

RECEIVED
AUG 22 2016
MINERALS & MINING PROGRAM

TRANSFER OF MINING PERMIT
Pursuant to SDCL 45-6B-47

Mine permit number: 478

Present operator: LARSON, ROBERT L. & DILLON, C.
Address: PO BOX 611
CUSTER SD 57730-0611
Telephone number: (605) 390-4716
Township/Range: T3S-R4E
Legal description: SE1/4 Section 28; T3S-R4E

Transfer to: C. Patrick Dillon
Address: P.O. Box 611
Custer, SD 57730-0611
Telephone number: (605) 390-4716
Name and address of Resident Agent if you are an out-of-state corporation: N/A

County: Custer

Resident Agent Telephone number: N/A

Name and address of surface owner:

Name and address of mineral owner:

USFS
Hell Canyon Ranger District
330 W. Rushmore Rd.
Custer, SD 57730

C. Patrick Dillon
P.O. Box 611
Custer, SD 57730-0611

INSTRUCTIONS:

This transfer form must be accompanied by a fee of \$100 pursuant to SDCL 45-6B-47, a replacement surety, copies of written instruments of consultation with the surface and mineral owners (if not the operator) indicating pending transfer of the mining permit, and certified mail receipts confirming mailing of such consultation to them.


Signature of Present Operator

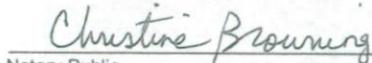
agree to the transfer of mining permit 478 to C. Patrick Dillon
New Operator

This transfer releases LARSON, ROBERT L. & DILLON, C. of all liability with regard to reclamation of the affected area. I understand that the surety submitted to cover reclamation will be released only upon approval of the transfer by the Board of Minerals and Environment.

STATE OF South Dakota
COUNTY OF Custer

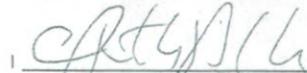
Date: Aug 4, 2016

On this 4th day of August 2016 before me personally appeared Robert L. Larson who acknowledged that he is authorized to execute the transfer of this mining permit.


Notary Public

My Commission Expires: 3-12-21




Signature of New Operator

agree to the transfer of mining permit 478 from LARSON, ROBERT L. & DILLON, C.

This transfer releases LARSON, ROBERT L. & DILLON, C. of all liability with regard to reclamation of the affected area. I understand that in agreeing to this transfer C. Patrick Dillon is assuming all responsibility and liability for this mining permit and reclamation of the area affected under this permit. I understand that a replacement surety must be provided prior to the transfer. It is also understood that any changes to the existing operating or reclamation plans of this permit must be submitted to the Department of Environment and Natural Resources for approval. All terms and conditions established in this permit shall be followed.

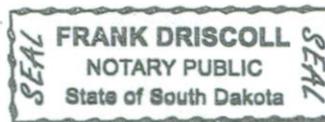
STATE OF South Dakota
COUNTY OF Pennington

Date: August 5 2016

On this 5th day of August, 2016 before me personally appeared C. Patrick Dillon who acknowledged that he is authorized to execute the transfer of this mining permit.


Notary Public

My Commission Expires
June 28, 2018



FOR DEPARTMENT USE ONLY

Chairman, Board of Minerals and Environment
Date Approved: _____

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TRANSFER OF MINING PERMIT

AUG 22 2016

Pursuant to SDCL 45-6B-47

MINERALS & MINING PROGRAM

Mine permit number: 478

Present operator: LARSON, ROBERT L. & DILLON, C.

Transfer to: C. Patrick Dillon

Address: PO BOX 611
CUSTER SD 57730-0611

Address: P.O. Box 611
Custer, SD 57730-0611

Telephone number: (605) 390-4716

Telephone number: (605) 390-4716

Township/Range: T3S-R4E

Name and address of Resident Agent
if you are an out-of-state corporation: N/A

Legal description: SE1/4 Section 28; T3S-R4E

County: Custer

Resident Agent Telephone number: N/A

Name and address of surface owner:

USFS
Hell Canyon Ranger District
330 Mt. Rushmore Rd,
Custer, SD 57730

Name and address of mineral owner:

C. Patrick Dillon
P.O. Box 611
Custer, SD 57730-0611

INSTRUCTIONS:

This transfer form must be accompanied by a fee of \$100 pursuant to SDCL 45-6B-47, a replacement surety, copies of written instruments of consultation with the surface and mineral owners (if not the operator) indicating pending transfer of the mining permit, and certified mail receipts confirming mailing of such consultation to them.

I C. Patrick Dillon agree to the transfer of mining permit 478 to C. Patrick Dillon
Signature of Present Operator New Operator

This transfer releases LARSON, ROBERT L. & DILLON, C. of all liability with regard to reclamation of the affected area. I understand that the surety submitted to cover reclamation will be released only upon approval of the transfer by the Board of Minerals and Environment.

Date: 7-20-16

STATE OF South Dakota

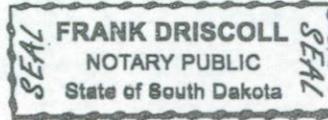
COUNTY OF Pennington

On this 20th day of July before me personally appeared C. Patrick Dillon

who acknowledged that he is authorized to execute the transfer of this mining permit.

Frank Driscoll
Notary Public

My Commission Expires: My Commission Expires June 28, 2018



I C. Patrick Dillon agree to the transfer of mining permit 478 from LARSON, ROBERT L. & DILLON, C.
Signature of New Operator

This transfer releases LARSON, ROBERT L. & DILLON, C. of all liability with regard to reclamation of the affected area. I understand that in agreeing to this transfer C. Patrick Dillon is assuming all responsibility and liability for this mining permit and reclamation of the area affected under this permit. I understand that a replacement surety must be provided prior to the transfer. It is also understood that any changes to the existing operating or reclamation plans of this permit must be submitted to the Department of Environment and Natural Resources for approval. All terms and conditions established in this permit shall be followed.

Date: 7-20-16

STATE OF South Dakota

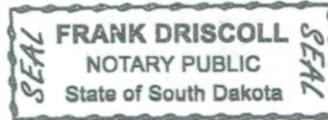
COUNTY OF Pennington

On this 20th day of July before me personally appeared C. Patrick Dillon

who acknowledged that he is authorized to execute the transfer of this mining permit.

Frank Driscoll
Notary Public

My Commission Expires: My Commission Expires June 28, 2018



FOR DEPARTMENT USE ONLY

Chairman, Board of Minerals and Environment

Date Approved: _____

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AUG 22 2016
MINERALS & MINING PROGRAM

STATE OF SOUTH DAKOTA
BEFORE THE SECRETARY OF

THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

IN THE MATTER OF THE)
APPLICATION OF)

CERTIFICATION OF

STATE OF South Dakota)

APPLICANT

COUNTY OF Custer)

I, C. Patrick Dillon, the applicant in the above matter after being duly sworn upon oath hereby certify the following information in regard to this application:

I have read and understand South Dakota Codified Law Section 1-40-27 which provides:

"The secretary may reject an application for any permit filed pursuant to Titles 34A or 45, including any application by any concentrated swine feeding operation for authorization to operate under a general permit, upon making a specific finding that:

- (1) The applicant is unsuited or unqualified to perform the obligations of a permit holder based upon a finding that the applicant, any officer, director, partner, or resident general manager of the facility for which application has been made:
 - (a) Has intentionally misrepresented a material fact in applying for a permit;
 - (b) Has been convicted of a felony or other crime involving moral turpitude;
 - (c) Has habitually and intentionally violated environmental laws of any state or the United States which have caused significant and material environmental damage;
 - (d) Has had any permit revoked under the environmental laws of any state or the United States; or
 - (e) Has otherwise demonstrated through clear and convincing evidence of previous actions that the applicant lacks the necessary good character and competency to reliably carry out the obligations imposed by law upon the permit holder; or
- (2) The application substantially duplicates an application by the same applicant denied within the past five years which denial has not been reversed by a court of competent jurisdiction. Nothing in this subdivision may be construed to prohibit an applicant from submitting a new application for a permit previously denied, if the new application represents a good faith attempt by the applicant to correct the deficiencies that served as the basis for the denial in the original application.

All applications filed pursuant to Titles 34A and 45 shall include a certification, sworn to under oath and signed by the applicant, that he is not disqualified by reason of this section from obtaining a permit. In the absence of evidence to the contrary, that certification shall constitute a prima facie showing of the suitability and qualification of the applicant. If at any point in the application review, recommendation or hearing process, the secretary finds the applicant has intentionally made any material misrepresentation of fact in regard to this certification,

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consideration of the application may be suspended and the application may be rejected as provided for under this section.

Applications rejected pursuant to this section constitute final agency action upon that application and may be appealed to circuit court as provided for under chapter 1-26."

I certify pursuant to 1-40-27, that as an applicant, officer, director, partner, or resident general manager of the activity or facility for which the application has been made that I; a) have not intentionally misrepresented a material fact in applying for a permit; b) have not been convicted of a felony or other crime of moral turpitude; c) have not habitually and intentionally violated environmental laws of any state or the United States which have caused significant and material environmental damage; (d) have not had any permit revoked under the environmental laws of any state or the United States; or e) have not otherwise demonstrated through clear and convincing evidence of previous actions that I lack the necessary good character and competency to reliably carry out the obligations imposed by law upon me. I also certify that this application does not substantially duplicate an application by the same applicant denied within the past five years which denial has not been reversed by a court of competent jurisdiction. Further;

"I declare and affirm under the penalties of perjury that this claim (petition, application, information) has been examined by me, and to the best of my knowledge and belief, is in all things true and correct."

Dated this 19th day of July, 20 16.

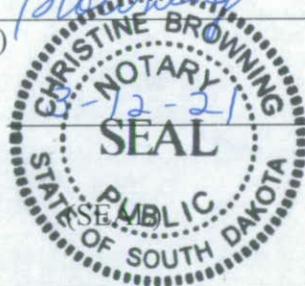
C. Patrick Dillon
Applicant (print)

[Signature]
Applicant (signature)

Subscribed and sworn before me this 19th day of July, 20 16.

Christine Browning
Notary Public (signature)

My commission expires: _____



PLEASE ATTACH ANY ADDITIONAL INFORMATION NECESSARY TO DISCLOSE ALL FACTS AND DOCUMENTS PERTAINING TO SDCL 1-40-27 (1) (a) THROUGH (e). ALL VIOLATIONS MUST BE DISCLOSED, BUT WILL NOT AUTOMATICALLY RESULT IN THE REJECTION OF AN APPLICATION

DRISCOLL LAW OFFICE, P.C.

FRANK DRISCOLL, LAWYER
LAURA DAHN, Legal Assistant

HELPING PEOPLE TO PREVENT AND TO SOLVE LEGAL PROBLEMS SINCE 1984

816 Sixth Street
P.O. Box 2216
Rapid City, SD 57709

605-718-5710
Fax: 605-348-1976

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AUG 24 2016
MINERALS & MINING PROGRAM

August 22, 2016

Mr. Eric Holm
Dept. of Environment and Natural Resources
Minerals and Mining Program
523 E. Capitol Ave.
Pierre, SD 57501-3182

RE: Small Scale Mine Permit Transfer - #478 - Replacement Bond

Dear Mr. Holm:

I am enclosing copies of two items which should complete the paperwork for transferring the above-referenced mining permit to C. Patrick Dillon as the sole permittee. I have enclosed a \$2,500 bond in the form of a certificate of deposit issued to Mr. Dillon and to DENR as joint owners, along with the signed original of the cash deposit form. The \$2,500 deposit would replace the two \$1,250 deposits previously provided by Robert Larson and by Pat Dillon, both of which I assume will be released to them after the Board has acted upon the permit transfer application.

I am also enclosing, simply for your information, a copy of a letter to Pat Dillon from USFS dated August 1, 2016, acknowledging receipt of a copy of the agreement between Larson and Dillon which provides for Dillon to become the sole federal permittee. This letter reflects the meeting that occurred between Pat Dillon and Gary Haag of USFS on July 18, 2016, as documented in the "acknowledgment" form that I mailed to you a few days ago. Pat Dillon has submitted the forms and reclamation bond discussed in the August 1, 2016 USFS letter and is awaiting receipt of the revised cover page for the Plan of Operations listing him as the sole operator of the Grace Mine. I assume that USFS will copy you on any of the documents that they issue that you need for your file. If not and if you need me to provide copies of anything from USFS, just let me know.

Sincerely,



Frank Driscoll
DRISCOLL LAW OFFICE, P.C.

FJD: ld

Enclosures

cc: Pat Dillon (w/o encl.)

David L. Ganje (w/copy of USFS August 1, 2016 letter)

data\dillon\ltholm



United States
Department of
Agriculture

Forest
Service

Hell Canyon Ranger District

330 Mount Rushmore Road
Custer, SD 57730
605-673-4853
FAX: 605-673-5461

File Code: 2810
Date: August 1, 2016

C. PATRICK DILLON
P.O. BOX 611
CUSTER, SD 57730

Copy

Dear Mr. Dillon;

We are in receipt of the agreement signed by Robert Larson that relinquishes all claim and interest in the Grace Mine to you. This agreement states that the Plan of Operations (Plan) issued by the Forest Service be modified by deleting Robert Larson as the operator and substituting your name as operator. If you agree to comply with the conditions listed in the Plan; sign and date both copies of the enclosed Plan of Operations acceptance document and return them to this office. We have also enclosed the Certificate of Deposit assignment agreement for the Grace Mine reclamation bond in the amount of \$3,500.00. Please complete Item No. 8 of the document and have the Black Hills Federal Credit Union complete Item No. 10. In addition, please sign and date the Reclamation Performance Bond Form FS-6500-7. Upon receipt of the reclamation bond and acceptance document we will issue you a revised cover page of the Plan of Operations with you listed as the operator of the Grace Mine.

Please contact Gary Haag of my staff at 673-9314 if you have further questions concerning this letter.

Sincerely,

TRACY L ANDERSON
District Ranger

Enclosures: Plan of Operations Acceptance Document (2)
Certificate of Deposit Assignment Agreement
Reclamation Performance Bond Form FS-6500-7

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MINERALS & MINING PROGRAM

PLAN OF OPERATIONS FOR MINING ACTIVITIES
ON NATIONAL FOREST SYSTEM LANDS

I. GENERAL INFORMATION

- A. Name of Mine/Project: Grace/Grace's Glory
- B. Type of Operation: Placer
- C. Is this a (new/continuing) operation? If continuing a previous operation, this plan (replaces/modifies/supplements) a previous Plan of Operations. (check one)
- D. Proposed start-up date (mm/dd/yy) of operation August 1, 2012
- E. Expected total duration of this operation 15-20 Years
- F. If seasonal, expected date (mm/dd/yy) of annual reclamation/stabilization close out: October 15th
- G. Expected date (mm/dd/yy) for completion of all required reclamation: September 15, 2032

II. PRINCIPALS

- A. Name, address and phone number of operator: _____
Pat Dillon, P.O. Box 611, Custer, SD 57730 (605) 390-4716 (New operator as of August 23, 2016.)
- B. Name, address, and phone number of authorized field representative (if other than the operator). Attach authorization to act on behalf of operator: _____

- C. Name, address and phone number of owners of the claims (if different than the operator): _____
Pat Dillon, P.O. Box 611, Custer, SD 57730 (605) 390-4716
- D. Name, address and phone number of any other lessees, assigns, agents, etc., and briefly describe their involvement with the operation, if applicable: _____
N.A.

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**Grace Mine Plan of Operations
Plan of Operations Transfer from Robert Larson to Patrick Dillon
Operating Plan Acceptance**

New Operator:

C. Patrick Dillon
P.O. Box 611
Custer, SD 57730

The operating plan has been approved for a period of five years or until August 1, 2017. A new or revised plan must be submitted in accordance with 36 CFR part 228, subpart A, if operations are to be continued after that time period.

I/We have reviewed and agree to comply with the general conditions, operating conditions, interim shutdown requirements, reclamation requirements, and bonding requirements for the Grace Mine Plan of Operations.



C. Patrick Dillon, Mine Operator

August 4th 2016
Date



Tracy L. Anderson, District Ranger

23 August 2016
Date

DRISCOLL LAW OFFICE, P.C.

FRANK DRISCOLL, LAWYER
LAURA DAHN, Legal Assistant

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MINERALS & MINING PROGRAM

HELPING PEOPLE TO PREVENT AND TO SOLVE LEGAL PROBLEMS SINCE 1984

816 Sixth Street
P.O. Box 2216
Rapid City, SD 57709

605-718-5710
Fax: 605-348-1976

August 17, 2016

Mr. Eric Holm
Dept. of Environment and Natural Resources
Minerals and Mining Program
523 E. Capitol Ave.
Pierre, SD 57501-3182

RE: Small Scale Mine Permit Transfer - #478

Dear Mr. Holm:

Thank you for your availability to visit on the phone this morning and on previous occasions. I so much appreciate your assistance with the process of applying to transfer the above-referenced permit from Robert Larson and C. Patrick Dillon to Mr. Dillon only. Pat Dillon is obtaining a replacement bond, either for Mr. Larson's \$1,250 half or the entire \$2,500 bond, and will mail the replacement bond and the completed cash deposit authorization form to me within a day or two. I will then forward them to you. In the meantime, I believe that I have all of the paperwork assembled for your division to begin processing the transfer application. If additional documents or information are needed, just give me a call.

We started the transfer process by having Mr. Dillon meet with Gary Haag at USFS. He submitted paperwork and a replacement bond to USFS. I understand, and Pat has received an e-mail confirming, that the application to transfer the Plan of Operations to Mr. Dillon only has been approved and that documentation will be mailed to him shortly. As indicated, if you need copies of any of the USFS documents from me, just let me know. Otherwise, I'm sure you can and would confirm the status of the USFS transfer with Mr. Haag by telephone.

I am enclosing the following items:

1. A Transfer of Mining Permit form signed by Robert Larson to transfer the permit to Mr. Dillon.

DRISCOLL LAW OFFICE, P.C.

Mr. Eric Holm
August 17, 2016
Page 2

2. A Transfer of Mining Permit form signed by Mr. Dillon to transfer the permit to him, the net result of the two forms to request that Mr. Dillon be the sole permittee.

3. The signed and notarized Certification of Applicant.

4. A \$100 check from Mr. Dillon to DENR in payment of the required fee.

5. A copy of a one-page document entitled "Larson v. Dillon/Agreement as to DENR." This is one of the documents that is part of the overall written settlement agreement in the circuit court litigation venued in Custer County between Larson and Dillon by which Mr. Larson has agreed that Mr. Dillon will become the sole owner, operator and permittee under the DENR permit upon the condition that Dillon provides the requisite bond in substitution for Larson's, after which Larson's bond is authorized to be released and returned to him at 353 Lincoln Street, Custer, SD 57730.

6. The original of a document entitled "Acknowledgment" signed by Gary Haag of the USFS Hell Canyon Ranger District. This constitutes a written instrument of consultation concerning the transfer of the permit with USFS as the surface owner of the permitted area. The enclosed original Acknowledgment has photocopies of the Agreement as to USFS and the Agreement as to DENR referenced in the Acknowledgment attached. I used this form, per our previous telephone conversations, in lieu of certified mailings to USFS.

I think we are on our way. You can certainly communicate with Mr. Dillon directly (605-390-4716) or at his mailing address or through me as necessary. I am providing copies of all enclosures, by mail, to Mr. Dillon for his records and to David L. Ganje, who represents Mr. Larson in the litigation that is being settled.

Sincerely,



Frank Driscoll

DRISCOLL LAW OFFICE, P.C.

FJD: ld

Enclosures

cc: Pat Dillon (w/encl.)
David L. Ganje (w/encl.)

data\dillon\ltr\holm

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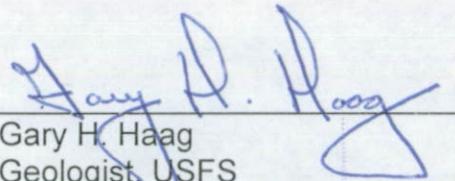
MINERALS & MINING PROGRAM

ACKNOWLEDGMENT

I acknowledge that I had a meeting with Patrick Dillon on July 18, 2016 at the Hill Canyon Ranger District office in Custer, South Dakota. During this meeting, Patrick Dillon provided me with a copy of a document entitled "Agreement as to USFS" that had been signed by both Robert Larson and Patrick Dillon, a copy of which is also attached hereto for reference. Mr. Dillon also provided me with a copy of a document entitled "Agreement as to DENR," which had been signed by both Robert Larson and Patrick Dillon, for my information. A copy of the "Agreement as to DENR" that Mr. Dillon provided to me is also attached hereto for reference.

I am making this acknowledgment to enable Mr. Dillon to provide confirmation to the South Dakota Department of Environment and Natural Resources, Mining and Minerals Program that he has provided the Forest Service with written instruments of consultation concerning and requesting the transfer of the plan of operations for the Grace Mine from Robert Larson and Patrick Dillon to Dillon only.

This acknowledgment is for the receipt of the documents identified herein and does not constitute or imply any particular decision or course of action that will be taken by USFS.



Gary H. Haag
Geologist, USFS
Hell Canyon Ranger District

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MINERALS & MINING PROGRAM

**Larson v. Dillon
Agreement as to USFS**

Robert Larson and C. Patrick Dillon are parties to a lawsuit (Civ. # 13-07) venued in the state circuit court in Custer County, South Dakota. The parties have agreed to settle the litigation, to result in its dismissal with prejudice. As a part of their overall settlement agreement, the parties make the following agreement regarding their respective rights, responsibilities and obligations with the United States Forest Service ("USFS") and the Grace Claim Mine Plan of Operations.

Larson relinquishes all claim and interest in the Grace Mine to Dillon and agrees that the Plan of Operations issued by the USFS is to be modified by deleting Robert Larson as a principal and substituting:

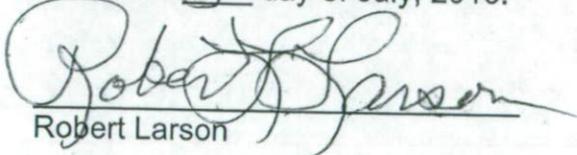
Patrick Dillon, P.O. Box 611, Custer, SD 57730 (606) 390-4716

as the operator in paragraph A under Part II - Principals on page 1 of the Plan.

Paragraph F on page 9 of the Plan, under Part VI - Terms and Conditions of Plan of Operations, requires that a reclamation bond of \$3,500 be provided to the USFS. Dillon agrees to provide the bond for the full amount to USFS, in substitution for the half of the \$3,500 bond furnished by Larson and that Larson shall receive all of the \$1,750 bond that he provided upon its release and return to him by USFS. Larson authorizes the USFS to return or remit his bond by mailing it to him at 353 Lincoln Street, Custer, SD 57730.

The parties further agree that Dillon shall assume all rights under the Plan as the sole permittee and shall henceforth be solely responsible for all obligations under the Plan.

Dated this 5 day of July, 2016.


Robert Larson

Dated this 18th day of July, 2016.


C. Patrick Dillon

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MINERALS & MINING PROGRAM

**Larson v. Dillon
Agreement as to DENR**

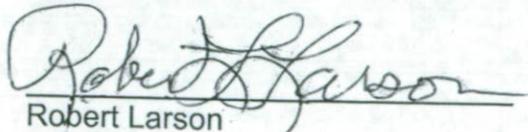
Robert Larson and C. Patrick Dillon are parties to a lawsuit (Civ. # 13-07) venued in the state circuit court in Custer County, South Dakota. The parties have agreed to settle the litigation, to result in its dismissal with prejudice. As a part of their overall settlement agreement, the parties make the following agreement regarding their respective rights, responsibilities and obligations with the Minerals and Mining Program of the South Dakota Department of Environmental and Natural Resources ("DENR") under Small Scale Mining Permit 478 ("the Permit").

Larson relinquishes all of his rights and interests as a mineral owner and an operator under the Permit to Dillon and agrees that Dillon shall henceforth, upon approval by the South Dakota Board of Minerals and Environment, be the sole owner, operator and permittee. Dillon agrees to henceforth assume all responsibility and liability for the operation, the mining permit and for reclamation of the area affected under the Permit.

To implement this agreement, both parties agree to properly execute the Transfer of Mining Permit form prescribed by DENR and Dillon agrees to provide a bond to DENR in substitution for Larson's \$1,250 half of the \$2,500 bond required under the Permit and that Larson shall receive all of the \$1,250 bond that he provided upon its release and return to him by DENR. Dillon agrees to submit the Transfer of Mining Permit form and the bond in substitution for Larson's bond to DENR not later than thirteen business days after this agreement and the Transfer of Mining Permit form, both properly executed by Larson, have been mailed to Dillon's attorney by first class mail, postage prepaid, addressed to Driscoll Law Office at P.O. Box 2216, Rapid City, SD 57709. Larson authorizes DENR to return or remit his bond by mailing it to him at 353 Lincoln Street, Custer, SD 57730. Larson acknowledges his understanding that his bond will not be released until the Board of Minerals and Environment approves the permit transfer.

The parties further agree that Dillon may operate the Grace Mine as the sole owner and operator, pending consideration and action upon the permit transfer application by the Board of Minerals and Environment, after the United States Forest Service approves deleting Larson as a principal and substituting Dillon as the operator and the sole permittee under the Grace Claim Mine Plan of Operations and after Dillon has submitted the Transfer of Mining Permit form and the bond in substitution for Larson's bond to DENR as required by this agreement.

Dated this 5 day of July, 2016.


Robert Larson

Dated this 19th day of July, 2016.


C. Patrick Dillon