bank, equal such Defaulting Bank's Pro Rata Advance Share or its Pro Rata Adjusted Share, as applicable, of each Letter of Credit outstanding at the time that such Bank became a Defaulting Bank and not thereafter repaid, amended, or Issued, as the case may be; and third, the remainder, if any, to the Defaulting Bank. Any amounts held from time to time with respect to a Defaulting Bank in the account referred to in the last clause of the preceding sentence (i) which then exceed the amount referred to in such clause or (ii) when such bank shall cease to be a Defaulting Bank shall be paid to such Defaulting Bank within one (1) Business Day.

(ii) For any payment received from or on behalf of the Borrower by Agent on or after the occurrence of a Sharing Event, Agent will promptly distribute such payment in accordance with Section 2.01 of the Intercreditor Agreement.

(b) Subject to the provisions set forth in the definition of "Interest Period" here, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless Agent receives notice from the Borrower prior to the date on which any payment is due to the Banks that the Borrower will not make such payment in full as and when required, Agent may assume that the Borrower has made such payment in full to Agent on such date in immediately available funds and Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower has not made such payment in full to Agent, each Bank shall repay to Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date repaid.

2.11 Payments by the Banks to Agent. If and to the extent any Bank shall not have made its full amount available to Agent in immediately available funds and Agent in such circumstances has made available to the Borrower such amount, that Bank shall on the Business Day following such Borrowing Date make such amount available to Agent, together with interest at the Federal Funds Rate for each day during such period. A notice by Agent submitted to any Bank with respect to amounts owing under this Section 2.11 shall be conclusive, absent manifest error. If such amount is so made available, such payment to Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to Agent on the Business Day following the Borrowing Date, Agent will notify the Borrower of such failure to fund and, upon demand by Agent, the Borrower shall pay such amount to Agent for Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

2.12 Sharing of Payments, Etc. If, other than as expressly provided elsewhere herein, any Bank shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share (or after the occurrence of a Sharing Event, under the Intercreditor Agreement, its Intercreditor Agreement Adjusted Pro Rata Share) such Bank shall immediately (a) notify Agent

of such fact, and (b) purchase from the other Banks such participations in the Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each of them, except that with respect to any Bank that is a Defaulting Bank by virtue of such Bank failing to fund its Pro Rata Advance Share or Pro Rata Adjusted Share of any Revolving Loan or L/C Borrowing, such Defaulting Bank's pro rata share of the excess payment shall be allocated to the Bank (or the Banks, pro rata) that funded such Defaulting Bank's Pro Rata Advance Share or Pro Rata Adjusted Share; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefore, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.09) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation. Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments.

2.13 Defaulting Bank. Notwithstanding any other provision in this Agreement to the contrary, if at any time a Bank becomes a Defaulting Bank, the following provisions shall apply so long as any Bank is a Defaulting Bank.

(a) Until such time as the Defaulting Bank ceases to be a Bank under this Agreement, it will retain its Committed Line Portion and will remain subject to all of its obligations as a Bank hereunder, although it will be presumed that such Defaulting Bank will fail to satisfy any funding obligation and, accordingly, all other Banks hereby agree to fund Loans and Letters of Credit in accordance with the terms hereof and their respective Pro Rata Adjusted Shares.

(b) A Defaulting Bank may cease to be a Defaulting Bank (i) as specified in the second sentence of the definition thereof, and (ii) to the extent such Defaulting Bank makes such purchases and/or Loans and/or accepts such L/C Obligations as are required to make the Pro Rata Adjusted Share of each Bank of the Effective Amount, after giving effect to all such purchases and new Loans and any amounts received by any Bank pursuant to Section 2.10(a)(i), equal to such Bank's Pro Rata Advance Share of such Effective Amount; provided that if there is more than one Defaulting Bank at such time, the Pro Rata Advance Share of the Non-Defaulting Banks (including any Defaulting Bank that after giving effect to the required purchases of Loans and acceptances of L/C Obligations, would cease to be a Defaulting Bank) shall be calculated using the aggregate Committed Line Portions of only such Non-Defaulting Banks in the denominators of the Pro Rata Advance Share calculation (in lieu of the Committed Line Portions of all Banks). Each Bank agrees to sell to the Defaulting Bank, such Effective Amounts as may be required to effect clause (ii) above.

(c) A Defaulting Bank that is a Swap Bank which has closed out Swap Contracts with the Borrower after it has become a Defaulting Bank shall only be entitled to sharing of amounts pursuant to the Intercreditor Agreement with respect to such Swap Contracts closed out after it has become a Defaulting Bank notwithstanding any other provision to the contrary herein.

2.14 Termination or Reduction of Committed Line Portions.

(a) Subject to Subsection 2.14(b), the Borrower shall have the right, upon not less than three (3) Business Days' notice to the Agent, to terminate the Banks' Committed Line Portions or, from time to time, to reduce the amount of the Banks' Committed Line Portions. Any such reduction shall be in an amount equal to $5,000,000.00 or a whole multiple of $1,000,000.00 in excess thereof and shall reduce permanently the Banks' Committed Line Portions then in effect. Termination of the Banks' Committed Line Portions shall also terminate the obligation of the Issuing Banks to issue Letters of Credit.

(b) In the event of any termination of the Banks' Committed Line Portions, the Borrower shall on the date of such termination repay or prepay all of its outstanding Revolving Loans (together with accrued and unpaid interest on the Revolving Loans and any amounts payable pursuant to Section 4.04, and any other amounts payable hereunder), reduce the L/C Obligations to zero and cause all Letters of Credit to be cancelled and returned to the Issuing Banks (or shall cash collateralize the L/C Obligations (or provide supporting letters of credit from an institution reasonably acceptable to the Agent) on terms and pursuant to documentation reasonably satisfactory to the Issuing Banks and the Agent). In the event of any partial reduction of the Banks' Committed Line Portions, then at or prior to the effective date of such reduction, the Agent shall notify the Borrower and the Banks of the outstanding Revolving Loans, and if such outstanding Revolving Loans would exceed the aggregate Banks' Committed Line Portions after giving effect to such reduction, then, prior to giving effect to such reduction, the Borrower shall, on the date of such reduction, first, repay or prepay Revolving Loans and second, reduce the L/C Obligations (or cash collateralize the L/C Obligations or provide supporting letters of credit from an institution reasonably acceptable to the Agent and the Issuing Banks on terms and pursuant to documentation reasonably satisfactory to the Issuing Banks and the Agent), in an aggregate amount sufficient to eliminate such excess.

ARTICLE III
THE LETTERS OF CREDIT

3.01 The Letter of Credit Lines.

(a) Subject to the limitations set forth in Subsection 3.01(b) below, (i) each Issuing Bank agrees, (A) from time to time on any Business Day during the period from the Closing Date to the Expiration Date, to Issue Letters of Credit for the account of the Borrower under the Borrowing Base Line and to amend or renew Letters of Credit previously Issued by it, in accordance with Subsection 3.02(c), and (B) to honor conforming drafts under the Letters of Credit; and (ii) each of the Banks will be deemed to have approved such Issuance, amendment or renewal, and shall participate in Letters of Credit Issued for the account of the Borrower. Within the foregoing limits, and subject to the other terms and conditions hereof, the

Borrower's ability to request that an Issuing Bank Issue Letters of Credit shall be fully revolving, and, accordingly, the Borrower may, during the foregoing period, request that an Issuing Bank Issue Letters of Credit to replace Letters of Credit which have expired or which have been drawn upon and reimbursed. Borrower acknowledges and agrees that the Existing Letters of Credit are an Obligation under this Agreement.

(b) No Issuing Bank is under any obligation to Issue, amend or renew any Letter of Credit if:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Bank from Issuing such Letter of Credit, or any Requirement of Law applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which such Issuing Bank in good faith deems material to it;

(ii) such Issuing Bank has received written notice from any Bank, any other Issuing Bank, Agent or the Borrower, on or prior to the Business Day prior to the requested date of Issuance of such Letter of Credit, that one or more of the applicable conditions contained in Article V is not then satisfied;

(iii) the expiry date of any requested Type of Letter of Credit exceeds the earlier of (a) the expiry date set forth herein for such Type, or (b) the Maturity Date, or the amount of any requested Type of Letter of Credit exceeds the applicable L/C Sub-limit Cap after taking into account all outstanding L/C Obligations with respect to such Type of Letter of Credit;

(iv) such requested Letter of Credit is not in form and substance acceptable to such Issuing Bank;

(v) such Letter of Credit is for the purpose of supporting the Issuance of any letter of credit by any other Person;

(vi) such Letter of Credit is denominated in a currency other than United States Dollars or Canadian Dollars;

(vii) the amount of such requested Letter of Credit, plus the Effective Amount of all of the L/C Obligations, plus the Effective Amount of all Revolving Loans exceeds the lesser of (x) the Borrowing Base Advance Cap or (y) the Total Available Committed Line Portion, in which case the Agent shall notify each other Issuing Bank that there is a deficiency;

(viii) the amount of a Letter of Credit to be Issued by an Issuing Bank, plus the Effective Amount of all of the L/C Obligations of such Issuing Bank exceeds such Issuing Bank's Issuing Bank Sub-Limit; or

(ix) such Letter of Credit is not otherwise in compliance with the terms of this Agreement.

(c) Subject to the individual Sub-limits referenced under the definition of "L/C Sub-limit Cap," any Letter of Credit may be issued in Canadian Dollars, provided that the aggregate amount of all Letters of Credit issued and outstanding hereunder in Canadian Dollars may not exceed the United States Dollar Equivalent of U.S. $25,000,000.00.

(d) Any Letter of Credit requested by the Borrower to be Issued hereunder may be Issued by any Issuing Bank or any Affiliate of such Issuing Bank, and if a Letter of Credit is Issued by an Affiliate of the Issuing Bank, such Letter of Credit shall be treated, for all purposes of this Agreement and the Loan Documents, as if it were issued by the Issuing Bank.

(e) If an Issuing Bank has Issued a transferable Letter of Credit within the meaning of Article 38 of the Uniform Customs and Practice for Documentary Credits, 2007 Revision, and pursuant to the terms of such transferable Letter of Credit the Issuing Bank has reserved the right to approve transferees thereunder, then the Agent must also approve such transferees.

3.02 Issuance, Amendment and Renewal of Letters of Credit.

(a) Each Letter of Credit which is Issued hereunder shall, subject to the limitations set forth in Section 3.01(b) above, be Issued upon the irrevocable written request of the Borrower pursuant to a Notice of Borrowing (Letter of Credit) in the applicable form attached hereto as Exhibit A received by an Issuing Bank and the Agent by no later than 12 noon (New York City time) on the proposed date of Issuance or at such later time as agreed to by such Issuing Bank; provided that with respect to any such request received after 12 noon (New York City time) such Issuing Bank agrees to use commercially reasonable best efforts to Issue the Letter of Credit on the same day the notice is received. Each such request for Issuance of a Letter of Credit shall be by electronic transfer or facsimile, confirmed by the close of the next Business Day in an original writing, in the form of an L/C Application, and shall specify in form

and detail satisfactory to such Issuing Bank and Agent: (i) the proposed date of Issuance of the Letter of Credit (which shall be a Business Day); (ii) the face amount of the Letter of Credit; (iii) the expiry date of the Letter of Credit; (iv) the name and address of the beneficiary thereof; (v) the documents to be presented by the beneficiary of the Letter of Credit in case of any drawing thereunder; (vi) the full text of any certificate to be presented by the beneficiary in case of any drawing thereunder; (vii) whether the Letter of Credit is a Standby or Commercial Letter of Credit; and (viii) such other matters as such Issuing Bank may require. Upon receipt of such request for Issuance of a Letter of Credit, the Agent shall promptly notify the Issuing Banks by delivery of a notification in the form of Exhibit P attached hereto whether or not such Issuance is in compliance with the provisions of Section 3.01.

(b) From time to time while a Letter of Credit is outstanding and prior to the Expiration Date, an Issuing Bank shall, subject to the limitations set forth in Section 3.01(b) above, upon the written request of the Borrower received by such Issuing Bank and the Agent prior to 12 noon (New York City time) on the proposed date of amendment, amend any Letter of Credit issued by it or at such later time as agreed to by such Issuing Bank; provided that with respect to any such request received after 12 noon (New York City time) such Issuing Bank agrees to use its commercially reasonable best efforts to Issue the Letter of Credit on the same day the notice is received. Each such request for amendment of a Letter of Credit shall be made by electronic transfer or facsimile, confirmed by the close of the next Business Day in an original writing, made in the form of an L/C Amendment Application and shall specify in form and detail satisfactory to the Issuing Banks and Agent: (i) the Letter of Credit to be amended; (ii) the proposed date of amendment of the Letter of Credit (which shall be a Business Day); (iii) the nature of the proposed amendment; and (iv) such other matters as such Issuing Bank may require.

(c) If any outstanding Letter of Credit Issued by an Issuing Bank shall, subject to the limitations set forth in Section 3.01(b) above, provide that it shall be automatically renewed unless the beneficiary thereof receives notice from such Issuing Bank that such Letter of Credit shall not be renewed, and if at the time of renewal such Issuing Bank would be entitled to authorize the automatic renewal of such Letter of Credit in accordance with this Subsection 3.02(c) upon the request of the Borrower, then such Issuing Bank shall nonetheless be permitted to allow such Letter of Credit to renew, and the Borrower and the Banks hereby authorize such renewal, and, accordingly, such Issuing Bank shall be deemed to have received an L/C Amendment Application from the Borrower requesting such renewal.

(d) This Agreement shall control in the event of any conflict with any L/C-Related Document (other than any Letter of Credit).

(e) Each Issuing Bank will also deliver to Agent a true and complete copy of each Letter of Credit or amendment to or renewal of a Letter of Credit Issued by it.

3.03 Risk Participations, Drawings, Reducing Letters of Credit and Reimbursements.

(a) Immediately upon the Issuance of each Letter of Credit Issued by an Issuing Bank, each Bank shall be deemed to, and hereby irrevocably and unconditionally

agrees to, purchase from such Issuing Bank a participation in such Letter of Credit and each drawing or Reducing Letter of Credit Borrowing thereunder in an amount equal to the product of (i) the Pro Rata Advance Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.03, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable) of such Bank, times (ii) the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing or Reducing Letter of Credit Borrowing, respectively. For purposes of Section 2.01, each Issuance of a Letter of Credit shall be deemed to utilize the Committed Line Portion of each Bank by an amount equal to the amount of such participation.

(b) In the event of any request for a drawing under a Letter of Credit Issued by an Issuing Bank by the beneficiary or transferee thereof, such Issuing Bank will promptly notify the Borrower. Any notice given by an Issuing Bank or Agent pursuant to this Subsection 3.03(b) may be oral if immediately confirmed in writing (including by facsimile); provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice. The Borrower shall reimburse an Issuing Bank prior to 5:00 p.m. (New York City time), on each date that any amount is paid by such Issuing Bank under any Letter of Credit or to a Bank paying a beneficiary of a Reducing Letter of Credit in the form of a Reducing L/C Borrowing (each such date, an "Honor Date"), in an amount equal to the amount so paid by such Issuing Bank. Amounts reimbursed by the Borrower with respect to draws under Letters of Credit issued in Canadian Dollars shall be paid in United States Dollars at the United States Dollar Equivalent of such draw. In the event the Borrower fails to reimburse such Issuing Bank for the full amount of any drawing under any Letter of Credit or of any Reducing L/C Borrowing, as the case may be, by 5:00 p.m. (New York City time) on the Honor Date, such Issuing Bank will promptly notify Agent and Agent will promptly notify each Bank thereof, and Borrower shall be deemed to have requested that Revolving Loans be made by the Banks to be disbursed to such Issuing Bank not later than one (1) Business Day after the Honor Date under such Letter of Credit, subject to the amount of the unutilized portion of the Borrowing Base Line.

(c) In the event of any request for a Reducing L/C Borrowing by the Borrower in association with any Reducing Letter of Credit, the amount available for drawing under such Reducing Letter of Credit will be reduced automatically, and without any further amendment or endorsement to such Reducing Letter of Credit, by the amount actually paid to such beneficiary, notwithstanding the fact that the payment creating such Reducing L/C Borrowing is not made pursuant to a conforming and proper draw under the corresponding Reducing Letter of Credit; provided, however, if any Bank has given the Issuing Banks, Agent, the Borrower and each of the other Banks written notice that such Bank objects to further Reducing L/C Borrowings at least three (3) Business Days prior to the date the Borrower requests the Reducing L/C Borrowing, then the Issuing Banks will not make such Reducing L/C Borrowing unless all Banks consent thereto.

(d) Each Bank shall upon any notice pursuant to Subsection 3.03(b) make available to Agent for the account of any Issuing Bank an amount in United States Dollars at the United States Dollar Equivalent and in immediately available funds equal to its Pro Rata Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.03, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable) of the amount of the drawing or of the Reducing L/C Borrowing,

as the case may be, whereupon the participating Banks shall (subject to Subsection 3.03(e)) each be deemed to have made a Revolving Loan to the Borrower in that amount. If any Bank so notified fails to make available to Agent for the account of such Issuing Bank the amount of such Bank's Pro Rata Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.03, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable) of the amount of the drawing or of the Reducing L/C Borrowing, as the case may be, by no later than 3:00 p.m. (New York City time) on the Business Day following the Honor Date, then interest shall accrue on such Bank's obligation to make such payment, from the Honor Date to the date such Bank makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. Agent will promptly give notice of the occurrence of the Honor Date, but failure of Agent to give any such notice on the Honor Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligations under this Section 3.03.

(e) With respect to any unreimbursed drawing or Reducing L/C Borrowing, as the case may be, that is not converted into Revolving Loans in whole or in part for any reason, the Borrower shall be deemed to have incurred from the relevant Issuing Bank an L/C Borrowing in United States Dollars at the United States Dollar Equivalent of such drawing or Reducing L/C Borrowing, as the case may be, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at a rate per annum equal to the Default Rate, and each Bank's payment to such Issuing Bank pursuant to Subsection 3.03(d) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Bank in satisfaction of its participation obligation under this Section 3.03.

(f) Each Bank's obligation in accordance with this Agreement to make the Revolving Loans or L/C Advances, as contemplated by this Section 3.03, as a result of a drawing under a Letter of Credit or Reducing L/C Borrowing, shall be absolute and unconditional and without recourse to the relevant Issuing Bank and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against such Issuing Bank, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

3.04 Repayment of Participations.

(a) Upon (and only upon) receipt by Agent for the account of an Issuing Bank of immediately available funds from the Borrower (i) in reimbursement of any payment made by such Issuing Bank under a Letter of Credit or in connection with a Reducing L/C Borrowing with respect to which any Bank has paid Agent for the account of such Issuing Bank for such Bank's participation in the Letter of Credit pursuant to Section 3.03 or (ii) in payment of interest thereon, Agent will pay to each Bank, in the same funds as those received by Agent for the account of such Issuing Bank, the amount of such Bank's Pro Rata Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.04, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable) of such funds, and such Issuing Bank shall receive the amount of the Pro Rata Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting

Bank under this Section 3.04, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable) of such funds of any Bank that did not so pay Agent for the account of such Issuing Bank.

(b) If Agent or an Issuing Bank is required at any time to return to the Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by the Borrower to Agent for the account of such Issuing Bank pursuant to Subsection 3.04(a) in reimbursement of a payment made under a Letter of Credit or in connection with a Reducing L/C Borrowing or interest or fee thereon, each Bank shall, on demand of such Issuing Bank, forthwith return to Agent or such Issuing Bank the amount of its Pro Rata Share (or, if a Defaulting Bank exists, and without limitation to the obligations of such Defaulting Bank under this Section 3.04, with respect to any Non-Defaulting Bank, its Pro Rata Adjusted Share, if applicable) of any amounts so returned by Agent or such Issuing Bank plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to Agent or such Issuing Bank, at a rate per annum equal to the Federal Funds Rate in effect from time to time.

3.05 Role of the Issuing Banks.

(a) Each Bank and the Borrower agree that, in paying any drawing under a Letter of Credit Issued by an Issuing Bank or funding any Reducing L/C Borrowing, such Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft or certificates expressly required by such Letter of Credit, but with respect to Reducing Letter of Credit Borrowings, no document of any kind need be obtained) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document.

(b) None of Agent or any Issuing Bank or any of their Related Persons shall be liable to any Bank for: (i) any action taken or omitted in connection herewith at the request or with the approval or deemed approval of the Banks; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any L/C-Related Document.

(c) The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of Agent or any Issuing Bank or any of their Related Persons shall be liable or responsible for any of the matters described in clauses (a) through (g) of Section 3.06; provided, however, anything in such clauses or elsewhere herein to the contrary notwithstanding, that the Borrower may have a claim against an Issuing Bank, and such Issuing Bank may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by such Issuing Bank's willful misconduct or gross negligence or such Issuing Bank's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing: (i) the Issuing Banks may accept documents

that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; and (ii) the Issuing Banks shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.06 Obligations Absolute. The Obligations of the Borrower under this Agreement and any L/C-Related Document to reimburse an Issuing Bank for a drawing under a Letter of Credit or for a Reducing L/C Borrowing, and to repay any L/C Borrowing and any drawing under a Letter of Credit or Reducing L/C Borrowing converted into Revolving Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and each such other L/C-Related Document under all circumstances, including the following:

(a) any lack of validity or enforceability of this Agreement or any L/C-Related Document;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Borrower in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the L/C-Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), any Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the L/C-Related Documents or any unrelated transaction;

(d) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit;

(e) any payment by any Issuing Bank under any Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of any Letter of Credit; or any payment made by any Issuing Bank under any Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of any Letter of Credit, including any arising in connection with any Insolvency Proceeding;

(f) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the Obligations of the Borrower in respect of any Letter of Credit; or

(g) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

Notwithstanding anything to the contrary in this Section 3.06, the Issuing Banks shall not be excused from liability to Borrower to the extent of any direct damages (as opposed to consequential, indirect and punitive damages, claims in respect of which are hereby waived by Borrower) suffered by Borrower that are caused by any of the Issuing Bank's gross negligence or willful misconduct when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof, provided, however, that the parties hereto expressly agree that:

(i) the Issuing Banks may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit.

(ii) the Issuing Banks shall have the right, in their sole discretion, to decline to accept documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by the Banks when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

3.07 Cash Collateral Pledge. Upon the request of Agent, (i) if an Issuing Bank has honored any full or partial drawing request on any Letter of Credit and such drawing has resulted in an L/C Borrowing hereunder, (ii) if, as of the Maturity Date, any Letters of Credit may for any reason remain outstanding and partially or wholly undrawn, or (iii) upon an Event of Default, the Borrower shall immediately Cash Collateralize the L/C Obligations in an amount equal to such L/C Obligations. Upon the occurrence of the circumstances described in Section 2.05 requiring the Borrower to Cash Collateralize Letters of Credit, then, the Borrower shall immediately Cash Collateralize the L/C Obligations in an amount equal to the applicable excess.

3.08 Letter of Credit Fees.

(a) The Borrower shall pay to Agent for the account of each of the Banks, a letter of credit fee with respect to each of the Letters of Credit Issued hereunder equal to the greater of (i) $500.00 per Letter of Credit, or (ii) per annum fees of (x) 2.25% of the undrawn

amount of Ninety (90) Day Supply L/Cs and (y) 2.75% of the undrawn amount of all other Letters of Credit.

(b) The Borrower shall pay to the Agent for the account of each Issuing Bank Issuing a Letter of Credit, an issuance fee of $250.00 for each Letter of Credit issued.

(c) The Borrower shall pay to the Agent for the account of each Issuing Bank Issuing a Letter of Credit, a re-issuance fee of $100.00 for each Letter of Credit that is re-issued.

(d) The Borrower shall pay to the Agent for the account of each Issuing Bank Issuing a Letter of Credit, an amendment fee equal to $100.00 for each amendment to any Letter of Credit.

(e) The Borrower shall pay to Agent for the account of each Issuing Bank Issuing a Letter of Credit, a letter of credit fee with respect to each of the Letters of Credit Issued hereunder by such Issuing Bank equal to a fronting fee of 0.25% of the face amount of each such Letter of Credit.

(f) Such letter of credit fees as described in sub-paragraphs (a), (b), (c), (d) and (e) above for each Letter of Credit, unless otherwise specified, shall be due and payable monthly in arrears for the preceding month during which Letters of Credit are outstanding, on the later of (i) the 5th Business Day of each month, or (ii) the date of payment shown on the monthly billing delivered to the Borrower by the Agent (which date of payment shall be no less than two (2) Business Days after delivery of such billing, but in no event later than the Expiration Date.

(g) With reference to Letter of Credit fees for all Letters of Credit denominated in Canadian Dollars, the Agent shall calculate their United States Dollar Equivalents for each month in advance based upon the Canadian Dollar/US Dollar exchange rate in effect, as determined by the Agent as of the first calendar day of such month (without limiting the Agent's right to determine the United States Dollar Equivalent at any time as provided in the definition of "Effective Amount"). Such United States Dollar Equivalents shall be used for calculating the amount of such fees. New Letters of Credit denominated in Canadian Dollars shall be assigned United States Dollar Equivalents by the Agent and such United States Dollar Equivalents shall apply until the next succeeding United States Dollar Equivalents are calculated by the Agent.

3.09 Applicability of UCP. When a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), at the option of the Issuing Bank, the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "ICC") at the time of issuance or the International Standby Practices 1998 published by the Institute of International Bank and Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each Letter of Credit.

3.10 Existing Letters of Credit. Borrower hereby acknowledges and agrees that the Existing Letters of Credit shall be deemed to be Letters of Credit Issued under this Agreement for all purposes.

ARTICLE IV
TAXES AND YIELD PROTECTION

4.01 Taxes.

(a) Any and all payments by the Borrower to or for the account of Agent or any Bank under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of Agent and each Bank, taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which Agent or such Bank, as the case may be, is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to Agent or any Bank, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), Agent and such Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, the Borrower shall furnish to Agent (which shall forward the same to such Bank) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) If the Borrower shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to Agent or any Bank, the Borrower shall also pay to Agent (for the account of such Bank) or to such Bank, at the time interest is paid, such additional amount that such Bank specifies as necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) such Bank would have received if such Taxes or Other Taxes had not been imposed.

(d) The Borrower agrees to indemnify Agent and each Bank for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by Agent and such Bank, (ii) amounts payable under Subsection 4.01(c) and (iii) any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes

or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Payment under this subsection (d) shall be made within 30 days after the date the Bank or Agent makes a demand therefore.

4.02 Increased Costs and Reduced Return; Capital Adequacy.

(a) If any Bank determines that as a result of the introduction of or any change in or in the interpretation of any Law, after the Closing Date or such Bank's compliance therewith, there shall be any increase in the cost to such Bank of issuing or participating in Letters of Credit or advancing Revolving Loans, or a reduction in the amount received or receivable by such Bank in connection with any of the foregoing (excluding for purposes of this subsection (a) any such increased costs or reduction in amount resulting from (i) Taxes or Other Taxes (as to which Section 4.01 shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or any foreign jurisdiction or any political subdivision of either thereof under the Laws of which such Bank is organized or has its Lending Office, and (iii) reserve requirements), then from time to time upon demand of such Bank (with a copy of such demand to Agent), the Borrower shall pay to such Bank such additional amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank determines that the introduction of any Law regarding capital adequacy or any change therein or in the interpretation thereof, after the Closing Date or compliance by such Bank (or its Lending Office) therewith, has the effect of reducing the rate of return on the capital of such Bank or any corporation controlling such Bank as a consequence of such Bank's obligations hereunder (taking into consideration its policies with respect to capital adequacy and such Bank's desired return on capital), then from time to time upon demand of such Bank (with a copy of such demand to Agent), the Borrower shall pay to such Bank such additional amounts as will compensate such Bank for such reduction.

4.03 Matters Applicable to all Requests for Compensation. A certificate of Agent or any Bank claiming compensation under this Article IV and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, Agent or such Bank may use any reasonable averaging and attribution methods.

4.04 Funding Losses. The Borrower shall reimburse each Bank and hold each Bank harmless from any loss or expense which the Bank may sustain or incur as a consequence of:

(a) the failure of the Borrower to make on a timely basis any payment of principal of any Eurodollar Rate Loan;

(b) the failure of the Borrower to borrow, continue or convert a Loan after the Borrower has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation;

(c) the failure of the Borrower to make any prepayment in accordance with any notice delivered under Section 2.05;

(d) the prepayment (including prepayments made pursuant to Article II) or other payment (including after acceleration thereof) of a Eurodollar Rate Loan on a day that is not the last day of the relevant Interest Period; or

(e) the automatic conversion under Section 2.03 of any Eurodollar Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Eurodollar Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Borrower to the Banks under this Section and under Section 4.02, each Eurodollar Rate Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the Eurodollar Rate for such Eurodollar Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan is in fact so funded.

4.05 Survival. The agreements and Obligations of the Borrower in this Article IV shall survive the payment of all other Obligations.

ARTICLE V
CONDITIONS PRECEDENT

5.01 Matters to be Satisfied Upon Execution of Agreement. At the time the Banks execute this Agreement, unless otherwise waived by the Banks, Agent shall have received all of the following, in form and substance satisfactory to Agent and each Bank, and in sufficient copies for each Bank:

(a) Loan Documents. This Agreement, the Notes, appropriate amendments to the Security Agreements, financing statements and financing statement amendments, and each other document or certificate executed in connection with this Agreement, executed by each party thereto;

(b) Incumbency. Certificate of the Secretary of the Borrower, certified as of the Closing Date, and certifying the names and true signatures of the officers of the Borrower authorized to execute, deliver and perform, as applicable, this Agreement, and all other Loan Documents to be delivered by the Borrower hereunder;

(c) Organization Documents; Existence; Good Standing. The articles or certificate of incorporation and the bylaws of the Borrower as in effect on the Closing Date, all certified by the Secretary of the Borrower as of the Closing Date, together with certificates of existence for the Borrower and a good standing certificate for the Borrower from the Secretary of State (or similar, applicable Governmental Authority) of its state of incorporation and each state where the Borrower is qualified to do business as a foreign corporation, certified as of, or reasonably close to, the Closing Date;

(d) Legal Opinion. Opinions of counsel to the Borrower and addressed to Agent and the Banks in form and substance acceptable to Agent and the Banks;

(e) Payment of Fees. The fee letters executed by the Borrower and evidence of payment by the Borrower of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with Attorney Costs of Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute Fortis' reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided, however, that such estimate shall not thereafter preclude final settling of accounts between the Borrower and Agent); including any such costs, fees and expenses arising under or referenced in Sections 2.08 and 11.04(a) and all costs of the auditors and consultants retained by the Banks in connection with the Obligations of the Borrower to Agent;

(f) Certificate. A certificate signed by a Responsible Officer of the Borrower, dated as of the Closing Date, stating to the best of such officer's knowledge that:

(i) The representations and warranties contained in Article VI of the Agreement are true and correct in all material respects on and as of the date of this certificate;

(ii) No Default or Event of Default exists or would result from the Credit Extension; and

(iii) There has occurred no event or circumstance that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(g) Filings. Evidence that all filings needed to perfect the security interests granted by the Security Agreements have been completed or due provision has been made therefore;

(h) Intercreditor Agreement. The Intercreditor Agreement executed by each party thereto.

(i) Responsible Officer List. The Responsible Officer List;

(j) Support Agreement. The Support Agreement executed by the Parent;

(k) Financial Statements. The Borrower's audited financial statements for its 2008 fiscal year in compliance with Section 7.01(a);

(l) Borrowing Base Collateral Position Report. The Borrower's most recent Borrowing Base Collateral Position Report;

(m) Risk Management Policy. The Borrower's most recent risk management policy;

(n) Audit Report. The final signed audit report relating to the Borrower's Collateral Position;

(o) Non-Utility Money Pool Agreement. An executed copy of the Non-Utility Money Pool Agreement dated June 12, 2008, including any amendments thereto, entered into by the Borrower, the Parent, Black Hills Service Company, LLC, Black Hills Non-regulated Holdings, LLC and certain other non-utility Subsidiaries of Parent named therein;

(p) Subordination Agreement. An executed subordination agreement substantially in the form attached hereto as Exhibit H among the Parent, the Borrower and the Agent; and

(q) Other Documents. Such other approvals, opinions, documents or materials as Agent or any Bank may request.

5.02 Matters to be Satisfied Prior to Each Request for Extension of Credit. On any date on which Borrower requests that any Bank make any Loans or Issue any Letter of Credit hereunder, unless otherwise waived by the Banks, each of the following shall be true:

(a) Representations and Warranties. Each of the representations and warranties made by Borrower in or pursuant to this Agreement or the other Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date (except to the extent such representations and warranties relate solely to an earlier date).

(b) Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extension of credit requested to be made on such date.

(c) No Material Adverse Effect. Since the Closing Date, there shall have been no Material Adverse Effect.

(d) Borrowing Availability. The aggregate Effective Amount outstanding under this Agreement shall not exceed the lesser of the Borrowing Base Advance Cap or the Total Available Committed Line Portion.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to Agent and each Bank that:

6.01 Existence and Power. The Borrower and each of its Subsidiaries:

(a) is a corporation or limited liability company, as the case may be, duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(b) have the power and authority and all governmental licenses, authorizations, consents and approvals that are necessary to own their assets, carry on their business and to execute, deliver, and perform their respective Obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation or limited liability company, as the case may be, and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license; and

(d) to the best knowledge of the Borrower, is in compliance with all Requirements of Law.

6.02 Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which the Borrower is party, have been duly authorized by its board of directors, and if necessary, shareholder action, and do not and will not:

(a) contravene the terms of the Organization Documents of the Borrower;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which the Borrower is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or

(c) to the best knowledge of the Borrower, violate any Requirement of Law.

6.03 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower or any of its Subsidiaries, as applicable, of the Agreement or any other Loan Document.

6.04 Binding Effect. This Agreement and each other Loan Document to which the Borrower or any of its Subsidiaries is a party constitute the legal, valid and binding obligations of such Person to the extent it is a party thereto, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity.

6.05 Litigation. Except as specifically disclosed in Schedule 6.05, there are no actions, suits or proceedings, pending, or to the knowledge of the Borrower, threatened at law, in equity, in arbitration or before any Governmental Authority, against the Borrower, or any of its Subsidiaries or any of their respective properties which purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; and no injunction, writ, temporary restraining order or any order of any nature has been

issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

6.06 No Default. No Default or Event of Default exists or would result from the incurring of any Obligations by the Borrower. As of the Closing Date, neither the Borrower nor any of its Subsidiaries is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect.

6.07 ERISA Compliance. Except as specifically disclosed in Schedule 6.07:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS and to the best knowledge of the Borrower, nothing has occurred which would cause the loss of such qualification. The Borrower and each ERISA Affiliate have made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which have resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) To the Borrower's best knowledge, no ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) or ERISA.

6.08 Use of Proceeds; Margin Regulations. The proceeds of the Loans are to be used solely (a) to finance working capital requirements related to Product marketing activities; (b) to provide for Letters of Credit as described hereunder; and (c) to fund payments due to any Swap Bank under a Swap Contract. Neither the Borrower nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

6.09 Title to Properties. The Borrower and each of its Subsidiaries have good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect. As of the Closing Date, the property of the Borrower and its Subsidiaries is subject to no Liens, other than Permitted Liens.

6.10 Taxes. The Borrower and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges shown thereon to be due and payable, and have paid all material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets as due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Borrower or any of its Subsidiaries that would, if made, have a Material Adverse Effect.

6.11 Financial Condition.

(a) The audited balance sheet of Borrower dated as of December 31, 2008:

(i) fairly presents the financial condition of the Borrower as of the date thereof; and

(ii) shows all material indebtedness and other liabilities, direct or contingent, of the Borrower as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations.

(b) Since December 31, 2008, there has been no Material Adverse Effect.

6.12 Environmental Matters. Except as previously specifically disclosed in Schedule 6.12, such Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.13 Regulated Entities. Neither the Borrower, nor any Person controlling the Borrower, or any of its Subsidiaries, is an "Investment Company" within the meaning of the Investment Company Act of 1940. The Borrower is not subject under any Federal or state statute or regulation to restrictions limiting its ability to incur the Obligations.

6.14 No Burdensome Restrictions. Neither the Borrower nor any of its Subsidiaries is a party to or bound by any Contractual Obligation, or subject to any restriction in any Organization Document, or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

6.15 Copyrights, Patents, Trademarks and Licenses, etc. To the Borrower's best knowledge, the Borrower or its Subsidiaries own or are licensed or otherwise have the right

to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person. Except as specifically disclosed in Schedule 6.05, no claim or litigation regarding any of the foregoing is pending or threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of the Borrower, proposed.

6.16 Subsidiaries. The Borrower has no Subsidiaries other than those specifically disclosed in part (a) of Schedule 6.16 hereto (as such schedule may be amended from time to time in accordance with Section 8.20) and have no equity investments in any other corporation or entity other than those specifically disclosed in part (b) of Schedule 6.16.

6.17 Insurance. Except as specifically disclosed in Schedule 6.17, the properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or such Subsidiary operates.

6.18 Full Disclosure. To the Borrower's best knowledge, none of the representations or warranties made by the Borrower or any of its Subsidiaries in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Borrower or any of its Subsidiaries in connection with the Loan Documents (including the offering and disclosure materials delivered by or on behalf of the Borrower to the Banks prior to the Closing Date), contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

6.19 Bank Accounts. The Borrower and its Subsidiaries have no bank accounts other than those specifically disclosed in Schedule 6.19 hereto.

ARTICLE VII
AFFIRMATIVE COVENANTS

So long as any Bank shall be continuing to consider making Revolving Loans or Issuing Letters of Credit hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding:

7.01 Financial Statements. The Borrower shall deliver to the Banks, in form and detail satisfactory to the Banks:

(a) as soon as available, but not later than 120 days after the end of each fiscal year, a copy of the audited financial statements of Borrower to include a balance

sheet as at the end of such year and the related statements of income or operations, members' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of a nationally-recognized independent public accounting firm reasonably acceptable to Agent which report shall state that such financial statements present fairly the financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years. Such opinion shall not be qualified or limited because of a restricted or limited examination by the public accounting firm of any material portion of Borrower's records;

(b) as soon as available, but not later than 120 days after the end of each fiscal year, a copy of the financial statements of Borrower to include a balance sheet as at the end of such year and the related statements of income or operations, members' equity and cash flows for such year, in each case prepared on an Economic Basis and accompanied by a special purpose report acceptable to the Banks issued by a nationally-recognized independent accounting firm reasonably acceptable to Agent; and

(c) as soon as available, but not later than forty-five (45) days after the end of each month, Borrower-prepared financial statements prepared in accordance with GAAP and on an Economic Basis and accompanied by an explanation of any discrepancy between such statements resulting from the differing methods of preparation.

7.02 Certificates; Other Information. The Borrower shall furnish to the Agent and the Banks:

(a) concurrently with the delivery of the financial statements referred to in Subsections 7.01(a) and (b), a Compliance Certificate executed by a Responsible Officer of the Borrower;

(b) as of the 15th and last day of each month, delivered within seven (7) days of the reporting date (or the next succeeding Business Day after such date in the event that such date is not a Business Day), a Borrowing Base Collateral Position Report, certified by a Responsible Officer of the Borrower; provided, however, that if any Borrowing Base Collateral Position Report fails to reflect an "excess" (as contemplated by such report) of greater than $20,000,000.00, then until two consecutive Borrowing Base Collateral Position Reports have evidenced an "excess" (as contemplated by such report) of greater than $25,000,000.00, the Borrower shall provide additional Borrowing Base Collateral Position Reports per month, one as of each Friday of each week. Upon the delivery of the second consecutive Borrowing Base Collateral Position Report evidencing an excess greater than $25,000,000.00, the Borrower will revert to delivering two (2) Borrowing Base Collateral Position Reports per month as described in the first portion of this Section 7.02(b);

(c) as of the 15th and last day of each month, delivered within seven (7) days of the reporting date (or the next succeeding Business Day after such date in the event that such date is not a Business Day), a Net Fixed Price Volume Report, certified by a Responsible Officer of the Borrower that the Borrower is in compliance with the Net Fixed Price Volume limitations set forth in Section 8.11 of this Agreement;

(d) on the tenth (10^{th}) Business Day of each month a Transportation Agreement Report, in form and substance acceptable to Banks, as of the last calendar day of the preceding month, certified by a Responsible Officer of the Borrower;

(e) on the tenth (10^{th}) Business Day of each month a forward position report, in form and substance acceptable to the Banks, showing the marked to market position of the Borrower's forward book as of the last calendar day of the preceding month, certified by a Responsible Officer of the Borrower;

(f) promptly when available, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary as the Agent, at the request of any Bank, may from time to time reasonably request;

(g) within forty-five (45) days of the end of each quarter, a quarterly report of inventory storage locations at each quarter end;

(h) within forty-five (45) days of the end of each quarter, a quarterly report reflecting any advances made by Borrower to Parent or any other Affiliates;

(i) within forty-five (45) days of the end of each quarter, a quarterly report reflecting total future demand charge obligations;

(j) updated risk management policies which shall cover Borrower's trading activities in natural gas, crude oil and distillates for crude blending, such policies to be reasonably satisfactory to the Agent and the Banks; and

(k) promptly upon receipt thereof, copies of any detailed audit reports, management letters and any reports as to material inadequacies in accounting controls (including reports as to the absence of any such inadequacies) or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any of its Subsidiaries, or any audit of any of them.

Whenever any report or other information due under this Section 7.02 is due on a day other than a Business Day, such report or other information shall be due on the following Business Day.

7.03 Notices. The Borrower shall promptly notify Agent and each Bank:

(a) of the occurrence of any Default or Event of Default, and of the occurrence or existence of any event or circumstance that could reasonably be expected to become a Default or Event of Default;

(b) the occurrence of any event which could reasonably be expected to cause a material impairment of the Collateral Position;

(c) the occurrence of any event which could reasonably be expected to cause a Material Adverse Effect, including any of the following to the extent they individually or

in the aggregate cause or could reasonably be expected to cause a Material Adverse Effect: (i) breach or non-performance of, or any default under, a material Contractual Obligation of the Borrower or any Subsidiary; (ii) any material dispute, litigation, investigation, proceeding or suspension between the Borrower or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary, including pursuant to any applicable Environmental Laws;

(d) of the occurrence of any of the following events affecting the Borrower or any ERISA Affiliate (but in no event more than 10 days after the Borrower receives notice or becomes aware of such event), and deliver to Agent and each Bank a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Borrower or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a material increase in the Unfunded Pension Liability of any Pension Plan;

(iii) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Borrower or any ERISA Affiliate;

(iv) the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability;

(e) of any material change in accounting policies or financial reporting practices by the Borrower; and

(f) of any intended relocation of inventory or any intended new location of inventory owned by the Borrower, at least ten (10) Business Days prior to the date such inventory is to be stored at such location.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein, and stating what action the Borrower or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under Subsection 7.03(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been (or reasonably could be expected to be) breached or violated as therein provided.

Each Swap Bank that has concluded a Swap Contract shall promptly notify the Agent of the early termination, or its equivalent, of the Swap Contract and the Agent shall promptly notify the Banks of the same.

7.04 Preservation of Corporate Existence, Etc. The Borrower shall, and shall cause each of its Subsidiaries to:

(a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of organization;

(b) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill; and

(d) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

7.05 Maintenance of Property. The Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted and make all necessary repairs thereto and renewals and replacements thereof except in any case where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.06 Insurance. The Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, with financially sound and reputable independent insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons. Agent, for the benefit of the Banks, shall be named as an additional insured and loss payee under all such polices, without liability for premiums or club calls.

7.07 Payment of Obligations. The Borrower shall, and shall cause each of its Subsidiaries to, pay and discharge as the same shall become due and payable, all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary;

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property, except for Permitted Liens, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or Subsidiary, and provided that at such time the claim becomes a Lien (other than a lis pendens notice), it shall be promptly paid; and

(c) all indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing or relating to such Indebtedness.

7.08 Compliance with Laws. The Borrower shall comply, and shall cause each of its Subsidiaries to comply, with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act).

7.09 Compliance with ERISA. The Borrower shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code.

7.10 Inspection of Property and Books and Records. The Borrower shall maintain and shall cause each of its Subsidiaries to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower and such Subsidiary. The Borrower shall permit, and shall cause each of its Subsidiaries to permit representatives and independent contractors of Agent or any Bank to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, all at the expense of Agent or Bank causing such inspection and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, when an Event of Default exists Agent or any Bank may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

7.11 Environmental Laws. The Borrower shall, and shall cause each of its Subsidiaries to, conduct its operations and keep and maintain its property in compliance in all material respects with all Environmental Laws.

7.12 Use of Proceeds. The Borrower shall use the proceeds of the Loans for the uses described in this Agreement and not in contravention of any Requirement of Law or of any Loan Document restrictions on use of loan proceeds. The Borrower shall not use the proceeds of the Loan or any Letter of Credit to acquire, directly or indirectly, any Margin Stock.

7.13 Collateral Position Audit. At such times as Agent deems advisable, the Borrower will allow Agent or an entity satisfactory to Agent to conduct a thorough examination of the Borrower's Collateral Position and its risk management practices, and the Borrower will fully cooperate in such examination. The Borrower will pay the costs and expenses of one such examination per calendar year and any additional examinations during such time as an Event of Default has occurred and is continuing. The Borrower acknowledges that Agent will conduct a minimum of one such audit per year and may conduct additional audits during the year. At the request of any Bank, the Agent will provide such Bank with the results of such audit.

7.14 Payments to Bank Blocked Accounts. The Borrower shall (i) notify in writing and otherwise take such reasonable steps to ensure that all Account Debtors under any of its Accounts forward payment in the form of cash, checks, drafts or other similar items of payment directly to the Bank Blocked Accounts or directly by wire transfer to the Bank Blocked

Accounts and shall, if requested by Agent, provide Banks with reasonable evidence of such notification, (ii) deposit and cause its Subsidiaries to deposit or cause to be deposited all payments under such Accounts to the Bank Blocked Accounts. In the event that any Account Debtor does make any payment directly to the Bank Blocked Accounts, Borrower shall promptly deposit such amounts into the Bank Blocked Accounts, and (iii) to the extent any funds are withdrawn by the Borrower or any of its Subsidiaries from the Clearinghouse Account, deposit and cause its Subsidiaries to deposit such funds to the Bank Blocked Accounts. Agent at any time may apply amounts contained in the Bank Blocked Accounts toward satisfaction of the Obligations. Upon the written notice of Agent, Wells Fargo shall cease to transfer any funds from the Bank Blocked Accounts until further notified in writing by Agent.

7.15 Financial Covenants. The Borrower shall at all times maintain:

(a) Minimum Net Working Capital equal to the greater of (i) $50,000,000.00 or (ii) 25% of the then-elected Borrowing Base Sub-Cap, subject to adjustment as provided in Section 8.11(b).

(b) Minimum Tangible Net Worth equal to the greater of (i) $50,000,000.00 or (ii) 25% of the then-elected Borrowing Base Sub-Cap, subject to adjustment as provided in Section 8.11(b).

(c) A ratio of Total Liabilities to Tangible Net Worth not to exceed 5:1.

7.16 Net Cumulative Loss. The Borrower shall not incur a Net Cumulative Loss during any twelve (12) consecutive calendar months in excess of the lower of the following: (a) $30,000,000.00, or (b)(x) $10,000,000.00 plus (y) to the extent it results in a positive number, eighteen percent (18%) times the following:

(i) the lower of Net Working Capital or Tangible Net Worth (as of most recent period available), minus

(ii) $75,000,000.00.

For purposes of this Section 7.16, Net Cumulative Loss shall mean the consolidated net loss of the Borrower and its Subsidiaries computed on an Economic Basis.

7.17 Security for Obligations. The Borrower shall at all times maintain security interests in favor of the Banks so that the Banks shall have a first priority perfected lien (other than Permitted Liens) on all of assets of the Borrower and any of its Subsidiaries to the extent required pursuant to the Loan Documents, to secure the Borrower's Obligations hereunder, under the other Loan Documents and with respect to Swap Contracts, and the Borrower's Obligations under Swap Contracts shall be secured on a pari passu basis with the Borrower's other Obligations, provided that with respect to a Defaulting Bank or its Affiliate which has entered into a Swap Contract with the Borrower, the Defaulting Bank shall only be entitled to sharing of amounts pursuant to the Intercreditor Agreement with respect to such Swap Contracts notwithstanding any other provision to the contrary herein.

ARTICLE VIII
NEGATIVE COVENANTS

So long as any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Banks waive compliance in writing:

8.01 Limitation on Liens. The Borrower shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien existing on property of the Borrower or any of its Subsidiaries on the Closing Date and set forth in Schedule 8.01 securing Indebtedness;

(b) any Lien created under any Loan Document or Swap Contract;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 7.07, provided that no notice of lien has been filed or recorded under the Code;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's, First Purchaser Liens or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty and, with respect to any such warehousemen's or landlord's lien, such liens only secure accrued rental charges;

(e) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(f) Liens on the property of the Borrower or its Subsidiaries securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business, provided all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(g) Liens consisting of judgment or judicial attachment liens, provided that the enforcement of such Liens is effectively stayed and all such unstayed liens in the aggregate at any time outstanding for the Borrower and its Subsidiaries do not exceed $1,000,000.00;

(h) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially interfere with the ordinary conduct of the business of the Borrower and its Subsidiaries;

(i) purchase money security interests (including capital leases) on any property acquired or held by the Borrower or its Subsidiaries in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided, however, that (i) any such Lien attaches to such property concurrently with or within 20 days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, (iii) the principal amount of the debt secured thereby does not exceed 100% of the cost of such property, and (iv) the principal amount of the Indebtedness secured by any and all such purchase money security interests shall not at any time exceed $2,000,000.00; and

(j) any Lien in the form of Cash Collateral (which has not been Cash Collateralized for the benefit of the Banks) which has been granted by the Borrower to secure the margin requirements of a swap contract permitted under Section 8.06(b), provided that such Cash Collateral has been deducted from the Borrowing Base Advance Cap.

8.02 Consolidations, Mergers and Dispositions. The Borrower shall not suffer or permit any of its Subsidiaries to merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person except for (a) the sale of assets in the ordinary course of its business, (b) mergers and consolidations with an aggregate value of less than $10,000,000.00 less the aggregate value of any acquisitions permitted under Section 8.18 during any consecutive 12 calendar month period, and (c) asset sales with an aggregate value of less than $10,000,000.00 during any consecutive 12 calendar month period.

8.03 Limitation on Indebtedness. The Borrower shall not suffer or permit any of its Subsidiaries to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(a) Indebtedness incurred pursuant to or in accordance with, this Agreement;

(b) Indebtedness consisting of trade payables in the ordinary course of business;

(c) Indebtedness existing on the Closing Date, and described on Schedule 8.01;

(d) Indebtedness in respect of purchase money security interests permitted by Section 8.01 hereof;

(e) Indebtedness in respect of Contingent Obligations permitted by Section 8.06 hereof;

(f) Subordinated Debt that has been approved by the Banks;

(g) Intercompany loans to the Borrower which are subordinated to the Obligations pursuant to a subordination agreement or on other terms and conditions satisfactory to the Banks; and

(h) Intercompany loans incurred by a Subsidiary to the extent permitted under Section 8.18.

8.04 Transactions with Affiliates. The Borrower shall not suffer or permit any of its Subsidiaries to, enter into any material transaction with any Affiliate of the Borrower, except upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of the Borrower or such Subsidiary.

8.05 Use of Proceeds. The Borrower shall not suffer or permit any of its Subsidiaries to, use any portion of the Loan proceeds or any Letter of Credit, directly or indirectly, (a) to purchase or carry Margin Stock, (b) to repay or otherwise refinance indebtedness of the Borrower or others incurred to purchase or carry Margin Stock, (c) to extend credit for the purpose of purchasing or carrying any Margin Stock, (d) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act, or (e) in a manner inconsistent with this Agreement.

8.06 Contingent Obligations. The Borrower shall not suffer or permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Contingent Obligations except:

(a) endorsements for collection or deposit in the ordinary course of business;

(b) swap contracts entered into in the ordinary course of business as bona fide hedging transactions (including Swap Contracts);

(c) Contingent Obligations of the Borrower and its Subsidiaries existing as of the Closing Date and described on Schedule 8.06;

(d) Contingent Obligations of the Borrower with respect to any obligations of its Subsidiaries; and

(e) Contingent Obligations of the Borrower in favor of Societe Generale Energie (Canada) Inc. ("SocGen Canada") pursuant to the terms of an agency agreement between the Borrower and SocGen Canada. Specifically, the Borrower will indemnify SocGen Canada for errors made by the Borrower in the execution of transactions entered into on behalf of SocGen Canada. The Borrower will also assume the risks of any disruption in the flow of natural gas from the initial seller to SocGen Canada into and out of storage and to the final purchaser from SocGen Canada.

8.07 Restricted Payments. The Borrower shall not declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary may make Restricted Payments to the Borrower and to wholly-owned Subsidiaries (and, in the case of a Restricted Payment by a non-wholly-owned Subsidiary, to the Borrower and any Subsidiary and to each other owner of capital stock of such Subsidiary on a pro rata basis based on their relative ownership interests);

(b) the Borrower and each Subsidiary may declare and make dividend payments or other distributions payable solely in the common stock of such Person;

(c) the Borrower and each Subsidiary may purchase, redeem or otherwise acquire shares of its common stock or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock; and

(d) the Borrower may declare or pay cash dividends to its stockholders; provided, however, that, immediately after giving effect to such proposed action, no Default or Event of Default would exist.

8.08 ERISA. The Borrower shall not, nor suffer or permit any of its ERISA Affiliates to: (a) engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan; or (b) engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

8.09 Change in Business. The Borrower shall not, nor suffer or permit any of its Subsidiaries to, engage in any line of business or trading strategy materially different from the line of business or trading strategy carried on by the Borrower and its Subsidiaries on the date hereof.

8.10 Accounting Changes. The Borrower shall not, nor suffer or permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Borrower or of any Subsidiary.

8.11 Net Fixed Price Volume Limits.

(a) At no time will the Borrower allow the Net Fixed Price Volume of natural gas to exceed 3,000,000 MMBTUS and the Net Fixed Price Volume of crude oil and distillates for crude blending to exceed 50,000 bbls.

(b) In the event the Borrower's Net Fixed Price Volume of natural gas exceeds 1,500,000 MMBTUS, the financial covenants set forth at Section 7.15(a) and (b) shall be adjusted by increasing the required minimum Net Working Capital and the required Tangible Net Worth by an amount equal to the Borrower's actual Net Fixed Price Volume of natural gas less 1,500,000 MMBTUS times $5.00 per MMBTU.

8.12 Change of Management. Borrower shall notify the Agent prior to any Change of Management. For purposes of this Section 8.12, "Change of Management" shall mean an officer of the Borrower as of the Closing Date and listed as of the date hereof on Schedule 8.12 hereto ceases to be an officer of the Borrower or more than 50% of the Persons

serving as directors of the Borrower as of the Closing Date and listed as of the date hereof on Schedule 8.12 hereto cease to serve as directors.

8.13 Risk Management Policy. The Borrower will not materially change its risk management policies or increase any board of director established volumetric or dollar limits thereunder without the prior written consent of Agent and all the Required Banks. Borrower agrees that upon request by Agent, from time to time, the Borrower and the Banks will review and evaluate Borrower's risk management policies.

8.14 Capital Expenditures. Borrower will not make or commit to make any capital expenditure if after such commitment or expenditure a Default or Event of Default would exist under this Agreement.

8.15 Unhedged Transportation Exposure. At no time will the Borrower allow its Unhedged Transportation Exposure for the next succeeding two-year period to exceed the amounts specified below, provided, however, that Borrower's Unhedged Transportation Exposure may exceed such amounts by one-third (1/3) of the amount by which its Net Working Capital and Tangible Net Worth exceeds the minimum amount required under Section 7.15.

Borrowing Base Sub-Cap in Effect	Unhedged Transportation Exposure May Not Exceed
$100,000,000.00	$3,000,000.00
$150,000,000.00	$3,000,000.00
$175,000,000.00	$4,000,000.00
$200,000,000.00	$4,000,000.00
$250,000,000.00	$5,500,000.00
$300,000,000.00 or more	$6,500,000.00

8.16 Proprietary Value-at-Risk. Borrower's Proprietary Value-at-Risk shall not at any time exceed $8,000,000.00 (95% confidence interval and one-day time horizon). "Proprietary Value-at-Risk" shall mean the risk of mark to market value loss for proprietary positions calculated using historical market trends, prices, volatility and correlations.

8.17 Transportation Value-at-Risk. Borrower's Transportation Value-at-Risk shall not at any time exceed $10,000,000.00 (95% confidence interval and one-day time horizon). "Transportation Value-at-Risk" shall mean the risk of mark to market value loss for transportation positions calculated using historical market trends, prices, volatility and correlations.

8.18 Loans and Investments. Borrower shall not, nor shall it permit any of its Subsidiaries to, purchase or acquire, or make any commitment therefor, any equity interest, or any obligations or other securities of, or any interest in, any Person, or make or commit to make any acquisitions, or make or commit to make any advance, loan, extension of credit (other than pursuant to sales on open account in the ordinary course of Borrower's business) or capital

contribution to or any other investment in, any Person; provided, however, that (a) Borrower may make advances and loans to Parent, and (b) Borrower and any of its Subsidiaries may make such investments, capital contributions, acquisitions, loans or advances, as long as (i) after giving effect to such proposed action, no Default or Event of Default would exist; and (ii) except for advances and loans by Borrower to Parent, the aggregate amount of all such investments, capital contributions, acquisitions, loans or advances does not exceed $15,000,000.00 less the aggregate value of any mergers and consolidations permitted under Section 8.02;

8.19 Bank Blocked Accounts Investments. Borrower shall not (a) purchase or acquire any investments to be held in a Bank Blocked Accounts other than cash equivalents and Marketable Securities; or (b) open or maintain any bank account unless such bank account is subject to a Blocked Account Agreement.

8.20 Additional Subsidiaries. The Borrower shall not, nor shall it permit any of its Subsidiaries to, create or acquire any additional Subsidiaries without (a) prior written notice to the Agent, (b) such new Subsidiary executing and delivering to the Agent, at its request, a guaranty, a joinder to the Borrower's Second Amended and Restated Security Agreement, and such other security agreements as the Agent or the Required Banks may reasonably request, (c) the equity holder of such Subsidiary executing and delivering to the Agent a security agreement pledging one hundred percent (100%) of the Capital Stock owned by such equity holder of such Subsidiary along with the certificates pledged thereby, if any, and appropriately executed stock powers in blank, if applicable, and (d) the delivery by the Borrower and such Subsidiary of any certificates, opinions of counsel, title opinions or other documents as the Agent may reasonably request relating to such Subsidiary; provided that the tangible net worth according to GAAP of each such Subsidiary shall at all times equal or exceed $250,000.00.

ARTICLE IX
EVENTS OF DEFAULT

9.01 Event of Default. Any of the following shall constitute an "Event of Default":

(a) Non-Payment. The Borrower fails to pay any amount due hereunder or under any other Loan Document within one (1) Business Day after the same becomes due; or

(b) Representation or Warranty. Any representation or warranty made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Borrower, or any Responsible Officer furnished at any time under this Agreement, or in or under any other Loan Document, is incorrect or incomplete in any material respect on or as of the date made or deemed made; or

(c) Covenant Defaults. The Borrower fails to perform or observe:

(i) any term, covenant or agreement contained in Sections 7.03, 7.04(a), 7.07, 7.14 and 7.17 of this Agreement and such default shall continue unremedied for a period of five (5) days after the occurrence of such default,

(ii) any term, covenant or agreement contained in Sections 7.05, 7.06, 7.08, 7.09 and 7.11 of this Agreement and such default shall continue unremedied for a period of twenty (20) days after the occurrence of such default, and

(iii) any other term, covenant or agreement contained in any of the Loan Documents, other than those expressly set forth in clauses (i) and (ii) above; or

(d) Cross-Default. The Borrower or any Subsidiary of the Borrower (i) fails to make any payment in respect of any Indebtedness or Contingent Obligation having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement or otherwise) of more than $5,000,000.00 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise); or (ii) fails to perform or observe any other material condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness or Contingent Obligation, having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement or otherwise) of more than $5,000,000.00, if, after expiration of any grace or cure period therein provided, the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable prior to its stated maturity, or such Contingent Obligation to become payable or cash collateral in respect thereof to be demanded; or

(e) Swap Contracts. There shall have occurred with respect to any Swap Contract to which the Borrower is a party an "Event of Default" or a "Termination Event" (as defined in the applicable ISDA Master Agreement and any related Credit Support Annex or Schedule) which entitles the applicable Swap Bank to terminate the Swap Contract; or

(f) Insolvency; Voluntary Proceedings. The Borrower or any Subsidiary of the Borrower (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, whether at stated maturity or otherwise; (ii) commences any Insolvency Proceeding with respect to itself; or (iii) takes any action to effectuate or authorize any of the foregoing; or

(g) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Borrower or any Subsidiary of the Borrower, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the properties of Borrower, any Subsidiary of the Borrower, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) the Borrower, any Subsidiary of the Borrower admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the Borrower, any Subsidiary of the Borrower acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefore), or other similar Person for itself or a substantial portion of its property or business; or

(h) ERISA. (i) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $500,000.00; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds $500,000.00; or (iii) the Borrower or any ERISA Affiliate shall fail to pay when due, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $500,000.00, or the aggregate of (i), (ii) and (iii) exceeds $1,000,000.00; or

(i) Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Borrower or any Subsidiary of the Borrower, which such judgment, order, decree or award is not effectively stayed pending appeal thereof, involving in the aggregate a liability as to any single or related series of transactions, incidents or conditions, to pay an amount of $5,000,000.00 or more, unless Borrower's or any of its Subsidiary's potential liability under such judgment, order, decree or award is covered by insurance and the insurer acknowledges in writing such coverage within thirty (30) days of the date such judgment, order, decree or award is entered; or

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Borrower or any Subsidiary of the Borrower which does or would reasonably be expected to have a Material Adverse Effect; or

(k) Change of Control. There occurs any Change of Control not previously approved by all the Banks; or

(l) Adverse Change. There occurs a Material Adverse Effect; or

(m) Support Agreement. The Parent shall terminate or fail to perform its obligations under the Support Agreement.

9.02 Remedies. If any Event of Default occurs, Agent may and shall, at the request of the Required Banks:

(a) declare an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing by the beneficiary under any outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) to be immediately due and payable, and declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(b) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law including, without limitation, seeking to lift the stay in effect under the Insolvency Proceeding;

provided, however, that upon the occurrence of any event specified in subsection (f) or (g) of Section 9.01, the making of Loans and the Issuance of Letters of Credit under this Agreement shall automatically terminate and an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing by the beneficiary under any outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) together with the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of Agent, any Issuing Bank or any Bank.

9.03 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

9.04 Application of Payments. Except as expressly provided in this Agreement, from and after the date of the occurrence of any Sharing Event, all amounts thereafter received or recovered under this Agreement or any other Loan Document whether as a result of a payment by the Borrower, the exercise of remedies by the Agent under any of the Loan Documents, liquidation of collateral or otherwise, shall be applied according to Section 2.01 of the Intercreditor Agreement.

ARTICLE X
AGENT

10.01 Appointment and Authorization.

(a) Each Bank hereby irrevocably (subject to Section 10.09) appoints, designates and authorizes Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing sentence, the use of the term “agent” in this Agreement with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each Issuing Bank shall act on behalf of the Banks with respect to any Letters of Credit issued by it and the documents associated therewith until such time (and except for so long) as Agent and such Issuing Bank may agree at the request of the Required Banks that Agent will act for such Issuing Bank with respect thereto; provided, however, that

such Issuing Bank shall have all of the benefits and immunities (i) provided to Agent in this Article X with respect to any acts taken or omissions suffered by such Issuing Bank in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Agent" as used in this Article X included such Issuing Bank with respect to such acts or omissions, and (ii) as additionally provided herein with respect to such Issuing Bank. Prior to the issuance of a Letter of Credit or upon the payment of any drawing on a Letter of Credit by an Issuing Bank other than Agent, such Issuing Bank shall provide written notice to Agent of the dollar amount, the date of such issuance or payment and the expiry date for such Letter of Credit. Such issuance shall be subject to the consent of Agent. Such consent shall not result in the imposition of any liability upon Agent.

10.02 Delegation of Duties. Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

10.03 Liability of Agent. None of the Agent or any of its Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Borrower or any Subsidiary or Affiliate of the Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or for the value of or title to any Collateral, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. None of Agent or any of its Related Persons shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any of the Borrower's Subsidiaries or Affiliates.

10.04 Reliance by Agent.

(a) Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by Agent. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Banks or Required Banks, as applicable, as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking

or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Banks or Required Banks, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Sections 5.01 and 5.02, each Bank that has executed this Agreement shall, unless it notifies the Agent to the contrary, be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

10.05 Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Agent for the account of the Banks, unless Agent shall have received written notice from a Bank or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Agent will notify the Banks of its receipt of any such notice. Agent shall take such action with respect to such Default or Event of Default as may be requested by the Banks or Required Banks, as applicable, in accordance with Article IX; provided, however, that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

10.06 Credit Decision. Each Bank acknowledges that none of Agent or any of its Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by Agent or any of its Related Persons to any Bank. Each Bank represents to Agent that it has, independently and without reliance upon Agent or any of its Related Persons and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, the value of and title to any Collateral, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Bank also represents that it will, independently and without reliance upon Agent or any of its Related Persons and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by Agent, Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower which may come into the possession of any of Agent or its Related Persons.

10.07 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agent, the Issuing Banks and their respective Related Persons (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata in accordance with each Bank's Pro Rata Share, from and against any and all Indemnified Liabilities arising out of actions taken by the Agent, the Issuing Banks and their respective Related Persons in their respective capacities as Agent and/or an Issuing Bank; provided, however, that no Bank shall be liable for the payment to the Agent, the Issuing Banks or any of their respective Related Persons of any portion of such Indemnified Liabilities resulting from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent. THE FORGOING INDEMNITY INCLUDES AN INDEMNITY FOR THE NEGLIGENCE OF THE AGENT, THE ISSUING BANKS OR ANY OF THEIR RESPECTIVE RELATED PERSONS.

10.08 Agent in Individual Capacity. Fortis and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Subsidiaries and Affiliates as though Fortis were not Agent or an Issuing Bank hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, Fortis or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Subsidiary) and acknowledge that Agent shall be under no obligation to provide such information to them. With respect to its Loans, Fortis shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not Agent or an Issuing Bank, and the terms "Bank" and "Banks" include Fortis in its individual capacity.

10.09 Successor Agent. Agent may resign as Agent upon thirty (30) days' notice to the Banks. If Agent resigns under this Agreement, the Banks shall appoint, with the approval of the Required Banks and, so long as no Event of Default has occurred and is continuing, the consent of the Borrower, from among the Banks, a successor agent for the Banks; provided that the Committed Line Portion of such successor agent at the time of such resignation is equal to or greater than the Committed Line Portion of SocGen. If no successor agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with the Banks, and, so long as no Event of Default has occurred and is continuing, with the consent of the Borrower, a successor agent from among the Banks; provided that the Committed Line Portion of such successor agent at the time of such resignation is equal to or greater than the Committed Line Portion of SocGen. Upon a change of control of the Agent, so long as no Event of Default has occurred and is continuing, the Borrower may, at its option, demand the resignation of the Agent and appoint, with the approval of the Required Banks, from

among the Banks, a successor agent for the Banks; provided that the Committed Line Portion of such successor agent at the time of such resignation is equal to or greater than the Committed Line Portion of SocGen. For the purposes of the foregoing sentence, a "change of control" of the Agent means the sale, assignment or other transfer, whether direct or indirect, of more than fifty percent (50%) of the Capital Stock or other ownership rights of the Agent or any of its parent entities. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article X and Sections 11.04 and 11.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is thirty (30) days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of Agent hereunder until such time, if any, as the Banks appoint a successor agent as provided for above.

10.10 Foreign Banks. Each Bank that is a "foreign corporation, partnership or trust" within the meaning of the Code (a "Foreign Bank") shall deliver to Agent, prior to receipt of any payment subject to withholding under the Code (or after accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Person and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Person by the Borrower pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and Agent that such Person is entitled to an exemption from, or reduction of, U.S. withholding tax. Thereafter and from time to time, each such Person shall (a) promptly submit to Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower and Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Person by the Borrower pursuant to this Agreement, (b) promptly notify Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (c) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Bank, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Borrower make any deduction or withholding for taxes from amounts payable to such Person. If such Person fails to deliver the above forms or other documentation, then Agent may withhold from any interest payment to such Person an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction. If any Governmental Authority asserts that Agent did not properly withhold any tax or other amount from payments made in respect of such Person, such Person shall indemnify Agent therefore, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to Agent under this Section, and costs and expenses (including Attorney Costs) of Agent. The obligation of the Banks under this Section shall survive the payment of all Obligations and the resignation or replacement of Agent.

10.11 Collateral Matters.

(a) The Agent is authorized on behalf of all the Banks, without the necessity of any notice to or further consent from the Banks, from time to time to take any action with respect to any Collateral or the Loan Documents which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Loan Documents.

(b) The Banks irrevocably authorize the Agent, at its option and in its discretion, to release any Lien granted to or held by the Agent upon any Collateral (i) upon payment in full of all Loans and all other Obligations known to the Agent and payable under this Agreement, any other Loan Document or any Swap Contract; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; (iii) constituting property in which the Borrower or any Subsidiary owned no interest at the time the Lien was granted or at any time thereafter; (iv) constituting property leased to the Borrower or any Subsidiary under a lease which has expired or been terminated in a transaction permitted under this Agreement or is about to expire and which has not been, and is not intended by the Borrower or such Subsidiary to be, renewed or extended; (v) consisting of an instrument evidencing Indebtedness or other debt instrument, if the indebtedness evidenced thereby has been paid in full; (vi) upon transfers of funds out of a Bank Blocked Accounts, or (vii) if approved, authorized or ratified in writing by all the Banks. Upon request by the Agent at any time, the Banks will confirm in writing the Agent's authority to release particular types or items of Collateral pursuant to this Subsection 10.11(b); provided, however, that the absence of any such confirmation for whatever reason shall not affect the Agent's rights under this Section 10.11.

(c) Each Bank agrees with and in favor of each other that the Borrower's obligations to such Bank under this Agreement and the other Loan Documents is not and shall not be secured by any real property collateral.

10.12 Monitoring Responsibility. Each Bank will make its own credit decisions hereunder, including the decision whether or not to make advances or consent to the Issuance of Letters of Credit, thus the Agent shall have no duty to monitor the Collateral Position, the amounts outstanding under sub-lines or the reporting requirements or the contents of reports delivered by the Borrower. Each Bank assumes the responsibility of keeping itself informed at all times.

10.13 The Arrangers and Certain Agents. The Arrangers, the Syndication Agent and the Documentation Agent shall have no duties, responsibilities or liabilities under this Agreement and the other Loan Documents other than their duties, responsibilities and liabilities in their individual capacity as Banks hereunder to the extent they are a party to this Agreement as a Bank.

ARTICLE XI
MISCELLANEOUS

11.01 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by all the Required Banks and the Borrower and acknowledged by Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that:

(a) no amendment, waiver or consent shall, unless in writing, signed by each Issuing Bank and approved by all the Banks, affect the rights or duties of any Issuing Bank under this Agreement or any Letter of Credit application relating to any Letter of Credit issued or to be issued by it;

(b) no amendment, waiver or consent shall, unless in writing, signed by Agent and approved by all the Banks: (i) affect the rights or duties of Agent under this Agreement or any other Loan Document, (ii) reduce the amount or extend the scheduled date of maturity of any Loan or of any installment thereof, or reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of any Bank's Committed Line Portion or amend the Expiration Date or the Maturity Date, (iii) notwithstanding the terms of paragraph (c) below, result in a Credit Extension in excess of the Borrowing Base Advance Cap, (iv) amend, modify or waive any provision of this Section 11.01, any provision of this Agreement which requires the consent or approval of all the Banks or the Banks, or reduce the percentage specified in the definition of Required Banks, (v) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, (vi) release any of the Collateral (except as otherwise permitted by Section 10.11(b)(i)-(vi)), (vii) amend or modify the definitions of "Pro Rata Adjusted Share," "Pro Rata Advance Share," or "Pro Rata Share," or (viii) amend or modify the Borrower's Second Amended and Restated Security Agreement;

(c) no amendment, waiver or consent shall, unless in writing, signed by Agent and approved by the Supermajority Banks, amend or modify the definitions of "Advance Line Limit," "Borrowing Base Advance Cap," "Borrowing Base Sub-Cap," or "Close-out Amount."

(d) no amendment, waiver or consent shall, unless in writing, signed by the Issuing Bank so affected, amend or modify the amounts and percentages set forth opposite such Issuing Bank's name in the definitions of "Issuing Bank Sub-Limit" or "Issuing Percentage," "L/C Sub-Limit Cap," such Issuing Bank to provide written notice to Agent and the Banks promptly upon the effective date of such amendment or modification;

(e) no amendment, waiver or consent shall, unless in writing, signed by Agent and each Bank that is a Swap Bank that is not then a Defaulting Bank (if applicable) at the time of such amendment, waiver or consent: (a) amend, modify or waive Sections 7.17, 9.04 or 11.21, (b) amend, modify or waive the Intercreditor Agreement, or (c) amend, modify or

waive any other Section of this Agreement which amendment, modification or waiver would affect the rights and duties of the Swap Banks hereunder; and

(f) the fee letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

11.02 Notices.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed, faxed or delivered, to the address, facsimile number or (subject to subsection (c) below) electronic mail address specified for notices on Schedule 11.02; or, in the case of the Borrower, Agent, or the Issuing Banks, to such other address as shall be designated by such party in a notice to the other parties, and in the case of any other party, to such other address as shall be designated by such party in a notice to the Borrower, Agent and the Issuing Banks. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the intended recipient and (ii) (A) if delivered by hand or by courier, when signed for by the intended recipient; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered; provided, however, that notices and other communications to Agent and the Issuing Banks pursuant to Article II shall not be effective until actually received by such Person. Any notice or other communication permitted to be given, made or confirmed by telephone hereunder shall be given, made or confirmed by means of a telephone call to the intended recipient at the number specified on Schedule 11.02, it being understood and agreed that a voicemail message shall in no event be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on all Loan Parties, Agent and the Banks. Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) Limited Use of Electronic Mail. Electronic mail and internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

(d) Reliance by Agent and Banks. Agent and the Banks shall be entitled to rely and act upon any notices (including telephonic notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Agent and each of its Related Persons and each Bank from all

losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other communications with Agent may be recorded by Agent, and each of the parties hereto hereby consents to such recording.

11.03 No Waiver; Cumulative Remedies. No failure by any Bank or Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.04 Costs and Expenses. The Borrower agrees (a) to pay or reimburse Agent for all reasonable costs and expenses incurred by Agent in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse Agent and each Bank for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by Agent and the cost of independent public accountants and other outside experts retained by Agent or any Bank. The agreements in this Section shall survive the termination of this Agreement and repayment of all the other Obligations.

11.05 Indemnity. Whether or not the transactions contemplated hereby are consummated, the Borrower agrees to indemnify, save and hold harmless the Agents and each of its Related Persons, each Issuing Bank, each Bank and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "Indemnitees") from and against: (a) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than Agent or any Bank) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against any Loan Party, any Affiliate of any Loan Party or any of their respective officers or directors; (b) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations and the resignation or removal of Agent or the replacement of any Bank) be asserted or imposed against any Indemnitee, arising out of or relating to, the Loan Documents, any predecessor loan documents, the use or contemplated use of the proceeds of any Credit Extension, or the relationship of any Loan Party, Agent and the Banks under this Agreement or any other Loan Document; (c) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (a) or (b) above; and (d) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including Attorney Costs) that

any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, WHETHER OR NOT ARISING OUT OF THE NEGLIGENCE OF AN INDEMNITEE, and whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding (all the foregoing, collectively, the "Indemnified Liabilities"); provided, however, that no Indemnitee shall be entitled to indemnification for any claim caused by its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final judgment. The agreements in this Section shall survive the termination of this Agreement and repayment of all the other Obligations.

11.06 Payments Set Aside. To the extent that the Borrower makes a payment to Agent or any Bank, or Agent or any Bank exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by Agent or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to Agent upon demand its applicable share of any amount so recovered from or repaid by Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

11.07 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Bank (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Bank may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Committed Line Portion and the Loans (including for purposes of this subsection (b) and participations in L/C Obligations) at the time owing to it); provided, however, that (i) the aggregate amount of the Committed Line Portion (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to Agent, shall not be less than $5,000,000.00, (ii) each of Agent, the Issuing Banks, and, so long as no Event of Default has occurred and is continuing, the Borrower (except an assignment by a Bank to another Bank which such assignment shall not require the consent of Borrower) consents (each such consent not to be unreasonably withheld or delayed) to such assignment, (iii) each partial

assignment shall be made as an assignment of a proportionate part of all the assigning Bank's rights and obligations under this Agreement with respect to the Loans or the Committed Line Portion assigned, and (iv) the parties to each assignment shall execute and deliver to Agent an Assignment and Acceptance, such Assignment and Acceptance to be in the form attached hereto as Exhibit C, together with a processing and recordation fee of $3,500.00. Subject to acceptance and recording thereof by Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Acceptance, the Eligible Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 4.07, 11.04 and 11.05). Upon request, the Borrower (at its expense) shall execute and deliver new or replacement Notes to the assigning Bank and the assignee Bank provided the replaced Notes are simultaneously returned to the Borrower. Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Bank of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at Agent's Office a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Banks, and the Committed Line Portions of, and principal amount of the Loans and L/C Obligations owing to, each Bank pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, Agent and the Banks may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Bank may, without the consent of, or notice to, the Borrower or Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Bank's rights and/or obligations under this Agreement (including all or a portion of its Committed Line Portion and/or the Loans (including such Bank's participations in L/C Obligations) owing to it); provided, however, that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Bank sells such a participation shall provide that such Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided, however, that such agreement or instrument may provide that such Bank will not, without the consent of the Participant, agree to any amendment, waiver or other modification that would (i) postpone any date upon which any payment of money is scheduled to be paid to such Participant, or (ii) reduce the principal, interest, fees or other amounts payable to such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each

Participant shall be entitled to the benefits of Sections 4.01 and 4.02 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.09 as though it were a Bank, provided, however, that such Participant agrees to be subject to Section 2.12 as though it were a Bank.

(e) A Participant shall not be entitled to receive any greater payment under Section 4.01 or 4.02 than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Bank if it were a Bank shall not be entitled to the benefits of Section 4.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 11.08 as though it were a Bank.

(f) Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Notes, if any) to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided, however, that no such pledge or assignment shall release a Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

(g) If the consent of the Borrower to an assignment or to an Eligible Assignee is required hereunder (including a consent to an assignment which does not meet the minimum assignment threshold specified in clause (i) of the proviso to the first sentence of Subsection 11.07(b)), the Borrower shall be deemed to have given its consent five Business Days after the date notice thereof has been delivered by the assigning Bank (through Agent) unless such consent is expressly refused by the Borrower prior to such fifth Business Day.

(h) Notwithstanding anything to the contrary contained herein, if at any time any Issuing Bank assigns all of its Committed Line Portion and Loans pursuant to subsection (b) above, such Bank shall, (i) upon 30 days' notice to the Borrower and the Banks, resign as an Issuing Bank. In the event of any such resignation as an Issuing Bank, the Borrower shall be entitled to appoint from among the Banks a successor Issuing Bank to such Issuing Bank hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of such Bank as an Issuing Bank. The resigning Issuing Bank shall retain all the rights and obligations of an Issuing Bank hereunder with respect to all Letters of Credit outstanding as of the effective date of each of its resignation as an Issuing Bank and all L/C Obligations with respect thereto (including the right to require the Banks to make Loans or fund participations in L/C Obligations pursuant to Section 3.03).

11.08 Confidentiality. Each of Agent and the Banks agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal

process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Borrower; (g) with the consent of the Borrower; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to Agent or any Bank on a nonconfidential basis from a source other than the Borrower; or (i) to the National Association of Insurance Commissioners or any other similar organization or any nationally recognized rating agency that requires access to information about a Bank's or its Affiliates' investment portfolio in connection with ratings issued with respect to such Bank or its Affiliates. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to Agent or any Bank on a nonconfidential basis prior to disclosure by the Borrower; provided, however, that, in the case of Information received from the Borrower after the date hereof, such Information is clearly identified in writing at the time of delivery as confidential. The foregoing is not intended to limit the Banks' obligations to maintain confidential information received from the Borrower under applicable laws. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each Bank agrees that it and its respective Affiliates, directors, officers, employees and agents (collectively, "Representatives") will not use any of the Information for any reason or purpose other than in connection with its or any of its Affiliates' business relationship with Borrower. Each of the Banks specifically agrees that the Information will not be utilized to evaluate the current or prospective banking relationship between such Bank and any person or entity that is not a party to this Agreement. Each Bank agrees that it will not disclose to any person (other than a person to whom Information is otherwise permitted to be disclosed under this Section 11.08) the fact that Information has been disclosed to it or its Representatives. Each Bank shall be responsible for enforcing this Section 11.08 as to its Representatives.

11.09 Set-off. In addition to any rights and remedies of the Banks provided by law, upon the occurrence and during the continuance of any Event of Default, each Bank is authorized at any time and from time to time, without prior notice to the Borrower or any other Loan Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each Loan Party) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the respective Loan Parties against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not Agent or such Bank shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured. Each Bank agrees promptly to notify the Borrower and Agent after any such set-off

and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

11.10 Interest Rate Limitations. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If Agent or any Bank shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by Agent or a Bank exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations.

11.11 Automatic Debits of Fees. With respect to any fee, commission, interest or any other cost or expense or other payment due hereunder (including Attorney Costs) due and payable to the Agent or any Bank under the Loan Documents, the Borrower hereby irrevocably authorizes Wells Fargo to debit from the Bank Blocked Accounts an amount such that the aggregate amount debited from all such deposit accounts does not exceed such fee, commission, interest or other cost or expense and to transfer such amount to the Agent to be applied to any such payment due hereunder, provided, however, that Agent shall promptly notify Borrower of any such debit. If there are insufficient funds in the Bank Blocked Accounts to cover the amount of the fee, commission, interest or other cost or expense then due, such debits will be reversed (in whole or in part, in the Agent's sole discretion) and such amount not debited shall be deemed to be unpaid. No such debit under this Section shall be deemed a set-off.

11.12 Notification of Addresses, Lending Offices, Etc. Each Bank shall notify Agent in writing of any changes in the address to which notices to the Bank should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as Agent shall reasonably request.

11.13 Bank Blocked Accounts Charges and Procedures. The Agent may authorize Wells Fargo to (a) charge the Bank Blocked Accounts for all returned checks, service charges, and other fees and charges associated with the deposits by the Borrower to and withdrawals by the Borrower from the Bank Blocked Accounts; and (b) follow its usual procedures in the event the Bank Blocked Accounts or any check, draft or other order for payment of money should be or become the subject of any writ, levy, order or other similar judicial or regulatory order or process; provided, however, that such authorizations may be terminated at any time by Agent. Funds are not available if, in the reasonable determination of Agent, they are subject to a hold, dispute or legal process preventing their withdrawal. If the available balances in the Bank Blocked Accounts relating to the Borrower are not sufficient to pay Wells Fargo for any returned check, draft or order for the payment of money relating to the Borrower, or to compensate Wells Fargo for any charges or fees due Wells Fargo with respect to the deposits by the Borrower to and withdrawals by the Borrower from the Bank Blocked Accounts, the Borrower agrees to pay on demand the amount due Wells Fargo. The Borrower

agrees that it cannot, and will not, withdraw any monies from the Bank Blocked Accounts until such time as the Agent authorizes such withdrawal and it will not permit the Bank Blocked Accounts to become subject to any other pledge, assignment, lien, charge or encumbrance of any kind, nature or description, other than Agent's security interest.

11.14 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

11.15 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

11.16 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and legal benefit of the Borrower, the Banks, the Agent and the Agent's Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

11.17 Integration. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided, however, that the inclusion of supplemental rights or remedies in favor of Agent or the Banks in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

11.18 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by Agent and each Bank, regardless of any investigation made by Agent or any Bank or on their behalf and notwithstanding that Agent or any Bank may have had notice or knowledge of any Default or Event of Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

11.19 Governing Law and Jurisdiction.

(a) **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED, HOWEVER, THAT AGENT AND EACH BANK SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.**

(b) **ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE STATE COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, AGENT AND EACH BANK CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, AGENT AND EACH BANK IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. THE BORROWER, AGENT AND EACH BANK WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, UPON ITSELF AND HAVE IRREVOCABLY APPOINTED CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK 12207-2543, AS REGISTERED AGENT FOR PURPOSE OF ACCEPTING SERVICE OF PROCESS WITHIN THE STATE OF NEW YORK.**

11.20 Waiver of Jury Trial. **EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.**

11.21 Intercreditor Agreement. Each Bank hereby agrees that it shall take no action to terminate its obligations under the Intercreditor Agreement and will otherwise be bound by and take no actions contrary to the Intercreditor Agreement.

11.22 Amendment and Restatement. As of the Closing Date, this Agreement amends and restates in its entirety the Existing Credit Agreement. Borrower hereby agrees that (a) the loans outstanding under the Existing Credit Agreement and all accrued and unpaid interest thereon, (b) all Letters of Credit issued and outstanding under the Existing Credit Agreement, and (c) all accrued and unpaid fees under the Existing Credit Agreement shall be deemed to be outstanding under and payable by this Agreement.

11.23 Entire Agreement. **THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

11.24 USA PATRIOT Act Notice. Each Bank that is subject to the Act (as hereinafter defined) and the Agent (for itself and not on behalf of any Bank) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Bank or the Agent, as applicable, to identify each Loan Party in accordance with the Act. The Borrower shall, promptly following a request by the Agent or any Bank, provide all documentation and other information that the Agent or such Bank requests in order to comply with its ongoing obligations under applicable "know your customer" anti-money laundering rules and regulations, including the Act.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

ENSERCO ENERGY INC.,
a South Dakota corporation

By: /s/ Victoria J. Campbell

Name: Victoria J. Campbell
Title: Vice President and General Manager

350 Indiana Street, Suite 400
Golden, Colorado 80401
Attention: Thomas M. Ohlmacher
Telephone: (303) 568-3261
Facsimile: (303) 568-3250

FORTIS CAPITAL CORP.,
as Agent

By: /s/ Chad Clark

Name: Chad Clark
Title: Director

Head of Energy Commodities Group

By: /s/ Michiel V.M. van der Voort

Name: Michiel V.M. van der Voort
Title: Managing Director

Head of Commodities America

15455 North Dallas Parkway, Suite 1400
Addison, TX 75001
Attention: Corey Hingson
Telephone: (214) 866-2535
Facsimile: (214) 969-9332

SOCIETE GENERALE,
as a Bank and an Issuing Bank

By: /s/ Chung-Taek Oh

Name: Chung-Taek Oh
Title: Vice President

By: /s/ Emmanuel Chesneau

Name: Emmanuel Chesneau
Title: Managing Director

1221 Avenue of the Americas
New York, NY 10020
Attn: Chung Taek Oh
Phone: (212) 278-6345
Fax: (212) 278-7953

BNP PARIBAS,
as a Bank and an Issuing Bank

By: /s/ Keith Cox

Name: Keith Cox
Title: Managing Director

By: /s/ Jordan Nenoff

Name: Jordan Nenoff
Title: Director

787 Seventh Avenue
New York, NY 10019
Attn: Keith Cox
Phone: (212) 841-2575
Tax: (212) 841-2536

U.S. BANK NATIONAL ASSOCIATION,
as a Bank

By: /s/ Monte E. Deckerd

Name: Monte E. Deckerd
Title: Senior Vice President

918 17th Street
DNCOBB3E
Denver, CO 80202
Attn: Monte Deckerd

Phone: (303) 585-4212
Fax: (303) 585-4362

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., NEW YORK BRANCH,
as a Bank

By: /s/ Chan K. Park

Name: Chan K. Park

Title: Senior Vice President and Manager

1251 Avenue of the Americas
New York, NY 10020-1104
Attention: Commodities & Structured Trade

Finance Group – Chan Park
Phone: (212) 782-5512
Fax: (212) 782-5871

SCHEDULE 2.01

COMMITTED LINE AND
COMMITTED LINE PORTIONS
(EXCLUDING SWAP CONTRACTS)

I. Committed Line:

A. Maximum Line: $300,000,000.00

B. Total Line Amount Subscribed: $240,000,000.00

C. Subscribed Percentage: 80%

II. Committed Line Portions:

A. Subscribed Amounts:

Bank	Dollar Amount	Pro Rata Share
Fortis Capital Corp.	$ 60,000,000.00	25%
BNP Paribas	$ 60,000,000.00	25%
Societe Generale	$ 60,000,000.00	25%
The Bank of Tokyo Mitsubishi UFJ, Ltd., New York Branch	$ 40,000,000.00	16.666666667%
U.S. Bank National Association	$ 20,000,000.00	8.333333333%
Total Subscribed Line Portions	$240,000,000.00	100%

III. Advance Line Limit: $50,000,000.00

Effective Date: May 8, 2009

EXHIBIT 12

BLACK HILLS CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Dollars in thousands)

	Year Ended December 31,					Three Months Ended March 31,	
	2008	2007	2006	2005	2004	2009	2008
Earnings as defined in Regulation S-K –							
Income (loss) from continuing operations	$ (52,037)	$ 75,658	$ 55,772	$ 50,072	$ 44,608	$ 25,625	$ 11,816
Income tax expense (benefit)	(29,395)	32,427	23,103	26,633	19,713	6,023	5,801
(Income) loss from equity investee	(4,366)	1,231	(1,653)	(14,325)	386	327	(232)
Income (loss) from continuing operations before non-controlling interest in subsidiaries, earnings from equity investees, and income taxes	(85,798)	109,316	77,222	62,380	64,707	31,975	17,385
Fixed charges	59,392	34,520	35,018	28,122	25,210	20,219	10,222
Amortization of capitalized interest	48	93	63	—	—	1	4
Distributed income of equity investees	1,781	3,724	4,304	12,956	3,762	2,360	1,473
Interest capitalized	(1,318)	(2,323)	(1,571)	—	—	(93)	(384)
Preference security dividend requirements of consolidated subsidiaries	—	—	—	(241)	(472)	—	—
Earnings as defined	$ (25,895)	$ 145,330	$ 115,036	$ 103,217	$ 93,207	$ 54,462	$ 28,700
Fixed Charges as defined in Regulation S-K –							
Interest expense	$ 54,123	$ 25,181	$ 29,946	$ 26,607	$ 24,021	$ 18,901	$ 9,194
AFUDC interest	2,811	6,415	2,972	694	165	838	335
Interest capitalized	1,318	2,323	1,571	—	—	93	384
Estimate of interest within rental expense	1,140	601	529	580	552	387	309
Fixed Charges as defined	59,392	34,520	35,018	27,881	24,738	20,219	10,222
Preference security dividend requirements of consolidated subsidiaries	—	—	—	241	472	—	—
Fixed Charges and Preference Security Dividend as defined	$ 59,392	$ 34,520	$ 35,018	$ 28,122	$ 25,210	$ 20,219	$ 10,222
Ratio of Earnings to Fixed Charges[(a)]	(0.44)	4.21	3.29	3.70	3.77	2.69	2.81
Ratio of Earnings to Fixed Charges and Preference Security Dividend[(a)]	(0.44)	4.21	3.29	3.67	3.70	2.69	2.81

(a) The earnings as defined in 2008 would need to increase $85.3 million for the 2008 ratios to be 1.0.

Exhibit 31.1

CERTIFICATION

I, David R. Emery, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Hills Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2009

/S/ DAVID R. EMERY

David R. Emery
Chairman, President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Anthony S. Cleberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Hills Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2009

/S/ ANTHONY S. CLEBERG
Anthony S. Cleberg
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

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 ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Emery, Chairman, President 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.

Date: May 8, 2009

/S/ DAVID R. EMERY

David R. Emery
Chairman, President and
Chief Executive Officer

Exhibit 32.2

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 ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony S. Cleberg, Executive 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.

Date: May 8, 2009

/S/ ANTHONY S. CLEBERG
Anthony S. Cleberg
Executive Vice President and
Chief Financial Officer