

**AMENDMENT TWO TO PROJECT AGREEMENT
GILLETTE MADISON PIPELINE PROJECT**

1. Parties. This Amendment to the Project Agreement is made and entered into by and between the State of Wyoming, acting by and through the WYOMING WATER DEVELOPMENT COMMISSION [COMMISSION] and the CITY OF GILLETTE, Campbell County, Wyoming, a duly organized municipality existing under the laws of that state [SPONSOR].

2. Purpose of Amendment. This Amendment shall constitute the second amendment to the Project Agreement between the COMMISSION and the SPONSOR which was duly executed on August 18, 2009, August 26, 2009, August 29, 2009 and September 3, 2009 and which became effective September 3, 2009.

This Project Agreement was amended by Amendment One to the Project Agreement, which was duly executed on May 19, 2010, July 23, 2010, July 25, 2010, and July 29, 2010. The purpose of Amendment One was to effectuate 2010 Wyo. Sess. Laws, Ch. 115, increasing the appropriation, for the construction engineering and construction for Phase I of the GILLETTE MADISON PIPELINE PROJECT which includes expanding the Madison well field, including five (5) wells, pumps, well field collection piping, the regional southwest treated water transmission pipeline, and appurtenances necessary to make Phase I of the project function in the manner intended.

The purpose of this Amendment Two to the Project Agreement is to effectuate 2011 Wyo. Sess. Laws, Ch. 61, increasing the appropriation for the GILLETTE MADISON PIPELINE PROJECT, to document the change in the terms of the Project loans, and to delete the description of Phase I of the PROJECT as described in Amendment One, thereby allowing the PROJECT description in Section 2 of the Project Agreement to control. Section 2 of the Project Agreement provides the definition of the PROJECT as follows:

- (a) Design, groundwater exploration and drilling, permit procurement, PROJECT land procurement, construction engineering, construction of municipal wells, transmission pipelines, pump stations; and
- (b) Appurtenances necessary to make the PROJECT function in the manner intended.

3. Term of the Amendment. This Amendment shall commence immediately upon the last required signature being affixed hereto, and shall remain in full force and effect through the term of this Project Agreement.

4. Specific Changes.

A. PROJECT Loan and Grant. The PROJECT funding as set forth in Section 4.A. of the Project Agreement is amended as follows:

4.A. Appropriations and Funding

(1) The STATE OF WYOMING has appropriated from the Budget Reserve Account, to the COMMISSION, a sum not to exceed ELEVEN MILLION TWO HUNDRED TWENTY-TWO THOUSAND FIVE HUNDRED DOLLARS (\$11,222,500.00) or sixty-seven percent (67%) of the actual development costs, whichever is less, which shall be a grant to the SPONSOR for the exclusive purpose of completing the aforementioned PROJECT until it is entirely disbursed; and

(2) The State Treasurer shall make available from the Permanent Mineral Trust Fund to the COMMISSION, a sum not to exceed FIVE MILLION FIVE HUNDRED TWENTY-SEVEN THOUSAND FIVE HUNDRED DOLLARS (\$5,527,500.00) or thirty-three percent (33%) of the actual development costs, whichever is less, which shall

be a loan to the SPONSOR for a term of five (5) years from the date of COMMISSION determines PROJECT benefits accrue to the SPONSOR, at an annual rate of four percent (4%), for the exclusive purpose of completing the aforementioned project until it is entirely disbursed, followed by:

(3) The STATE OF WYOMING has appropriated from the Water Development Account created by Wyo. Stat. 41-2-124 (a)(iii), to the COMMISSION, a sum not to exceed SIXTEEN MILLION FOUR HUNDRED-FIFTEEN THOUSAND DOLLARS (\$16,415,000.00) or sixty-seven percent (67%) of the actual development costs, whichever is less, which shall be a grant to the SPONSOR for the exclusive purpose of completing the aforementioned PROJECT; and

(4) The State Treasurer shall make available from the Permanent Mineral Trust Fund to the COMMISSION, a sum not to exceed EIGHT MILLION EIGHTY-FIVE THOUSAND DOLLARS (\$8,085,000.00) or thirty-three percent (33%) of the actual development costs, whichever is less, which shall be a loan to the SPONSOR for a term of five (5) years from the date of COMMISSION determines PROJECT benefits accrue to the SPONSOR, at an annual rate of four percent (4%), for the exclusive purpose of completing the aforementioned project.

(5) The STATE OF WYOMING has appropriated from the General Fund, to the COMMISSION, a sum not to exceed SIX MILLION NINE HUNDRED SIXTY THOUSAND FOUR HUNDRED THIRTY DOLLARS (\$6,960,430.00) or sixty-seven percent (67%) of the actual development costs, whichever is less, which shall be a grant to the SPONSOR for the exclusive purpose of completing the aforementioned PROJECT; and

(6) The STATE OF WYOMING has appropriated from the state of Wyoming's share of abandoned mine land funds from the Surface Mining Control and Reclamation Act Amendments of 2006, section 411 (h)(i) pursuant to 2007 H.R. 6111 General Fund, to the COMMISSION, a sum not to exceed TWENTY-FIVE MILLION FOUR HUNDRED TWO THOUSAND SEVENTY DOLLARS (\$25,402,070.00) or sixty-seven percent (67%) of the actual development costs, whichever is less, which shall be a grant to the SPONSOR for the exclusive purpose of completing the aforementioned PROJECT; and

(7) The State Treasurer shall make available from the Permanent Mineral Trust Fund to the COMMISSION, a sum not to exceed FIFTEEN MILLION NINE HUNDRED THIRTY-NINE THOUSAND SEVEN HUNDRED THIRTY-NINE DOLLARS (\$15,939,739.00) or thirty-three percent (33%) of the actual development costs, whichever is less, which shall be a loan to the SPONSOR for a term of Five (5) years from the date of COMMISSION determines PROJECT benefits accrue to the SPONSOR, at an annual rate of four percent (4%), for the exclusive purpose of completing the aforementioned project.

B. Certificates of Payment. Add the following paragraph to Section 4.M of the PROJECT Agreement:

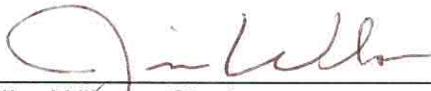
Upon notification from the COMMISSION that it is utilizing funds from the appropriation described in subsection 4.A.(6) of this Amendment Two to reimburse disbursements from other PROJECT appropriations, the SPONSOR shall provide the COMMISSION with certifications that the corresponding disbursements have been made for PROJECT purposes as approved by the COMMISSION. The certifications shall be in the form provided by the COMMISSION and shall be provided in a timely manner.

5. Same Terms and Conditions. With the exception of items explicitly delineated in this Amendment, all terms and conditions of the Project Agreement between the COMMISSION and the SPONSOR, including but not limited to sovereign immunity, shall remain unchanged and in full force and effect.

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6. **Signatures.** IN WITNESS THEREOF, the parties to this Amendment through their duly authorized representatives have executed this Amendment, known as Amendment One to the Project Agreement between the COMMISSION and the SPONSOR, on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Amendment as set forth herein.

WYOMING WATER DEVELOPMENT COMMISSION

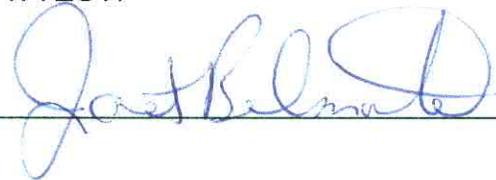


Jim Wilson, Chairman 7-28-11
Date

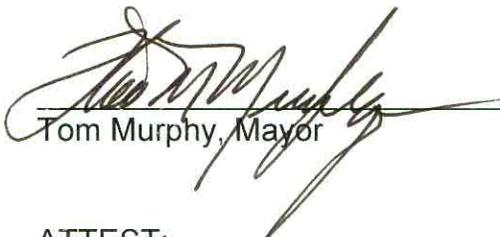


William B. Resor, Secretary 8-1-11
Date

ATTEST:



CITY OF GILLETTE



Tom Murphy, Mayor 8/18/11
Date

ATTEST:



Karlene Abelseth, Clerk

ATTORNEY GENERAL'S OFFICE APPROVAL AS TO FORM



S. Jane Caton, Senior Assistant Attorney General 7-21-11
Date

The Amendment date is the date of the last signature affixed to this page.

SECOND REVISED PROMISSORY NOTE

This Second Revised Promissory Note revises the First Revised Promissory Note dated May 18, 2010 and increases the amount of indebtedness of the CITY OF GILLETTE of Campbell County, Wyoming, hereinafter referred to as the SPONSOR, to the STATE OF WYOMING, WYOMING WATER DEVELOPMENT COMMISSION, hereinafter referred to as the COMMISSION, 6920 Yellowtail Rd., Cheyenne, Wyoming, from THIRTEEN MILLION SIX HUNDRED TWELVE THOUSAND TWO HUNDRED FIVE HUNDRED DOLLARS (\$13,612,500) to TWENTY-NINE MILLION FIVE HUNDRED FIFTY-TWO THOUSAND TWO HUNDRED THIRTY-NINE DOLLARS (\$29,552,239.00), an increase of FIFTEEN MILLION NINE HUNDRED THIRTY-NINE THOUSAND SEVEN HUNDRED THIRTY-NINE DOLLARS (\$15,939,739.00).

FOR VALUE RECEIVED, as provided in Chapter No. 103, Wyoming Session Laws, 2009, Chapter No. 115 Wyoming Session Laws, 2010, and Chapter No. 61 Wyoming Session Laws, 2011 and the Project Agreement dated September 3, 2009, as amended by the Amendment One to Project Agreement dated July 29, 2010, and as amended by the Amendment Two to Project Agreement dated Aug. 18, 2011, the undersigned, the principal sum of TWENTY-NINE MILLION FIVE HUNDRED FIFTY-TWO THOUSAND TWO HUNDRED THIRTY-NINE DOLLARS (\$29,552,239.00), over a term of five (5) years, with interest thereon at the rate of four percent (4.0%) per annum, as provided hereinafter.

The principal and interest shall be payable in annual installments in manner and form as follows: Five annual payments commencing on the first day of December immediately following the first anniversary of the date on which the COMMISSION determines benefits accrue to the SPONSOR. Any loan payments required prior to final disbursement of loan funds from the COMMISSION to the SPONSOR shall be calculated by amortizing the principal balance over the remaining term of the loan at the interest rate provided herein. Upon disbursement of the final payment, the principal balance will be determined and remaining annual payments amortized over the remaining term of the loan in equal annual payments. The remaining payments will be due on or before the first day of December of each and every year with a final payment of all outstanding principal and all accrued interest due on or before the thirtieth anniversary of the date the COMMISSION determines benefits accrue to the SPONSOR, unless sooner discharged in full.

The maker hereof shall have the right and privilege of making extra payments at any time, or of paying the entire unpaid balance at any time, and in the event extra or prepayments are made, interest shall be charged thereafter only on the unpaid principal balance remaining due.

In the event that the entire unpaid balance is paid prior to maturity, no advance interest or prepayment penalty shall be assessed except for interest due and payable on the unpaid principal balance to the date of payment in full. Advance, extra or prepayments shall not reduce the annual payments as herein provided, but will operate only to discharge the loan at an earlier date.

Interest and principal not paid when due shall draw interest thereafter at the rate of ten percent (10%) per year on the delinquent interest and principal until paid.

Time is of the essence of this Promissory Note, and if the annual payment is not received by the stated date of each year, the maker hereof will be in default, and the holder may proceed against the maker and its collateral as provided by law.

The waiver by the COMMISSION of any breach, condition, or provision of this Promissory Note shall be limited to the particular instance, and shall not operate or be deemed to waive any future breach or breaches of said condition or provision. The failure of the COMMISSION to insist in any one instance, or more, upon the performance of any of the conditions or provisions of this Promissory Note, or to exercise any right or privilege herein conferred, shall not be construed as waiving any such condition, provision, right, or privilege, but the same shall continue in full force and effect.

This note is secured by a mortgage bearing even date herewith.

The maker and endorsers of this note hereby accept the conditions hereof and expressly waive presentment for payment, protest and notice of protest for nonpayment hereof and all defenses on the grounds of any extension of time of payment that may be given by the holder hereof to them.

In the event of suit to enforce payment of this note or any installment, interest, or part thereof, the undersigned maker agrees to pay, in addition to the costs and disbursements provided and allowed by law, a reasonable attorney's fee.

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SECOND AMENDMENT TO REAL ESTATE MORTGAGE

This Second Amendment to Real Estate Mortgage made this 18 day of August, 2011, between the CITY OF GILLETTE of Campbell County, Wyoming, a duly organized municipality of that State, (hereinafter designated as "MORTGAGOR") and the STATE OF WYOMING WATER DEVELOPMENT COMMISSION, 6920 Yellowtail Road, Cheyenne, Wyoming, 82002 (hereinafter designated as "MORTGAGEE").

Witnesseth: That whereas the MORTGAGOR has heretofore executed and delivered a certain promissory note, (hereinafter called "note"), dated on the 18th day of August, 2009, in the original principal sum of FIVE MILLION FIVE HUNDRED TWENTY-SEVEN THOUSAND FIVE HUNDRED DOLLARS (\$5,527,500.00), and as security for the indebtedness evidenced thereby, executed and delivered to the MORTGAGEE a certain real estate mortgage, (hereinafter called "mortgage") of even date with the note for the purpose of securing the payment thereof; and

Whereas, a mortgage has been recorded in the office of the Campbell County Clerk in Book 2477, page 285-288, on the 9th day of September, 2009 as document number 9324763, which mortgage, mortgages and warrants certain property, personal, real and mixed, being located and situated in the County of Campbell, State of Wyoming, and;

Whereas, a mortgage has been recorded in the office of the Crook County Clerk in Book 489, page 544-547, on the 14th day of October, 2009 as document number 605671, which mortgage, mortgages and warrants certain property, personal, real and mixed, being located and situated in the County of Crook, State of Wyoming, and;

Whereas the MORTGAGOR has heretofore executed and delivered an amendment to the promissory note, (hereinafter called "first revised note"), dated on the 18th day of May, 2010, which increased the principal sum to THIRTEEN MILLION SIX HUNDRED TWELVE THOUSAND FIVE HUNDRED DOLLARS (\$13,612,500.00), and as security for the indebtedness evidenced thereby, executed and delivered to the MORTGAGEE a certain real estate mortgage amendment, (hereinafter called "first amendment to the mortgage") of even date with the note for the purpose of securing the payment thereof; and

Whereas, the first amendment to the mortgage has been recorded in the office of the Campbell County Clerk in Book 2549 page 535, on the 27 day of MAY, 2010 as document number 942771, which mortgage, mortgages and warrants certain property, personal, real and mixed, being located and situated in the County of Campbell, State of Wyoming, and;

Whereas, the first amendment to the mortgage has been recorded in the office of the Crook County Clerk in Book 496, page 643, on the 15th day of June, 2010, as document number 609317, which mortgage, mortgages and warrants certain property, personal, real and mixed, being located and situated in the County of Crook, State of Wyoming. The property in Campbell and Crook counties is described as follows:

1. The wells, pumps, transmission pipelines, and appurtenance and other construction financed with Project funds as described in the Project Agreement for the GILLETTE MADISON PIPELINE Project entered into by the parties on September 3., 2009, which Agreement is hereby incorporated herein by reference and made a part hereof. Further all lands, easements, access roads, structures, rights-of-way and all appurtenances of the GILLETTE MADISON PIPELINE Project water system, including all after-acquired property, to allow control and operation thereof. This project will install wells, pumps, transmission pipelines and appurtenances as defined under the referenced Agreement. The Donkey Creek Pump Station, located on a parcel of land in the SW ¼ of Section 26, township 50 North, Range 70 West of the 6th Prime Meridian, Campbell County, Wyoming described as follows:

Beginning at a point on southerly right of way boundary of Hwy No. US 14-16 marked by a 5/8" reinforcing rod from which the west ¼ corner of said Section 26 bears N 57° 53' 07" W a distance of 2,721.77 feet. Thence S 78° 17' 50" E along said right of way line a distance of 226.24 feet to a 5/8" steel reinforcing rod. Thence S 11° 42' 58" W a distance of 244.81 feet to a 5/8" steel reinforcing rod. Thence N 78° 18' 50" W a distance of 226.18 feet to a 5/8" steel reinforcing rod. Thence N 11° 42' 51" E a distance of 244.87 feet to the point of beginning containing 1.272 acres, more or less.

The Madison Pump Station, located on a parcel of land in the NE ¼ of the SW ¼ of Section 6, Township 51 North, Range 66 West of the 6th Prime Meridian, Crook County, Wyoming and described as follows:

Commencing at a brass cap, marking the NW corner of the NE ¼ of the SW ¼ of said Section 6; Thence S 09° 31' 08" E, 551.16 feet to a found rebar, the point of beginning. Thence N 69° 16' 55" E, 299.27 feet to a found 5/8" rebar; Thence S 20° 45' 40" E, 154.37 feet to a found 5/8" rebar; Thence S 48° 00' 02" W, 458.07 feet to a found 5/8" rebar; Thence N 00° 57' 37" E, 345.03 feet to the point of beginning containing 1.86 acres more or less;

2. The interest MORTGAGOR currently has or hereafter acquires in the water rights recorded in the office of the Wyoming State Engineer as follows:

<u>Permit Number</u>	<u>Priority Date</u>
UW 2434	7/27/1973
UW 2433	7/27/1973
UW 2433	7/27/1973
UW 5687	1/18/1975
UW 5686	1/18/1975
UW 5686	1/18/1975
UW 5686	1/18/1975
UW 4203	2/23/1978
UW 4202	2/23/1978
UW 4202	2/23/1978
UW 4298	4/17/1978
UW 6931	4/20/1982
UW 8545	6/17/1991
UW 9918	3/1/1995
UW 9918	3/1/1995
UW 1017	2/14/1996
UW 1022	5/6/1996
UW 1022	5/6/1996
UW 1087	5/6/1996
UW 1091	11/10/1997
UW 1091	11/10/1997
UW 1724	9/29/2005
UW 1724	9/29/2005
UW 6072	1/28/1982
UW 3000	9/26/1974

UW 2511	12/12/1973
TFN UW 36/2/252W	4/27/2004
TFN UW 36/10/251W	4/27/2004
TFN UW 36/7/251W	4/27/2004
TFN UW 36/3/252W	4/27/2004
TFN UW 36/8/251W	4/27/2004
TFN UW 36/2/251W	4/27/2004
TFN UW 36/4/251W	4/27/2004
TFN UW 36/9/251W	4/27/2004
TFN UW 36/5/251W	4/27/2004
TFN UW 36/10/250W	4/27/2004
TFN UW 36/1/252W	4/27/2004
TFN UW 36/1/251W	4/27/2004
TFN UW 36/6/251W	4/27/2004
TFN UW 36/9/250W	4/27/2004
TFN UW 36/3/251W	4/27/2004 and;

3. The pledge and assignment of the MORTGAGOR of funds currently held and revenues generated by the operation of the water system, in an amount sufficient to meet loan amortization requirements, and to provide a sinking fund to meet repair and maintenance costs for the Project. A certified copy of a resolution by MORTGAGOR authorizing the pledge and assignment of funds currently held and revenues generated by the operation of the water system, for repayment of the loan and establishing a sinking fund is attached hereto and incorporated herein by reference. A copy of the MORTGAGOR'S Pledge and Assignment of Revenues is attached hereto and incorporated herein by reference;

4. Any and all permits required for construction of this Project and subsequent operation and maintenance of the water delivery system. and;

Whereas, the parties hereto desire to make certain corrections and modifications in the mortgage and the first amendment to the mortgage.

Now, therefore, in consideration of the premises and the agreements hereinafter contained, and other good and valuable consideration, the parties hereto agree as follows:

That the mortgage be amended to reflect that it is given to secure payment of the sum of TWENTY-NINE MILLION FIVE HUNDRED FIFTY-TWO THOUSAND TWO HUNDRED THIRTY-NINE DOLLARS (\$29,552,239.00), together with interest thereon at the rate of four percent (4%) per annum on the unpaid balance according to the terms of that certain renewal promissory note bearing even date herewith, given by MORTGAGOR to MORTGAGEE which said renewal promissory note is hereby incorporated herein by reference and made a part hereof.

The MORTGAGOR hereby authorizes MORTGAGEE to place a legend on the note of May 18, 2010, to read as follows:

The mortgage debt hitherto evidenced by this promissory note is now evidenced by a renewal promissory note dated August 18, 2011 in the sum of \$29,552,239.00 evidencing the unpaid balance of principal and interest now due upon said note. The mortgage securing this note now secures said renewal note with all the priorities enjoyed by said mortgage at its inception.

Except as hereby expressly modified or amended the note and mortgage shall remain in full force and effect.

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