

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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|--|---|-------------------------|
| In the Matter of the Joint Application of |) | |
| Brainard Gas Corporation, Northeast Ohio |) | Case No. 12-1792-GA-AIS |
| Natural Gas Corporation and Orwell Natural |) | |
| Gas Company for Approval of Long Term |) | |
| Financing Arrangements and for Expedited | 0 | |
| Consideration | | |

**JOINT APPLICATION OF BRAINARD GAS CORPORATION, NORTHEAST OHIO
NATURAL GAS CORPORATION AND ORWELL NATURAL GAS COMPANY FOR
APPROVAL OF LONG TERM FINANCING ARRANGEMENT**

Pursuant to Sections 4905.40 and 4905.41, Ohio Revised Code, Brainard Gas Corporation, (hereinafter “BGC” or “Joint Applicant”), Northeast Ohio Natural Gas Corporation (hereinafter, “NEONG” or “Joint Applicant”), and Orwell Natural Gas Company (hereinafter, “ONG” or “Joint Applicant”) respectfully request the approval of the Public Utilities Commission of Ohio of a term loan facility as set forth below:

1. BGC, NEONG and ONG are public utilities and natural gas companies as defined in Sections 4905.02 and 4905.03, Ohio Revised Code, and are subject to the jurisdiction of the Commission, and specifically are subject to the provisions of Sections 4905.40 and 4905.41, Ohio Revised Code.
2. Joint Applicants seek approval of an “Omnibus Amendment, Supplement and Joinder to Note Purchase Agreement and Collateral Documents” (Exhibit 1) to their existing “Note Purchase Agreement dated as of November 1, 2010, as heretofore amended” which was approved by the Commission by its Finding and Order entered on March 30, 2011 in Case No. 10-02330-GA-AIS, and which Joint Applicants have arranged with Sun Life Assurance Company of Canada, 150 King Street West, 3rd Floor, Toronto, Ontario, in the

amount of up to approximately \$4,300,000, including funding of a debt reserve account and transactional fees. This additional capacity is in the form of senior secured notes (hereinafter, “the 2012 Notes”) issued by BGC, NEONG and ONG for a term of approximately five years (maturing on June 1, 2017) without amortization of principal and with interest compounded and payable monthly, calculated on a 30 day month, 360 day year basis, and a balloon payment of principal due upon maturity. Closing will occur as directed by BGC, NEONG and ONG after receipt of the Commission’s approval.

3. The interest rate per annum will be based on a spread of 350 basis points over the five year U.S. Treasury yield, on a semi-annual bond-equivalent basis.
4. The 2012 Notes will be the joint and several obligations of the Joint Applicants, secured by a first lien security interest on Joint Applicants’ undertakings and assets, including an assignment of all material leases and contracts. Joint Applicants note that by combining their debt requirements, they create larger debt issues at more attractive interest rates and lower transaction costs than would otherwise be available.
5. The 2012 Notes will be guaranteed by Gas Natural, Inc., the holding company that owns all of the stock of Brainard, and by the parent companies of NEONG and ONG (Great Plains Gas Company for NEONG and Lightning Pipeline Company, Inc. for ONG). The 2012 Notes will also be guaranteed by any existing or future subsidiary of Gas Natural Inc. excluding Spelman Pipeline Holdings, LLC¹, (subject to all required regulatory approvals). By virtue of these guarantees of the Notes issued by Joint Applicants, greater interest is created from lenders than would be the case if each Joint Applicant financed on its own.

¹ Spelman Pipeline Holdings, LLC received authority from this Commission to provide intrastate pipeline by its Finding and Order entered on October 12, 2011 in Case No. 11-4444-PL-ATA.

6. This Commission has previously authorized these affiliated public utilities under its jurisdiction to jointly and severally guarantee the long term debt of their parent company issued on their behalf. See Finding and Order, *In the Matter of the Joint Application of Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation, and Orwell Natural Gas Company for Approval of Long-Term Financing Arrangements*, Case No. 10-02330-GA-AIS. Joint Applicants submit that the same logical basis applies here, where public utilities seek approval to issue notes directly and be jointly and severally liable thereon, with parent company guarantee, as in the cited precedent where the utilities jointly and severally guaranteed holding company-issued debt obtained for the utilities' long term financing requirements.
7. ONG proposes to apply the proceeds from the Notes to finance its 2012 capital construction program up to \$1,661,733 including funding a debt service reserve and transactional expenses.
8. NEONG proposes to apply the proceeds from the Notes to finance its 2012 capital construction program up to \$2,600,844 including funding a debt service reserve and transactional expenses.
9. BGC proposes to apply the proceeds from the Notes to finance its 2012 capital construction program, up to \$55,000, including funding a debt reserve and transactional expenses.
10. Joint Applicants request approval of the Commission to execute additional Notes in an aggregate amount up to approximately \$4,300,000 inclusive of debt reserve funding and transactional costs immediately upon closing (subject to change only to reflect lower actual rather than estimated transaction fees and expenses through closing).

11. Joint Applicants will not use any of the proceeds from this issuance of senior secured notes for any purpose other than as stated in this Joint Application as approved by the Commission in this proceeding.
12. Joint Applicants shall file a written report with this Commission with the terms and full particulars, as promptly as possible but in no event later than thirty (30) days after executing the additional Notes authorized by the Commission's Finding and Order approving the Note Purchase Agreement.
13. Joint Applicants shall file a written report confirming the 2012 capital program expenditures which were funded with proceeds of the Notes for which approval is sought herein, on or before January 31, 2013.
14. Applicant's Financial Reporting. Pursuant to Ohio Rev. Code §4905.41, Joint Applicants submit the following as part of this Application:
 - a. Exhibit 1 is the Omnibus Amendment, Supplement and Joinder to Note Purchase Agreement and Collateral Documents for the additional senior secured notes for which Joint Applicants seek approval. Joint Applicants note that the terms of the additional senior secured notes to be issued match the terms of that Note Purchase Agreement approved by this Commission in Case No. 10-02330-GA-AIS by its Finding and Order entered on March 30, 2011, and will mature on the same date (June 17, 2017) as that facility.
 - b. Exhibit 2 is a Balance sheet for the twelve months ended December 31, 2010 and December 31, 2011 for each Joint Applicant.
 - c. Exhibit 3 is an Income statement for the same periods for each Joint Applicant.

15. Joint Applicants request that the Commission grant its approval of this Joint Application as soon as possible in order to have the note proceeds available to support their capital construction programs for the bulk of the construction season.

WHEREFORE, Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation and Orwell Natural Gas Company respectfully request that the Commission enter an Order that:

- a. Approves Joint Applicants' proposed issuance of additional senior secured notes to Sun Life Assurance Company as described in this Application and in Joint Applicants' evidence submitted herein; and
- b. Authorizes Joint Applicants to use the cash proceeds arising from the long term debt facility approved herein for the purposes set forth in this Application.

Respectfully submitted this 8th day of June, 2012.

**Brainard Gas Corporation, Northeast Ohio
Natural Gas Corporation
Orwell Natural Gas Company**

By: _____

Thomas J. Smith
President and Secretary

Of Counsel:

Andrew J. Sonderman (0008610)
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VERIFICATION

STATE OF OHIO)
COUNTY OF LAKE) ss:

Personally appeared before me, and being first duly cautioned and sworn, Thomas J. Smith, the President and Secretary of Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation, and Orwell Natural Gas Company states that he did sign the foregoing Application, and that the statements contained therein are true and correct as he believes.

Sworn and subscribed before me this 8 day of June, 2012.



HOLLY E BRALLEY
Notary Public
In and for the State of Ohio
My Commission Expires
October 28, 2016

Holly E Bralley
Notary Public

EXHIBIT 1
OMNIBUS AMENDMENT TO
NOTE PURCHASE AGREEMENT

DRAFT OF FEBRUARY 28, 2012

NORTHEAST OHIO NATURAL GAS CORP.
ORWELL NATURAL GAS COMPANY
BRAINARD GAS CORP.
AND
EACH OTHER OBLIGOR PARTY HERETO

OMNIBUS AMENDMENT, SUPPLEMENT AND JOINDER TO NOTE PURCHASE AGREEMENT AND
COLLATERAL DOCUMENTS

Dated as of _____, 2012

Re:

Note Purchase Agreement dated as of November 1, 2010, as heretofore amended
Senior Secured Guaranteed Notes due June 1, 2017
and
Collateral Documents

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and Collateral Documents)

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NORTHEAST OHIO NATURAL GAS CORP.
ORWELL NATURAL GAS COMPANY
BRAINARD GAS CORP.
AND
EACH OTHER OBLIGOR PARTY HERETO

8500 STATION STREET, SUITE 100
MENTOR, OHIO 44060

**OMNIBUS AMENDMENT, SUPPLEMENT AND JOINDER TO NOTE PURCHASE AGREEMENT AND
COLLATERAL DOCUMENTS**

Dated as of _____, 2012

RE: Note Purchase Agreement dated as of November 1, 2010, as heretofore amended
Senior Secured Guaranteed Notes due June 1, 2017
and
Collateral Documents

To Sun Life Assurance Company of Canada

Ladies and Gentlemen:

This Omnibus Amendment, Supplement and Joinder to Note Purchase Agreement and Collateral Documents (this **"Amendment"**) is made as of [_____, 2012], by and among Northeast Ohio Natural Gas Corp., an Ohio corporation (**"NEO"**), Orwell Natural Gas Company, an Ohio corporation (**"Orwell"**), Brainard Gas Corp., an Ohio corporation (**"Brainard"**); Brainard, NEO and Orwell are referred to herein, collectively, as the **"Issuers"** and, individually, as an **"Issuer"**), Great Plains Natural Gas Company, an Ohio corporation (**"Great Plains"**), Lightning Pipeline Company, Inc., an Ohio corporation (**"Lightning"**), Spelman Pipeline Holdings, LLC, an Ohio limited liability company (**"Spelman"**), Kidron Pipeline, LLC, an Ohio limited liability company (**"Kidron"**), Gas Natural Service Company, LLC, an Ohio limited liability company (**"Service Company"**), Gas Natural Inc., an Ohio corporation (the **"Parent"**); the Parent, Great Plains, Lightning, Spelman, Kidron and Service Company are referred to herein, collectively, as the **"Existing Guarantors"** and, individually, as an **"Existing Guarantor"**), Gas Natural Energy Solutions, LLC, an Ohio limited liability company (**"Solutions"**), Independence Oil, LLC, an Ohio limited liability company (**"Independence"**); Independence and Solutions are referred to herein, collectively, as the **"New Guarantors"** and, individually, as a **"New Guarantor"**; and the New Guarantors and the Existing Guarantors are referred to herein, collectively, as the **"2011 Notes Guarantors"** and, individually, as a **"2011 Notes Guarantor"**; and all of the 2011 Notes Guarantors, other than Spelman, are referred to herein, collectively, as the **"2012 Notes Guarantors"** and, individually, as a **"2012 Notes Guarantor"**), and Sun Life Assurance Company of Canada (the **"Purchaser"**).

RECITALS

A. Reference is made to that certain Note Purchase Agreement dated as of November 1, 2010, by and among the Issuers, Great Plains, Lightning, the Parent and the Purchaser, as amended by that certain First Amendment and Joinder to Note Purchase Agreement dated as of May 3, 2011, by and among the Issuers, the Existing Guarantors and the Purchaser (as so amended, the **“Current Note Purchase Agreement”**), pursuant to which, among other things, (i) the Issuers sold to the Purchaser their 5.38% Senior Secured Guaranteed Notes due June 1, 2017 in the original aggregate principal amount of \$15,334,000 (the **“Series 2011 Notes”**) and (ii) each of the Existing Guarantors agreed to jointly and severally guarantee the Guaranteed Obligations (as defined therein). Capitalized terms used in this Amendment without definition shall have the meanings given such terms in the Current Note Purchase Agreement, as amended by this Amendment (as so amended, and as from time to time further amended, restated, supplemented or otherwise modified, the **“Note Purchase Agreement”**).

B. In order to induce the Purchaser to enter into the Current Note Purchase Agreement and the other Financing Agreements and to induce the Purchaser to purchase the Series 2011 Notes, each Issuer and each Existing Guarantor agreed to grant a continuing Lien on its Collateral to secure the Obligations owing to the Purchaser under the Current Note Purchase Agreement, the Series 2011 Notes and the other Financing Agreements and, in connection therewith, each Issuer and each Existing Guarantor, as applicable, executed and delivered to the Purchaser (i) that certain Security Agreement, dated as of May 3, 2011 (the **“Current Security Agreement”**), (ii) that certain Pledge Agreement, dated as of May 3, 2011 (the **“Current Pledge Agreement”**), (iii) those certain Mortgages, each dated May 3, 2011 (collectively, the **“Current Mortgages”**), and (iv) certain other Collateral Documents, each dated on or about May 3, 2011 (such Collateral Documents together with the Current Security Agreement, the Current Pledge Agreement and the Current Mortgages, the **“Current Collateral Documents”**; and, the Current Collateral Documents, as hereby amended by this Amendment, and as from time to time further amended, restated, supplemented or otherwise modified, the **“Collateral Documents”**).

C. The Issuers desire to issue and sell to the Purchaser an additional \$4,300,000 aggregate principal amount of their Senior Secured Guaranteed Notes due June 1, 2017 (the **“Series 2012 Notes”**) pursuant to an amendment and supplement to the Current Note Purchase Agreement, and the Issuers and Existing Guarantors desire to amend the Current Note Purchase Agreement and the Current Collateral Documents to permit the issuance of the Series 2012 Notes and ensure the Series 2012 Notes are secured on a *pari passu* basis with the Series 2011 Notes and are otherwise subject to the same terms and conditions as the Series 2011 Notes.

D. The Purchaser has agreed to purchase the Series 2012 Notes pursuant to an amendment and supplement to the Current Note Purchase Agreement and to amend the Current

Note Purchase Agreement and the Current Collateral Documents, all on the terms and conditions set forth herein.

E. Since the date of the Current Note Purchase Agreement the New Guarantors have become Subsidiaries of the Parent and, pursuant to the terms of Section 9.8 of the Current Note Purchase Agreement, are required to accede to the Current Note Purchase Agreement and the Current Collateral Documents. This Amendment provides for the New Guarantors' accession to each of the Current Note Purchase Agreement and the Current Collateral Documents and their assumption of the obligations thereunder.

AGREEMENTS

In consideration of the recitals and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Current Note Purchase Agreement (including all Schedules and Exhibits thereto) and the Current Collateral Documents shall be amended as of the date hereof as follows:

SECTION 1. SUPPLEMENT TO CURRENT NOTE PURCHASE AGREEMENT.

Section 1.1. Description of Series 2012 Notes. The Issuers have authorized the issue and sale of \$4,300,000 aggregate principal amount of their Senior Secured Guaranteed Notes, Series 2012, due June 1, 2017 (the "**Series 2012 Notes**"). The Series 2012 Notes shall be substantially in the form set out in Exhibit 1 hereto with such changes therefrom, if any, as may be approved by the Purchaser and the Issuers.

Section 1.2. Interest Rate. (a) The Series 2012 Notes shall bear interest (compounded semiannually and computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal thereof from the date of issuance at a rate equal to the 2012 Applicable Rate, payable as set forth in Exhibit 1, until such principal sum shall have become due and payable (whether at maturity, upon acceleration or otherwise), and thereafter, on any overdue payment of principal and Make-Whole Amount and, to the extent permitted by law, on any overdue interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the Default Rate.

(b) The 2012 Applicable Rate for the Series 2012 Notes shall be determined by the Purchaser, and notice thereof shall be given to the Issuers, on the third Business Day immediately preceding the date of the 2012 Closing (hereinafter defined), together with a copy of the relevant screen used for the determination of the 2012 Applicable Rate and a calculation of the 2012 Applicable Rate, and any such determination made in accordance with the provisions of this Amendment, shall be presumptively correct absent manifest error. As used herein the term "**2012 Applicable Rate**" means the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) equal to 3.50% over the yield to maturity of the U.S. Treasury security with a maturity of June 1, 2017, which yield to maturity of the June

1, 2017 US Treasury security shall be determined using the ICUR function on the appropriate Bloomberg Financial Markets screen to interpolate between the appropriate on-the-run US Treasury securities, as at 11:00 a.m. (New York City time) on the third Business Day preceding the date of the 2012 Closing.

Section 1.3. Sale and Purchase of Series 2012 Notes. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Issuers agree to issue and sell to the Purchaser, and the Purchaser agrees to purchase from the Issuers, the 2012 Notes in the principal amount set forth opposite the Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereafter mentioned.

Section 1.4. Closing of Series 2012 Notes. The sale and purchase of the Series 2012 Notes to be purchased by the Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603 at 10:00 a.m. Chicago time, at a closing (the "**2012 Closing**") on _____, 2012 or on such other Business Day thereafter on or prior to _____, 2012 as may be agreed upon by the Issuers and the Purchaser. At the 2012 Closing, the Issuers will deliver to the Purchaser the Series 2012 Notes to be purchased by the Purchaser in the form of a single Series 2012 Note (or such greater number of Series 2012 Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of the 2012 Closing and registered in the Purchaser's name (or in the name of the Purchaser's nominee), against delivery by the Purchaser to the Issuers or their order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Issuers as designated by the Issuers in, and otherwise in accordance with, the Funding Instruction Letter delivered to the Purchaser at least three Business Days prior to the date of the 2012 Closing pursuant to Section 4.9 of the Note Purchase Agreement (such condition being applicable to the Series 2012 Notes as specified in Section 5(l) hereof). If, at the 2012 Closing, the Issuers shall fail to tender such Series 2012 Notes to the Purchaser as provided above in this Section 1.4, or any of the conditions specified in Section 1.6 or Section 5 shall not have been fulfilled to the Purchaser's satisfaction, the Purchaser shall, at its election, be relieved of all further obligations under this Amendment, without thereby waiving any rights the Purchaser may have by reason of such failure or such nonfulfillment.

Section 1.5. Representations of the Purchaser. The Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct on the date hereof with respect to the purchase of the Series 2012 Notes by the Purchaser.

Section 1.6. Conditions to 2012 Closing. The obligation of the Purchaser to purchase and pay for the Series 2012 Notes to be sold to the Purchaser at the 2012 Closing is subject to the fulfillment to the Purchaser's satisfaction, prior to the 2012 Closing, of the conditions set forth in Section 5 of this Amendment.

SECTION 2. AMENDMENTS TO CURRENT NOTE PURCHASE AGREEMENT.

Section 2.1. Series 2012 Notes. Pursuant to this Amendment, and subject to the terms and conditions herein for the issuance and purchase thereof, there shall be created the new Series 2012 Notes under the Note Purchase Agreement that will be in addition to the existing Series 2011 Notes issued pursuant to and outstanding under the Note Purchase Agreement. The Series 2012 Notes will be entitled to all the benefits and agreements of the Note Purchase Agreement and the other Financing Agreements and shall rank *pari passu* and be treated equally and ratably in all respects with the Series 2011 Notes. All references to “Notes” appearing in the Note Purchase Agreement and the other Financing Agreements (other than Sections 1 through 3, inclusive, of the Note Purchase Agreement and the Series 2011 Notes) shall be deemed to include the Series 2012 Notes.

Section 2.2. Mergers and Consolidations; Acquisitions. Section 10.9 of the Current Note Purchase Agreement is hereby amended by amending and restating clause (a)(ii) thereof in its entirety to read as follows:

(ii) any Obligor may merge with or consolidate into any other Obligor so long as (A) in any merger or consolidation involving the Parent, the Parent shall be the surviving or continuing corporation, (B) in any merger or consolidation which involves Spelman and another Obligor, such other Obligor shall be the surviving or continuing corporation and (C) in any merger or consolidation which involves an Issuer and an Obligor other than an Issuer, if the Issuer is not the surviving or continuing corporation, then (1) the surviving or continuing corporation shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each obligation, covenant and condition of this Agreement, the Notes to which such Issuer is a party and the other Financing Agreements to which such Issuer is a party (and such surviving or continuing corporation shall thereafter be referred to as an “Issuer” under the Financing Agreements for all purposes), (2) the surviving or continuing corporation shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and (3) each of the Guarantors at such time shall have confirmed and ratified in writing the Guarantee Agreement.

Section 2.3. Transfer and Exchange of Notes. Section 13.2 of the Current Note Purchase Agreement is hereby amended by (a) replacing the reference to the phrase “one or more new Notes” appearing in the first sentence thereof with the phrase “one or more new Notes of the

same Series” and (b) replacing the reference to the phrase “Exhibit 1” appearing in the second sentence thereof with the phrase “Exhibit 1 to the First Amendment or Exhibit 1 to the Omnibus Amendment, as the case may be”.

Section 2.4. Replacement of Notes. Section 13.3 of the Current Note Purchase Agreement is hereby amended by replacing the reference to the phrase “a new Note” appearing therein with the phrase “a new Note of the same Series”.

Section 2.5. Guarantee. Section 22.1 of the Current Note Purchase Agreement is hereby amended by amending and restating clause (a) thereof in its entirety to read as follows:

(a) **Guaranteed Obligations.**

(i) Each 2011 Notes Guarantor, jointly and severally, hereby irrevocably, absolutely and unconditionally guarantees to the holders from time to time of the Series 2011 Notes: (A) the full and prompt payment on demand of the principal of all of the Series 2011 Notes and of the interest thereon at the rate therein stipulated (including, without limitation, to the extent legally enforceable, interest on any overdue principal, Make-Whole Amount, if any, and interest at the rates specified in the Series 2011 Notes and interest accruing or becoming owing both prior to and subsequent to the commencement of any bankruptcy, reorganization or similar proceeding involving a 2011 Notes Obligor) and the Make-Whole Amount, if any, and all other amounts owing to the holders from time to time under the Series 2011 Notes and the Financing Agreements when and as the same shall become due and payable, whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration, or otherwise, (B) the full and prompt performance and observance by the 2011 Notes Obligors of each and all of the covenants and agreements required to be performed or observed by such Persons under the terms of the Financing Agreements, and (C) payment, upon demand by any holder of the Series 2011 Notes, of all costs and expenses, legal or otherwise (including reasonable attorneys fees) and such expenses, if any, as shall have been expended or incurred in the protection or enforcement of any right or privilege under the Financing Agreements or this Guarantee Agreement or in any consultation or action in connection therewith, and in each and every case irrespective of the validity, regularity, or enforcement of any of the Financing Agreements or any of the terms thereof or of any other like circumstance or circumstances (all of the obligations described in the foregoing clause (A), clause (B) and clause (C) being referred to herein as the “**2011 Notes Guaranteed Obligations**”).

(ii) Each 2012 Notes Guarantor, jointly and severally, hereby irrevocably, absolutely and unconditionally guarantees to the holders from time to time of the Series 2012 Notes: (A) the full and prompt payment on demand of the principal of all of the Series 2012 Notes and of the interest thereon at the rate therein stipulated (including, without limitation, to the extent legally enforceable, interest on any overdue principal, Make-Whole Amount, if any, and interest at the rates specified in the Series 2012 Notes and interest accruing or becoming owing both prior to and subsequent to the commencement of any bankruptcy, reorganization or similar proceeding involving a 2012 Notes Obligor) and the Make-Whole Amount, if any, and all other amounts owing to the holders from time to time under the Series 2012 Notes and the Financing Agreements when and as the same shall become due and payable, whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration, or otherwise, (B) the full and prompt performance and observance by the 2012 Notes Obligors of each and all of the covenants and agreements required to be performed or observed by such Persons under the terms of the Financing Agreements, and (C) payment, upon demand by any holder of the Series 2012 Notes, of all costs and expenses, legal or otherwise (including reasonable attorneys fees) and such expenses, if any, as shall have been expended or incurred in the protection or enforcement of any right or privilege under the Financing Agreements or this Guarantee Agreement or in any consultation or action in connection therewith, and in each and every case irrespective of the validity, regularity, or enforcement of any of the Financing Agreements or any of the terms thereof or of any other like circumstance or circumstances (all of the obligations described in the foregoing clause (A), clause (B) and clause (C) being referred to herein as the **“2012 Notes Guaranteed Obligations”**; and the 2012 Notes Guaranteed Obligations together with the 2011 Notes Guaranteed Obligations, as applicable, the **“Guaranteed Obligations”**).

(iii) The guaranty of the Guaranteed Obligations herein provided for is a guaranty of the immediate and timely payment of the principal, interest and Make-Whole Amount, if any, on the Notes as and when the same are due and payable and shall not be deemed to be a guaranty only of the collectability of such payments and that in consequence thereof each holder of the Notes may sue any Guarantor directly upon such Guaranteed Obligations. Each Guarantor agrees as a primary obligation to indemnify each Noteholder from time to time on demand from and against any loss incurred by it as a result of any Financing Agreement being or

becoming void, voidable or unenforceable for any reason whatsoever, whether or not known to such Noteholder, the amount of such loss being the amount which such Noteholder would otherwise have been entitled to recover from the Guarantor.

Section 2.6. Amendment to Defined Terms. The definitions of “Agreement”, “Guarantors”, “Issuers”, “Notes” and “Obligors” set forth in the Current Note Purchase Agreement are hereby amended and restated in their entirety to read as follows:

“Agreement” means this Note Purchase Agreement dated as of November 1, 2010, as amended by the First Amendment and as further amended and supplemented by the Omnibus Amendment, and as may be further amended, restated, supplemented or otherwise modified from time to time.

“Guarantors” means the 2011 Notes Guarantors and the 2012 Notes Guarantors, as applicable, and **“Guarantor”** means, individually, any one of them; *provided* that, for the avoidance of doubt, Spelman’s obligations as a “Guarantor” under this Agreement and each other Financing Agreement shall not include an Obligation to guarantee the payment or performance of the Series 2012 Notes.

“Notes” means, collectively, the Series 2011 Notes and the Series 2012 Notes (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement).

“Obligors” means the 2011 Notes Obligors and the 2012 Notes Obligors, as applicable, and **“Obligor”** means, individually, any one of them; *provided* that, for the avoidance of doubt, Spelman’s obligations as an “Obligor” under this Agreement and each other Financing Agreement shall not include an Obligation to guarantee or secure the payment and performance of the Series 2012 Notes.

Section 2.7. Amendment to Defined Terms. Schedule B to the Current Note Purchase Agreement is hereby amended by adding the following new definitions thereto in proper alphabetical order:

“2011 Notes Guarantors” means, collectively, the Parent, Great Plains, Lightning, Kidron, Spelman, Service Company, Solutions, Independence and any other Person becoming a Guarantor pursuant to Section 9.8 and **“2011 Notes Guarantor”** means, individually, any one of them.

“2011 Notes Obligors” means, collectively, the Issuers and the 2011 Notes Guarantors and, individually, any one of them.

“2012 Notes Guarantors” means, collectively, each of the 2011 Notes Guarantors (other than Spelman) and **“2012 Notes Guarantor”** means, individually, any one of them.

“2012 Notes Obligors” means, collectively, the Issuers and the 2012 Notes Guarantors and, individually, any one of them.

“Independence” means Independence Oil, LLC, an Ohio limited liability company.

“Omnibus Amendment” means the Omnibus Amendment, Supplement and Joinder to Note Purchase Agreement and Collateral Documents dated as of _____, 2012 by and among the Issuers, the Guarantors and the Purchaser.

“Series” means any or all of the Series 2011 Notes or the Series 2012 Notes as the context may require.

“Series 2011 Notes” means the 5.38% Senior Secured Guaranteed Notes due June 1, 2017 of the 2011 Issuers in the original aggregate principal amount of \$15,334,000, as may be amended, restated or otherwise modified from time to time.

“Series 2012 Notes” means the [____%] Senior Secured Guaranteed Notes, Series 2012, due June 1, 2017 of the 2012 Issuers in the original aggregate principal amount of \$4,300,000, as may be amended, restated or otherwise modified from time to time.

“Solutions” means Gas Natural Energy Solutions, LLC, an Ohio limited liability company.

SECTION 3. AMENDMENTS TO CURRENT COLLATERAL DOCUMENTS.

Section 3.1. Security Agreement. (a) The definition of *“Fixed Rate Notes”* set forth in the Current Security Agreement is hereby amended and restated in its entirety to read as follows:

“Fixed Rate Notes” means (i) the 5.38% Senior Secured Guaranteed Notes due June 1, 2017 of the Fixed Rate Issuers in the original aggregate principal amount of \$15,334,000 and (ii) the [____%] Senior Secured Guaranteed Notes, Series 2012, due June 1, 2017 of the Fixed Rate Issuers in the original aggregate principal amount of \$4,300,000 (the *“Series 2012 Fixed Rate Notes”*), in

each case, as may be amended, restated or otherwise modified from time to time.

(b) The Current Security Agreement is hereby further amended by amending and restating the last sentence of the defined term “Secured Obligations” appearing in Section 1(viii) thereof to read in its entirety as follows:

For the avoidance of doubt, the Fixed Rate Issuers’ Collateral shall at no time secure the Floating Rate Obligations and Spelman’s Collateral shall at no time secure the Floating Rate Obligations or the payment and performance of the Series 2012 Fixed Rate Notes.

Section 3.2. Pledge Agreement. (a) The definition of “*Fixed Rate Notes*” set forth in the Current Pledge Agreement is hereby amended and restated in its entirety to read as follows:

“*Fixed Rate Notes*” means (i) the 5.38% Senior Secured Guaranteed Notes due June 1, 2017 of the Fixed Rate Issuers in the original aggregate principal amount of \$15,334,000 and (ii) the [___%] Senior Secured Guaranteed Notes, Series 2012, due June 1, 2017 of the Fixed Rate Issuers in the original aggregate principal amount of \$4,300,000 (the “*Series 2012 Fixed Rate Notes*”), in each case, as may be amended, restated or otherwise modified from time to time.

(b) The Current Pledge Agreement is hereby further amended by amending and restating the last sentence of the defined term “Secured Obligations” appearing in Section 1 thereof to read in its entirety as follows:

“For the avoidance of doubt, the Fixed Rate Issuers’ Pledged Collateral shall at no time secure the Floating Rate Obligations and Spelman’s Pledged Collateral shall at no time secure the Floating Rate Obligations or the payment and performance of 2012 Fixed Rate Notes.”

Section 3.3. Mortgages. The definition of “*Notes*” set forth in each Current Mortgage (other than the Current Mortgages executed and delivered by Spelman) is hereby amended and restated in its entirety to read as follows:

“*Notes*” means (i) the 5.38% Senior Secured Guaranteed Notes due June 1, 2017 of the Fixed Rate Issuers in the original aggregate principal amount of \$15,334,000 and (ii) the [___%] Senior Secured Guaranteed Notes, Series 2012, due June 1, 2017 of the Fixed Rate Issuers in the original aggregate principal amount of \$4,300,000, in each case, as may be amended, restated or otherwise modified from time to time.

Section 3.4. Collateral Documents. For the avoidance of doubt, all references to the “Notes” or the “Fixed Rate Notes” in each Current Collateral Document shall be deemed a reference to the Series 2011 Notes and the Series 2012 Notes.

SECTION 4. JOINDER.

Independence and Solutions each hereby agrees to become a “Guarantor” and an “Obligor” and to be bound by all of the terms, covenants and conditions set forth in the Note Purchase Agreement and each other Financing Agreement, as applicable, to the same extent that such Person would have been bound if such Person had been a signatory to the Current Note Purchase Agreement on the execution date of the Current Note Purchase Agreement. Independence and Solutions each hereby (a) makes each of the representations and warranties and agrees to each of the covenants applicable to it contained in the Current Note Purchase Agreement, this Amendment and each other Financing Agreement, as applicable, (b) agrees to execute this Amendment, an addendum to the Current Security Agreement, an addendum to the Current Pledge Agreement and each Financing Agreement, as applicable, and (c) agrees that each reference to a “*Guarantor*” or an “*Obligor*” set forth in the Current Note Purchase Agreement, this Amendment and each other Financing Agreement, as applicable, shall include each of Independence and Solutions.

SECTION 5. CONDITIONS PRECEDENT.

This Amendment shall become effective on, and the Purchaser’s obligation to purchase and pay for the Series 2012 Notes to be sold to it at the 2012 Closing shall not be effective until, the Business Day when each of the following conditions shall have been satisfied (the “**Effective Date**”):

- (a) The Purchaser shall have received this Amendment, duly executed by each Obligor.
- (b) The Purchaser shall have consented to this Amendment as evidenced by its execution hereof.
- (c) The representations and warranties of the Obligors set forth in Section 6 hereof shall be true and correct in all material respects as of the date of the execution and delivery of this Amendment and as of the Effective Date.
- (d) Any consents from any holder or holders of any outstanding security or indebtedness of the Obligors and any amendments of agreements pursuant to which any securities or indebtedness may have been issued which shall be necessary to permit the consummation of the transactions contemplated hereby shall have been obtained and all such consents or amendments shall be reasonably satisfactory in form and substance to the Purchaser and its special counsel.

(e) The Purchaser shall have received all reasonable and necessary final, non-appealable regulatory and other approvals in respect of the transactions contemplated by this Amendment, the Series 2012 Notes and the other Financing Agreements and evidence that in respect of the transactions contemplated by this Amendment, the Obligors are in compliance with all applicable regulatory and statutory requirements. For clarification, the Obligors' failure to satisfy the foregoing condition is not a breach or default of the Current Note Purchase Agreement (so long as, and provided that, the Purchaser has not purchased the 2012 Notes).

(f) All corporate and other proceedings in connection with the transactions contemplated by this Amendment and all documents and instruments incident to such transactions shall be satisfactory to the Purchaser and its special counsel, and the Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as the Purchaser or its special counsel may reasonably request.

(g) The Purchaser shall have received such certificates of officers of the Obligors as it may reasonably request with respect to this Amendment and the transactions contemplated hereby.

(h) All actions necessary to create and perfect the Liens of the Collateral Documents with respect to the Series 2012 Notes (including, without limitation, (i) the filing of all appropriate UCC financing statement amendments, (ii) the recordation of all amendments to the Current Mortgages with public officials and the payment of all related fees and taxes and (iii) the amendment or replacement of all Control Agreements covering deposit accounts, securities accounts and commodities accounts maintained by the Obligors with any depository, securities intermediary or commodities intermediary) shall have been consummated in accordance with the provisions of the Collateral Documents.

(i) The Obligors shall have funded the Debt Service Reserve Account in an additional amount equal to the interest payable on the Series 2012 Notes for a 12-month period, and all of other terms and conditions in Section 9.10 of the Current Note Purchase Agreement shall have been complied with by the Obligors in respect thereof.

(j) The Purchaser shall have received a date down endorsement to the ALTA Policy, indicating that since the original date of Closing of the Series 2011 Notes there has been no change in the status of title as shown on the ALTA Policy, which date down endorsement shall have the effect of advancing the effective date of the policy to the date of the 2012 Closing and increasing the coverage of the policy by an amount equal to the funding then being made under the Series 2012 Notes. The Company shall have delivered, or shall have caused to be delivered, such documents and other deliveries as requested by the title insurance company in order for it to issue an endorsement to the ALTA Policy as provided in this paragraph (j).

(k) Each of Independence and Solutions shall have executed and delivered to the Purchaser (i) an Addendum (as defined therein) to the Current Security Agreement and (ii) an Addendum (as defined therein) to the Current Pledge Agreement, and all actions necessary to create and perfect the Liens of the Collateral Documents with respect to each of Independence and Solutions shall have been satisfied (as contemplated by Section 4.12 of the Current Note Purchase Agreement).

(l) Each other condition set forth in Section 4 of the Current Note Purchase Agreement (other than Sections 4.13(b), 4.19, 4.20 and 4.21)¹ shall have been fulfilled to the Purchaser's satisfaction (*provided* that all references to "Purchaser" therein shall be deemed to refer to the Purchaser hereunder; all references to "this Agreement" shall be deemed to refer to the Current Note Purchase Agreement as amended and supplemented by this Amendment; all references to "Notes" therein shall be deemed to refer to the Series 2012 Notes; and the reference to "Korman Jackson & Krantz PLL" shall be deemed to refer to Dworken & Bernstein Co., L.P.A.).

(m) The Purchaser and Yadkin Valley Bank shall have entered into an intercreditor and subordination agreement in form and substance reasonably satisfactory to the Purchaser wherein, among other things, the Purchaser as agreed to subordinate all obligations owing to it from Independence to the obligations owing to Yadkin Valley Bank from Independence (*provided* that the limit on such subordination shall be \$500,000).

(n) The Purchaser shall have received by wire transfer to its account specified in Schedule A to the Note Purchase Agreement (or otherwise specified to the Obligors in a separate writing) a non-refundable commitment fee equal to \$5,000.

SECTION 6. REPRESENTATIONS AND WARRANTIES.

The Obligors hereby, jointly and severally, represent and warrant to the Purchaser that as of the date of execution and delivery of this Amendment and as of the Effective Date:

(a) Except as supplemented, amended or superseded by the representations and warranties set forth in Schedule B hereto, each of the representations and warranties of the Obligors set forth in Section 5 of the Current Note Purchase Agreement are true and correct in all material respects as of the date of the execution and delivery of this Amendment and as of the Effective Date (*provided* that all references to "Purchaser" therein shall be deemed to refer to the Purchaser hereunder; all references to "this Agreement" shall be deemed to refer to the Current Note Purchase Agreement as amended and supplemented by this Amendment; and all references to "Notes" therein shall be deemed to refer to the Series 2012 Notes).

¹ Depending on whether there is any additional real estate collateral, Sections 4.14, 4.15, 4.16 and 4.17 may also be excluded.

(b) After giving effect to this Amendment, there are no Defaults or Events of Default under the Note Purchase Agreement.

SECTION 7. MISCELLANEOUS.

Section 7.1. Ratification of Financing Agreements. Except as amended herein, all terms and provisions of the Current Note Purchase Agreement, each Current Collateral Document and all other Financing Agreements and all agreements and instruments related thereto are hereby ratified, confirmed and approved in all respects. If and to the extent that any of the terms or provisions of the Current Note Purchase Agreement, any Current Collateral Document or any other Financing Agreement are in conflict or inconsistent with any of the terms or provisions of this Amendment, this Amendment shall govern.

Section 7.2. References to the Financing Agreements.

(a) *Note Purchase Agreement.* Each reference in the Current Note Purchase Agreement to “this Agreement,” “hereunder,” “hereof,” or words of similar import in instruments or documents provided for in the Current Note Purchase Agreement or delivered or to be delivered thereunder or in connection therewith, shall, except where the context otherwise requires, be deemed a reference to the Note Purchase Agreement.

(b) *Notes.* Each reference in the Current Note Purchase Agreement and each other Financing Agreement, as applicable, to “the Notes” or words of similar import in instruments or documents provided for in the Current Note Purchase Agreement or delivered or to be delivered thereunder or in connection therewith, shall, except where the context otherwise requires, be deemed a reference to the Series 2011 Notes and the Series 2012 Notes.

(c) *Collateral Documents.* Each reference in the Current Note Purchase Agreement and in each other Financing Agreement, as applicable, to “the Collateral Documents” or to any one of such Collateral Documents or words of similar import in instruments or documents provided for in the Current Note Purchase Agreement or delivered or to be delivered thereunder or in connection therewith, shall, except where the context otherwise requires, be deemed a reference to the Collateral Documents (as hereby amended).

Section 7.3. Fees and Expenses of Counsel. Without limiting Section 15 of the Current Note Purchase Agreement, the Obligors jointly and severally agree to pay the additional fees and disbursements of the Purchaser’s special counsel, Chapman and Cutler LLP, incurred in connection with the negotiation, preparation, execution and delivery of this Amendment, the Series 2012 Notes, the amendments to and restatements of, as applicable, the Collateral Documents and the transactions contemplated hereby and thereby which fees and disbursements shall be reflected in the statement of such special counsel delivered to the Obligors in accordance with Section 4.6 of the Current Note Purchase Agreement.

Section 7.4. Governing Law. This Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Ohio

excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 7.5. Survival. All warranties, representations, and covenants made by the Obligor herein will be considered to have been relied upon by the Purchaser and will survive the execution and delivery of this Amendment.

Section 7.6. Successors and Assigns. This Amendment will inure to the benefit of and be binding upon the successors and assigns of each of the parties. The provisions of this Amendment for the benefit of the Purchaser are intended in all cases, whether explicitly so stated or not, to be for the benefit of all holders, from time to time, of the Notes, and will be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Amendment has been made by the Purchaser or its successors or assigns.

Section 7.7. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute but one and the same Amendment. Delivery of an executed counterpart of this Amendment by facsimile or email shall be as effective as delivery of a manually executed counterpart of this Amendment.

Section 7.8. Severability. Whenever possible, each provision of this Amendment will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Amendment unless the consummation of the transactions contemplated hereby is materially adversely affected thereby.

Section 7.9. No Novation. This Amendment shall, in no way, be deemed as a novation of the terms of the Current Note Purchase Agreement, any Current Collateral Document or the Series 2011 Notes.

Section 7.10. Further Assurances. At the Obligor's expense, the parties hereto shall execute and deliver such additional documents and take such further action as may be necessary or desirable to effectuate the provisions and purposes of this Amendment.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

Northeast Ohio Natural Gas Corp., et. al.

Omnibus Amendment, Supplement and Joinder to
Note Purchase Agreement and Collateral Documents

The execution hereof by the Purchaser shall constitute a contract among the Obligors and the Purchaser for the uses and purposes hereinabove set forth. This Amendment may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

NORTHEAST OHIO NATURAL GAS CORP., as an
Issuer

By _____
Name: Thomas J. Smith
Title: Chief Financial Officer

ORWELL NATURAL GAS COMPANY, as an Issuer

By _____
Name: Thomas J. Smith
Title: Chief Financial Officer

BRAINARD GAS CORP., as an Issuer

By _____
Name: Thomas J. Smith
Title: Chief Financial Officer

GREAT PLAINS NATURAL GAS COMPANY, as a
Guarantor

By _____
Name: Thomas J. Smith
Title: Chief Financial Officer

Northeast Ohio Natural Gas Corp., et. al.

Omnibus Amendment, Supplement and Joinder to
Note Purchase Agreement and Collateral Documents

LIGHTNING PIPELINE COMPANY, INC., as a
Guarantor

By _____
Name: Thomas J. Smith
Title: Chief Financial Officer

KIDRON PIPELINE, LLC, as a Guarantor

By _____
Name:
Title:

SPELMAN PIPELINE HOLDINGS, LLC, as a 2011
Guarantor

By _____
Name:
Title:

GAS NATURAL SERVICE COMPANY, LLC, as a
Guarantor

By _____
Name:
Title:

GAS NATURAL INC., as a Guarantor

By _____
Name: Thomas J. Smith
Title: Chief Financial Officer

Northeast Ohio Natural Gas Corp., et. al.

Omnibus Amendment, Supplement and Joinder to
Note Purchase Agreement and Collateral Documents

GAS NATURAL ENERGY SOLUTIONS, LLC, as a
Guarantor

By _____

Name:

Title:

INDEPENDENCE OIL, LLC, as a Guarantor

By _____

Name:

Title:

Northeast Ohio Natural Gas Corp., et. al.

Omnibus Amendment, Supplement and Joinder to
Note Purchase Agreement and Collateral Documents

This Amendment is hereby accepted and agreed to as of the date aforesaid.

SUN LIFE ASSURANCE COMPANY OF CANADA

By _____
Name:
Title:

By _____
Name:
Title:

INFORMATION RELATING TO PURCHASERS

[Sun Life to Confirm]

| NAME AND ADDRESS OF PURCHASER | PRINCIPAL AMOUNT OF SERIES 2012 NOTES TO BE PURCHASED |
|---|--|
| SUN LIFE ASSURANCE COMPANY OF CANADA 150 King Street West Toronto, Ontario M5H 1J9 Canada | \$4,300,000 |

Payments

All payments by bank wire transfer of immediately available funds, providing sufficient information to identify the source of the transfer, the amount of interest and/or principal and the series of Notes, to:

Destination Bank:
Wachovia Bank, N.A.
New York, New York
ABA# 026005092

Beneficiary's Bank:
Bank of Montreal
International Banking, Head Office
129 St Jacques
Montreal, Quebec
SWIFT #BOFMCAM2

Beneficiary Details:
(this information MUST be on the wire)
Account Number: 24234600338
Account Name: Sun Life Assurance Company of Canada
227 King Street South
Waterloo, Ontario N2J 4C5

Notices

All notices of payment on or in respect of the Notes and written confirmation of each such payment to be addressed to:

Sun Life Assurance Company of Canada
227 King Street South
Location: 02D22
Waterloo, Ontario N2J 4CS
Canada
Attention: Nancy Munro - Private Fixed Income

All other notices and communications (including, without limitation, all financial reports) to be addressed to:

Sun Life Assurance Company of Canada
150 King Street West
3rd Floor
Toronto, Ontario M5H 1J9
Canada
Attention: Nushi Kazemian - Private Fixed Income

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number (W8-BEN): 38-1082080

Notes should be delivered to:

Sun Life Assurance Company of Canada
227 King Street South
Location: 02D22
Waterloo, Ontario N2J 4CS
Canada
Attention: Nancy Munro - Private Fixed Income

SUPPLEMENTAL REPRESENTATIONS

The Obligors, jointly and severally, represent and warrant to the Purchaser (in each case with respect to the Financing Agreements to which it is a party or by which it is bound) that except as hereinafter set forth in this Schedule B, each of the representations and warranties set forth in Section 5 of the Current Note Purchase Agreement is true and correct in all material respects as of the date hereof with respect to the Series 2012 Notes with the same force and effect as if each reference to “Notes” set forth therein was modified to refer to the “Series 2012 Notes” and each reference to “this Agreement” therein was modified to refer to the Current Note Purchase Agreement as amended and supplemented by the Amendment. The Section references hereinafter set forth correspond to the similar sections of the Current Note Purchase Agreement which are supplemented hereby:

Section 5.3. Disclosure. The Parent has made available to the Purchaser, through its public filings, [the Parent’s Annual Report on Form 10-K for the year ended December 31, 2009, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, the Parent’s Definitive Proxy Statements for the 2010 and 2009 Annual Meetings of the Parent’s stockholders (the 2009 Definitive Proxy Statement dated September 17, 2009 relates to the acquisition by the Parent of the Issuers), the Parent’s Current Report on Form 8-K dated January 5, 2010 (related to the acquisition of the Issuers), the Parent’s Current Reports on Form 8-K dated August 13, 2010, the Parent’s Current Reports on Form 8-K dated August 20, 2010, the Parent’s Current Reports on Form 8-K dated August 27, 2010 and the Parent’s Current Reports on Form 8-K dated September 29, 2010, each of which has been filed with the SEC under the Securities Exchange Act of 1934, as amended (such reports being collectively referred to herein as the “**SEC Reports**”). In addition, the Issuers have delivered to Purchaser the Issuers’ unaudited financial statements for the quarter ended June 30, 2010 (the “**Issuer Financial Statements**”).]² This Agreement, the Memorandum, the SEC Reports, the Issuer Financial Statements and such other documents, certificates or other writings delivered to the Purchaser prior to the date of this Agreement and identified in Schedule 5.3 to this Amendment are referred to, collectively, herein as the “**Disclosure Documents**.” The Disclosure Documents, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2010, there has been no change in the financial condition, operations, business, properties or prospects of the Parent or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to any Obligor that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 to this Amendment contains (except as noted therein) complete and correct lists (i) of the Parent’s Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity

² To be updated.

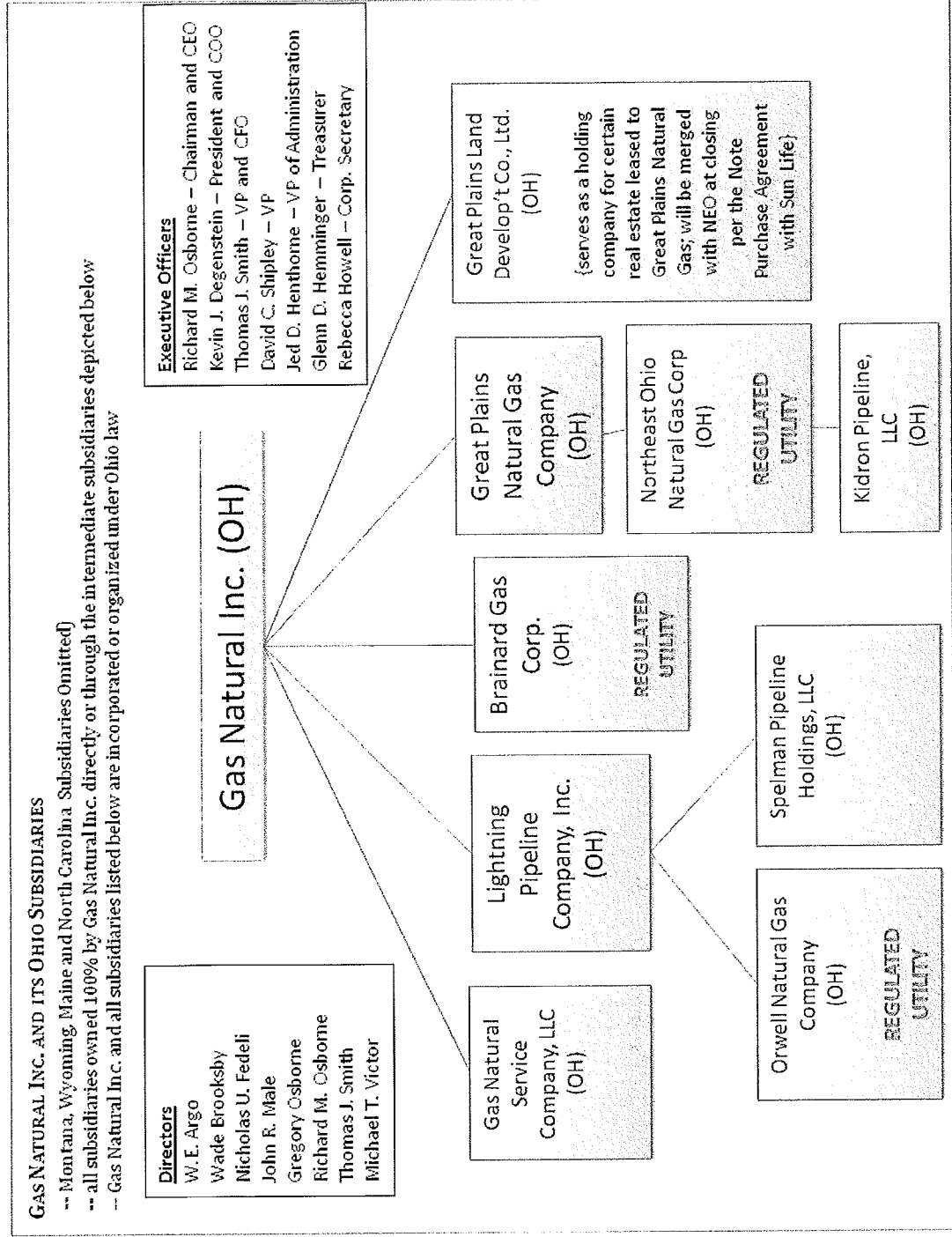
interests outstanding owned by the Parent and each other Subsidiary, (ii) of the Parent's Affiliates, other than Subsidiaries, and (iii) of the Parent's directors and executive officers.

Section 5.14. Use of Proceeds; Margin Regulations. The Issuers will apply the proceeds of the sale of the Series 2012 Notes to finance capital expenditures, as more specifically described on Schedule 5.14 to this Amendment. No part of the proceeds from the sale of the Series 2012 Notes pursuant to the Amendment will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Parent in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 5.0% of the value of the consolidated assets of the Parent and its Subsidiaries and the Parent does not have any present intention that margin stock will constitute more than 5.0% of the value of such assets. As used in this Section, the terms **"margin stock"** and **"purpose of buying or carrying"** shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Debt; Future Liens. (a) Schedule 5.15 to the Amendment sets forth a complete and correct list of all outstanding Indebtedness of the Parent and its Subsidiaries as of [September 30][December 31], 2011, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Parent or its Subsidiaries. Neither the Parent nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Parent or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Parent or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

[Add any additional Sections as appropriate at the time the Series _____ Notes are issued]³

SUBSIDIARIES OF THE COMPANY AND OWNERSHIP OF SUBSIDIARY STOCK **[COMPANY TO UPDATE]**



Affiliates:

Richard M. Osborne is the Parent's Chairman and Chief Executive Officer and may be considered an Affiliate of Parent. The Richard M. Osborne Trust is a significant shareholder of Parent and may be considered an Affiliate of Parent. Mr. Osborne is the sole trustee of the Osborne trust. Mr. Osborne is a direct or indirect owner, officer or principal of numerous businesses.

Parent's directors and executive officers:

| Name | Position |
|---------------------|---|
| W.E. 'Gene' Argo | Director |
| Wade F. Brooksby | Director |
| Nicholas U. Fedeli | Director |
| John R. Male | Director |
| Gregory J. Osborne | Director |
| Richard M. Osborne | Chief Executive Officer, Chairman of the Board and Director |
| Thomas J. Smith | Chief Financial Officer and Director |
| Michael T. Victor | Director |
| Kevin J. Degenstein | President and Chief Operating Officer |
| Glenn D. Hemminger | Director of Finance and Treasurer |
| Jed D. Henthorne | Vice President of Administration |
| David C. Shipley | Vice President of Operations |

[FORM OF NOTE]

NORTHEAST OHIO NATURAL GAS CORP.
ORWELL NATURAL GAS COMPANY
BRAINARD GAS CORP.

___% SENIOR SECURED GUARANTEED NOTE, SERIES 2012, DUE JUNE 1, 2017

No. [_____]
US\$4,300,000

[Date]
PPN _____

FOR VALUE RECEIVED, the undersigned, NORTHEAST OHIO NATURAL GAS CORP., a corporation organized and existing under the laws of the State of Ohio, ORWELL NATURAL GAS CO., a corporation organized and existing under the laws of the State of Ohio, and BRAINARD GAS CORP., a corporation organized and existing under the laws of the State of Ohio (the aforementioned, collectively, being referred to as the “**Issuers**”), hereby jointly and severally promise to pay to SUN LIFE ASSURANCE COMPANY OF CANADA, or registered assigns, the principal sum of US\$4,300,000 DOLLARS (or so much thereof as shall not have been prepaid) on June 1, 2017, with interest (compounded semiannually and computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of ___% per annum from the date hereof, payable monthly, on the third day of each month in each year, and at maturity commencing with the third day of the month next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) [coupon + 2]% or (ii) 2.00% over the rate of interest publicly announced by Keybank National Association from time to time in Cleveland, Ohio as its “base” or “prime” rate, payable monthly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Keybank National Association in Cleveland, Ohio or at such other place as the Issuers shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Secured Guaranteed Notes (herein called the “**Notes**”) issued pursuant to the Note Purchase Agreement dated as of November 1, 2010, as amended by the First Amendment to Note Purchase Agreement dated as of May 3, 2011 and by the Omnibus Amendment, Supplement and Joinder to Note Purchase Agreement and Collateral Documents dated as of _____, 2012 (as so amended and as from time to time further amended, supplemented and modified the “**Note Purchase Agreement**”), between the Issuers,

EXHIBIT 1

(to Omnibus Amendment, Supplement and Joinder)

the other Obligor named therein and the Purchaser named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note and the obligations of the Issuers hereunder and the obligations of the Issuers under the Financing Agreements are guaranteed pursuant to the Guarantee Agreement of the 2012 Notes Guarantors and the obligations of the 2012 Notes Obligor under the Financing Agreements, including, this Note, are secured by the Collateral Documents, all in accordance with and pursuant to the terms and provisions of the Financing Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Issuers may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Issuers will not be affected by any notice to the contrary.

The Issuers will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Issuers and the holder of this Note shall be governed by, the law of the State of Ohio excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NORTHEAST OHIO NATURAL GAS CORP.

By _____
Name: _____
Title: _____

ORWELL NATURAL GAS COMPANY

By _____
Name: _____
Title: _____

BRAINARD GAS CORP.

By _____
Name: _____
Title: _____

EXHIBIT 2
2010 – 2011 BALANCE SHEETS

Brainard Gas Corp.
Summary Balance Sheet
As of Dec. 31, 2010

(Unaudited)

ASSETS:

PROPERTY, PLANT & EQUIPMENT

| | |
|--|---------------------|
| Main Lines, Meters, Stations & Eqpm | \$503,205.64 |
| Accumulated Depreciation & Amortization | (80,215.39) |
| Net Plant | \$422,990.25 |
| Construction Work in Process | \$7,735.56 |
| Total Property, Plant & Equipment | \$430,725.81 |

CURRENT ASSETS:

| | |
|--------------------------------------|---------------------|
| Cash | \$2,568.86 |
| Trade Accounts Receivable | 80,300.87 |
| Provision for Uncollectible Accounts | (5,219.83) |
| Related Party Receivables | 37.41 |
| Gas Owed to System | 14,833.50 |
| Prepayments | 4.45 |
| Unrecovered Gas Cost | 24,754.10 |
| Deferred Tax Asset - Current | 1,977.00 |
| Total Current Assets | \$119,256.36 |

DEFERRED CHARGES & OTHER ASSETS:

| | |
|--|---------------------|
| Deferred Tax Asset - Long Term | \$60,386.00 |
| Goodwill - Acquisition Adjustment | 126,272.92 |
| Total Deferred Charges & Other Assets | \$186,658.92 |

TOTAL ASSETS

\$736,641.09

LIABILITIES & SHAREHOLDER'S EQUITY

SHAREHOLDER'S EQUITY:

| | |
|-----------------------------------|---------------------|
| Common Stock | \$500.00 |
| Paid-In-Capital | 136,529.00 |
| Retained Earnings (Loss) Current | 53,146.51 |
| TOTAL SHAREHOLDER'S EQUITY | \$190,175.51 |

CURRENT LIABILITIES:

| | |
|--------------------------------------|---------------------|
| Current Maturities of Long Term Debt | \$49,360.65 |
| Trade Accounts Payable | 4,614.39 |
| Gas Accounts Payable | 25,287.88 |
| Budget Bal Owed to Customers | 3,594.84 |
| Customer Deposits | 3,585.00 |
| Related Party Payables | 236,894.60 |
| Accrued Taxes Payable | 36,344.39 |
| Accrued Gross Receipts Tax | 18,866.69 |
| Asset Retirement Obligation | 11,785.66 |
| Accrued Liabilities | 12,722.48 |
| Total Current Liabilities | \$403,056.58 |

DEFERRED CREDITS:

| | |
|-------------------------------|---------------------|
| Deferred Taxes | \$143,409.00 |
| Total Deferred Credits | \$143,409.00 |

TOTAL LIABILITIES

\$546,465.58

TOTAL LIABILITIES & SHAREHOLDER'S EQUITY

\$736,641.09

Brainard Gas Corp.
Summary Balance Sheet
As of December 31, 2011

(Unaudited)

ASSETS:

PROPERTY, PLANT & EQUIPMENT

| | |
|---|---------------------|
| Main Lines, Meters, Stations & Eqpm | \$500,499.63 |
| Accumulated Depreciation & Amortization | (82,025.11) |
| Net Plant | <u>\$418,474.52</u> |

| | |
|------------------------------|--------------------|
| Construction Work in Process | <u>\$16,452.63</u> |
|------------------------------|--------------------|

Total Property, Plant & Equipment **\$434,927.15**

CURRENT ASSETS:

| | |
|--------------------------------------|---------------------------|
| Cash | \$1,094.17 |
| Trade Accounts Receivable | 59,833.67 |
| Provision for Uncollectible Accounts | (1,041.00) |
| Other Accounts Receivable | 0.00 |
| Related Party Receivables | 665.96 |
| Gas Owed to System | 22,910.55 |
| Prepayments | 0.00 |
| Unrecovered Gas Cost | (22,367.07) |
| Deferred Tax Asset - Current | <u>5,762.00</u> |
| Total Current Assets | <u>\$66,858.28</u> |

DEFERRED CHARGES & OTHER ASSETS:

| | |
|--|----------------------------|
| Deferred Tax Asset - Long Term | \$868.00 |
| Goodwill - Acquisition Adjustment | 126,272.92 |
| Intangibles | 11,583.03 |
| Amortization Expense - Intangibles | <u>(11,583.03)</u> |
| Total Deferred Charges & Other Assets | <u>\$127,140.92</u> |

TOTAL ASSETS **\$628,926.35**

LIABILITIES & SHAREHOLDER'S EQUITY

SHAREHOLDER'S EQUITY:

| | |
|----------------------------------|------------------|
| Common Stock | \$500.00 |
| Paid-In-Capital | 149,176.30 |
| Retained Earnings (Prior) | 53,146.51 |
| Retained Earnings (Loss) Current | <u>64,471.33</u> |

TOTAL SHAREHOLDER'S EQUITY **\$267,294.14**

CURRENT LIABILITIES:

| | |
|----------------------------------|----------------------------|
| Trade Accounts Payable | 5,745.50 |
| Gas Accounts Payable | 30,846.94 |
| Budget Bal Owed to Customers | 2,624.68 |
| Customer Deposits | 3,435.00 |
| Related Party Payables | 93,082.16 |
| Accrued Taxes Payable | 10,685.21 |
| Accrued Gross Receipts Tax | 21,673.83 |
| Asset Retirement Obligation | 14,156.86 |
| Accrued Liabilities | <u>4.53</u> |
| Total Current Liabilities | <u>\$182,254.71</u> |

LONG TERM DEBT:

| | |
|--|---------------------------|
| Notes Payable - Sun Life Assurance Co. | <u>\$52,974.54</u> |
| Total Long Term Debt | <u>\$52,974.54</u> |

DEFERRED CREDITS:

| | |
|-------------------------------|----------------------------|
| Deferred Taxes | <u>\$126,402.96</u> |
| Total Deferred Credits | <u>\$126,402.96</u> |

TOTAL LIABILITIES **\$308,657.67**

TOTAL LIABILITIES & SHAREHOLDER'S EQUITY **\$628,926.35**

Northeast Ohio Natural Gas Corp.
Summary Balance Sheet
Year to Date Balance Sheet As of 12/31/10

(Unaudited)

ASSETS

PROPERTY, PLANT & EQUIPMENT

| | |
|--|------------------------|
| Land and Land Rights | \$210,340.76 |
| Main Lines, Meters, Stations & Eqpmt | 23,935,512.36 |
| Construction Eqpmt & Tools | 801,556.87 |
| Vehicles | 1,044,133.48 |
| Furniture & Fixtures | 192,692.61 |
| Accumulated Depreciation | (9,975,158.17) |
| Net Plant | <u>\$16,209,077.91</u> |
| Construction Work in Process | <u>\$1,382,194.53</u> |
| Total Property, Plant & Equipment | \$17,591,272.44 |

CURRENT ASSETS

| | |
|---------------------------------|------------------------|
| Cash | \$369,935.27 |
| Trade Accounts Receivable | 3,240,038.84 |
| Other Accounts Receivable | 24,496.47 |
| Related Party Receivables | 5,743,297.75 |
| Inventory, Materials & Supplies | 194,057.45 |
| Inventory, Gas Storage | 205,030.00 |
| Prepayments | 191,249.14 |
| Investment in Kidron Pipeline | 105,078.29 |
| Unrecovered Gas Cost | <u>1,761,366.00</u> |
| Total Current Assets | \$11,834,549.21 |

Acquisition Adjustment \$2,106,946.24

DEFERRED CHARGES & OTHER ASSETS

| | |
|--|---------------------|
| Other Assets | \$1,254.00 |
| Customer Relationships, Net | <u>618,666.65</u> |
| Total Deferred Charges & Other Assets | \$619,920.65 |

TOTAL ASSETS \$32,152,688.54

LIABILITIES & SHAREHOLDER'S EQUITY

SHAREHOLDER'S EQUITY

| | |
|-----------------------------------|------------------------|
| Common Stock | \$591,500.00 |
| Paid-In-Capital | 11,137,015.00 |
| Dividends Paid | (712,380.00) |
| Retained Earnings (Loss) Current | <u>2,074,609.92</u> |
| TOTAL SHAREHOLDER'S EQUITY | \$13,090,744.92 |

CURRENT LIABILITIES

| | |
|--------------------------------------|------------------------|
| Notes Payable | \$3,100,000.00 |
| Current Maturities of Long Term Debt | 620,901.65 |
| Trade Accounts Payable | 827,050.32 |
| Gas Accounts Payable | 1,097,721.40 |
| Budget Bal Owed to Customers | 696,306.24 |
| Customer Deposits | 130,273.05 |
| Related Party Payables | 4,228,325.53 |
| Accrued Taxes Payable | 421,609.38 |
| Accrued Gross Receipts Tax | 878,613.84 |
| Accrued Liabilities | <u>900,979.88</u> |
| Total Current Liabilities | \$12,901,781.29 |

LONG TERM DEBT

| | |
|-----------------------------|-----------------------|
| Long Term Debt | <u>\$6,160,162.33</u> |
| Total Long Term Debt | \$6,160,162.33 |

TOTAL LIABILITIES \$19,061,943.62

TOTAL LIABILITIES & SHAREHOLDER'S EQUITY \$32,152,688.54

Northeast Ohio Natural Gas Corp.
Summary Balance Sheet
As of December 31, 2011

(Unaudited)

ASSETS

PROPERTY, PLANT & EQUIPMENT

| | |
|--|------------------------|
| Land and Land Rights | \$1,195,696.95 |
| Buildings | 1,733,930.00 |
| Main Lines, Meters, Stations & Eqpmt | 25,841,200.20 |
| Construction Eqpmt & Tools | 829,038.51 |
| Vehicles | 1,062,575.87 |
| Furniture & Fixtures | 199,843.17 |
| Accumulated Depreciation | (10,898,864.37) |
| Net Plant | <u>\$19,963,420.33</u> |
| Construction Work in Process | \$692,803.88 |
| Customer Construction Advances | |
| Total Property, Plant & Equipment | \$20,656,224.21 |

CURRENT ASSETS

| | |
|---------------------------------|------------------------|
| Cash | \$395,477.89 |
| Restricted Cash-CAPEX | 319,776.82 |
| Restricted Cash-Other | 826,121.46 |
| Trade Accounts Receivable | 2,003,119.42 |
| Other Accounts Receivable | 23,138.17 |
| Related Party Receivables | 4,954,257.61 |
| Gas Owed to System Gas | 34,592.43 |
| Inventory, Materials & Supplies | 240,873.11 |
| Inventory, Gas Storage | 517,668.00 |
| Prepayments | 86,899.13 |
| Investment in Kidron Pipeline | 105,078.29 |
| Unrecovered Gas Cost | 1,793,755.55 |
| Total Current Assets | \$11,300,757.88 |

| | |
|------------------------|----------------|
| Acquisition Adjustment | \$2,586,766.67 |
|------------------------|----------------|

DEFERRED CHARGES & OTHER ASSETS

| | |
|--|---------------------|
| Other Assets | \$1,254.00 |
| Customer Relationships, Net | 597,333.29 |
| Intangibles - Debt Issuance | 398,885.75 |
| Intangibles - Other | 67,556.33 |
| Amortization Expense | (82,644.95) |
| Total Deferred Charges & Other Assets | \$982,384.42 |

TOTAL ASSETS \$35,526,133.18

LIABILITIES & SHAREHOLDER'S EQUITY

SHAREHOLDER'S EQUITY

| | |
|-----------------------------------|------------------------|
| Common Stock | \$591,500.00 |
| Paid-In-Capital | 16,639,836.34 |
| Dividends Paid | (1,897,492.92) |
| Retained Earnings (Prior) | 2,223,584.01 |
| Retained Earnings (Loss) Current | 324,345.95 |
| TOTAL SHAREHOLDER'S EQUITY | \$17,881,773.38 |

CURRENT LIABILITIES

| | |
|----------------------------------|-----------------------|
| Trade Accounts Payable | \$552,912.58 |
| Gas Accounts Payable | 1,082,491.01 |
| Budget Bal Owed to Customers | 802,390.40 |
| Customer Deposits | 117,819.00 |
| Related Party Payables | 1,594,041.55 |
| Accrued Taxes Payable | 422,265.75 |
| Accrued Gross Receipts Tax | 972,502.92 |
| Accrued Liabilities | 230,975.83 |
| Total Current Liabilities | \$5,775,399.04 |

LONG TERM DEBT

| | |
|-----------------------------|------------------------|
| Long Term Debt | <u>\$11,868,960.76</u> |
| Total Long Term Debt | \$11,868,960.76 |

TOTAL LIABILITIES \$17,644,359.80

TOTAL LIABILITIES & SHAREHOLDER'S EQUITY \$35,526,133.18

0.00

Orwell Natural Gas
Summary Balance Sheet
For the Year Ended Dec. 31, 2010

(Unaudited)

ASSETS:

PROPERTY, PLANT & EQUIPMENT:

| | |
|--|------------------------|
| Pipeline, Stations, and Services | \$12,800,883.70 |
| Customer Meters | 1,428,827.41 |
| Equipment | 433,418.80 |
| Vehicles | 436,847.56 |
| Land/Building/ Leasehold Improvements | 101,754.89 |
| Furniture & Fixtures | 261,841.11 |
| Accumulated Depreciation | (4,152,571.98) |
| Net Plant | \$11,311,001.49 |
| Construction Work in Process | \$214,680.23 |
| Total Property, Plant & Equipment | \$11,525,681.72 |

INVESTMENT IN SUBSIDIARIES 316,632.14

CURRENT ASSETS:

| | |
|--------------------------------------|-----------------------|
| Cash | \$137,768.75 |
| Trade Accounts Receivable | 1,662,876.51 |
| Other Accounts Receivable | 120,690.04 |
| Related Party Receivables | 1,278,929.31 |
| Provision for Uncollectable Accounts | (1,541.63) |
| Gas Imbalance | 0.00 |
| Inventory, Materials & Supplies | 247,844.09 |
| Inventory, Store | 34,594.80 |
| Prepayments & Other Current Assets | 82,531.43 |
| Unrecovered Gas Cost | (974,860.39) |
| Current Portion of Note Receivable | 9,564.81 |
| Total Current Assets | \$2,598,397.72 |

DEFERRED CHARGES & OTHER ASSETS:

| | |
|--|---------------------|
| Franchise Rights | \$3,988.75 |
| Notes Receivable | 45,664.73 |
| Other Assets | 1,000.00 |
| Customer Relationships | 43,500.00 |
| Goodwill | 592,135.64 |
| Total Deferred Charges & Other Assets | \$686,289.12 |

TOTAL ASSETS **\$15,127,000.70**

LIABILITIES & SHAREHOLDER'S EQUITY:

SHAREHOLDER'S EQUITY:

| | |
|-----------------------------------|-----------------------|
| Common Stock | \$467,667.00 |
| Paid-In-Capital | 5,033,658.13 |
| Dividends Paid | (209,580.00) |
| Retained Earnings (Loss) Current | (534,982.49) |
| Total Shareholder's Equity | \$4,756,762.64 |

CURRENT LIABILITIES:

| | |
|--------------------------------------|-----------------------|
| Current Maturities of Long Term Debt | \$49,595.26 |
| Trade Accounts Payable | 301,060.53 |
| A/P Gas | 655,523.98 |
| Related Party Payables | 7,517,383.51 |
| A/P Pipeline Imbalance | 34,352.00 |
| Budget Balance Owed to Customers | 210,367.23 |
| Customer Deposits | 35,720.00 |
| Accrued Taxes Payable | 314,538.73 |
| Accrued Gross Receipts Tax | 430,903.84 |
| Accrued Liabilities | 95,666.11 |
| Total Current Liabilities | \$9,645,111.19 |

LONG TERM DEBT:

| | |
|-----------------------------|---------------------|
| Long Term Debt | \$169,180.17 |
| Total Long Term Debt | \$169,180.17 |

DEFERRED CREDITS:

| | |
|------------------------------------|---------------------|
| Deferred Tax Liability - Long Term | \$555,946.70 |
| Asset Retirement Obligation | \$555,946.70 |
| Total Deferred Credits | \$555,946.70 |

TOTAL LIABILITIES **\$10,370,238.06**

TOTAL LIABILITIES & SHAREHOLDER'S EQUITY **\$15,127,000.70**

Orwell Natural Gas
Summary Balance Sheet
As of December 31, 2011

(Unaudited)

ASSETS:

PROPERTY, PLANT & EQUIPMENT:

| | |
|---------------------------------------|------------------------|
| Pipeline, Stations, and Services | \$14,216,297.45 |
| Customer Meters | 1,626,355.08 |
| Equipment | 527,323.71 |
| Vehicles | 564,936.51 |
| Land/Building/ Leasehold Improvements | 104,984.89 |
| Furniture & Fixtures | 272,756.76 |
| Accumulated Depreciation | (4,517,914.08) |
| Net Plant | \$12,794,740.32 |

| | |
|--|------------------------|
| Construction Work in Process | \$1,532,951.31 |
| Total Property, Plant & Equipment | \$14,327,691.63 |

| | |
|-----------------------------------|---------------------|
| INVESTMENT IN SUBSIDIARIES | \$316,632.14 |
|-----------------------------------|---------------------|

CURRENT ASSETS:

| | |
|--------------------------------------|-----------------------|
| Cash | \$67,064.73 |
| Restricted Cash | \$339,354.38 |
| Trade Accounts Receivable | 1,356,107.38 |
| Other Accounts Receivable | |
| Related Party Receivables | 245,506.93 |
| Intercompany Receivables | 825,509.61 |
| Provision for Uncollectable Accounts | (45,790.48) |
| Gas Imbalance | 145,617.35 |
| Inventory, Materials & Supplies | 386,113.33 |
| Inventory, Store | 36,704.07 |
| Prepayments & Other Current Assets | 75,577.66 |
| Unrecovered Gas Cost | (1,201,619.58) |
| Current Portion of Note Receivable | 10,256.24 |
| Total Current Assets | \$2,240,401.62 |

DEFERRED CHARGES & OTHER ASSETS:

| | |
|--|---------------------|
| Franchise Rights | \$1,329.43 |
| Notes Receivable | 35,408.49 |
| Other Assets | 1,000.00 |
| Other Assets - Intangibles | 166,589.19 |
| Customer Relationships | 42,000.00 |
| Goodwill | 592,135.64 |
| Total Deferred Charges & Other Assets | \$838,462.75 |

| | |
|---------------------|------------------------|
| TOTAL ASSETS | \$17,723,188.14 |
|---------------------|------------------------|

LIABILITIES & SHAREHOLDER'S EQUITY:

SHAREHOLDER'S EQUITY:

| | |
|-----------------------------------|------------------------|
| Common Stock | \$467,667.00 |
| Paid-In-Capital | 11,512,963.68 |
| Dividends Paid | (655,172.04) |
| Retained Earnings (Prior) | (534,982.49) |
| Retained Earnings (Loss) Current | 457,685.62 |
| Total Shareholder's Equity | \$11,248,161.77 |

CURRENT LIABILITIES:

| | |
|-----------------------------------|-----------------------|
| Trade Accounts Payable | \$151,648.79 |
| Current Portion of Long Term Debt | \$7,885.48 |
| A/P Gas | 660,276.88 |
| Related Party Payables | 120,792.49 |
| Intercompany Payables | 1,723,862.36 |
| A/P Pipeline Imbalance | |
| Budget Balance Owed to Customers | 306,819.76 |
| Customer Deposits | 42,420.00 |
| Accrued Taxes Payable | 276,529.62 |
| Accrued Gross Receipts Tax | 477,602.33 |
| Accrued Liabilities | 65,062.00 |
| Total Current Liabilities | \$3,832,899.71 |

LONG TERM DEBT:

| | |
|-----------------------------|-----------------------|
| Long Term Debt | \$1,999,083.39 |
| Total Long Term Debt | \$1,999,083.39 |

DEFERRED CREDITS:

| | |
|-------------------------------|---------------------|
| Asset Retirement Obligation | \$643,043.27 |
| Total Deferred Credits | \$643,043.27 |

| | |
|--------------------------|-----------------------|
| TOTAL LIABILITIES | \$6,475,026.37 |
|--------------------------|-----------------------|

| | |
|---|------------------------|
| TOTAL LIABILITIES & SHAREHOLDER'S EQUITY | \$17,723,188.14 |
|---|------------------------|

EXHIBIT 3
2010 – 2011 INCOME STATEMENTS

Brainard Gas Corp.
Income Statement
For the 12 Months Ended December 31, 2010

(Unaudited)

OPERATING REVENUE

UTILITY REVENUE:

| | |
|--------------------------------|------------------|
| Gas Sales Residential | \$27,876 |
| Gas Sales Commercial | 148,036 |
| Transmission of Gas | 128,678 |
| Service Fees | 10,697 |
| Other Misc Sales | 786 |
| Total Operating Revenue | \$316,073 |

COST OF GAS SOLD:

| | |
|-------------------------------|-----------------|
| Purchased Gas Cost | \$183,013 |
| Purchased Gas Cost - Deferred | (93,627) |
| Total Cost of Gas Sold | \$89,385 |

GROSS MARGIN **\$226,688**

OPERATING EXPENSES:

| | |
|---------------------------------|------------------|
| Management Fee | 96,000 |
| Operations Expense | 17,965 |
| Depreciation & Amortization | 16,716 |
| Gross Receipts Tax | 825 |
| Personal Property Tax | 9,222 |
| General Taxes | 1,436 |
| Total Operating Expenses | \$142,164 |

INCOME (LOSS) FROM OPERATIONS **\$84,524**

Interest & Related Charges

| | |
|---|----------------|
| Interest Expense ST Debt | \$1,608 |
| Loan Fees & Organization Fees | |
| Total Interest & Related Charges | \$1,608 |

INCOME (LOSS) BEFORE TAX EXPENSE **\$82,917**

| | |
|---------------------------------------|-----------------|
| Income Tax Expense | 24,919 |
| Provision for Income Taxes - Deferred | 4,851 |
| | \$29,770 |

NET INCOME (LOSS) **\$53,147**

Brainard Gas Corp.
Summary Income Statement
For The 12 Months Ended 12/31/11

(Unaudited)

UTILITY REVENUE:

| | |
|------------------------------|---------------------|
| Gas Sales Residential | \$46,081.95 |
| Gas Sales Commercial | 242,275.17 |
| Transmission of Gas | 130,734.97 |
| Service Fees | 11,131.40 |
| Other Misc Sales | 1,142.24 |
| Total Utility Revenue | \$431,365.73 |

COST OF GAS:

| | |
|-------------------------------|---------------------|
| Purchased Gas Cost | \$164,771.01 |
| Purchased Gas Cost - Deferred | 47,121.17 |
| Total Cost of Gas | \$211,892.18 |

GROSS MARGIN

\$219,473.55

Gross Margin Percentage

50.88%

OPERATING EXPENSES:

| | |
|---------------------------------|---------------------|
| Management Fee | \$96,000.00 |
| Operations Expense | 31,820.44 |
| Corporate Overheads | 15,438.77 |
| Depreciation & Amortization | 16,271.94 |
| Maintenance Expense | 114.62 |
| Gross Receipts Tax | 313.91 |
| Personal Property Tax | 9,173.54 |
| General Taxes | 344.03 |
| Total Operating Expenses | \$169,477.25 |

INCOME (LOSS) FROM OPERATIONS

\$49,996.30

Loss on Disposal of Property

\$2,592.01

Other Expense (Income)

(251.74)

Total Other Expense (Income)

\$2,340.27

Interest & Related Charges:

Interest Expense ST Debt

\$1,755.57

Total Interest & Related Charges

\$1,755.57

INCOME (LOSS) BEFORE TAX EXPENSE

\$45,900.46

Income Tax Expense

(18,570.87)

Total Taxes

(\$18,570.87)

NET INCOME (LOSS)

\$64,471.33

Northeast Ohio Natural Gas Corp.**Summary Income Statement****For the Year Ended 12/31/10**

(Unaudited)

| UTILITY REVENUE: | Year to Date |
|---|-----------------------|
| Gas Sales Residential | \$9,882,647.80 |
| Gas Sales Commercial | 4,337,109.09 |
| Gas Sales Industrial | 462,586.36 |
| Service Charges | 1,260,781.78 |
| Transmission of Gas | 548,589.93 |
| Other Miscellaneous Revenue | 219,288.41 |
| Total Utility Revenue | \$16,711,003.37 |
| Purchased Gas Cost - City Gate | \$11,753,901.40 |
| Deferred Gas Cost | (2,453,046.44) |
| Purchased Gas Expenses | 71,368.69 |
| Encroachment Gas Cost | 89,467.20 |
| PURCHASED GAS COST | \$9,461,690.85 |
| GROSS MARGIN | \$7,249,312.52 |
| GROSS MARGIN PERCENTAGE | 43.38% |
| OPERATING EXPENSES: | |
| Direct Labor | \$2,065,804.80 |
| Accrued Benefits | 131,763.45 |
| Capitalized Labor | (356,619.45) |
| Operations Expense | 1,305,883.85 |
| Corporate Overhead | 479,511.33 |
| Maintenance Expense | 185,119.26 |
| Depreciation & Amortization | 968,597.09 |
| Amortization-Customer Relationships | 21,333.35 |
| Gross Receipts Tax | 26,664.72 |
| Personal Property Tax | 155,668.12 |
| General Taxes | 28,466.44 |
| Total Operating Expenses | \$5,012,192.96 |
| INCOME (LOSS) FROM OPERATIONS | \$2,237,119.56 |
| OTHER INCOME & EXPENSES | |
| Material Sales Revenue | \$71,140.95 |
| Other Inc Anchor Hocking | 70,000.02 |
| Gain/Loss on Disposal of Property | (9,873.19) |
| Non Op Inc | 211,872.07 |
| Non Op Exp | (5,781.67) |
| Total Other Income & (Expenses) | \$337,358.18 |
| Interest & Related Charges | |
| Interest Expense ST Debt | \$500,459.60 |
| Interest Expense & Late Fees | 4,338.02 |
| Penalties | (4,929.80) |
| Total Interest & Related Charges | \$499,867.82 |
| INCOME (LOSS) BEFORE TAX EXPENSE | \$2,074,609.92 |
| Income Tax Expense | |
| NET INCOME (LOSS) | \$2,074,609.92 |

Northeast Ohio Natural Gas Corp.
Summary Income Statement
For The 12 Months Ended 12/31/11

(Unaudited)

UTILITY REVENUE:

| | |
|------------------------------|------------------------|
| Gas Sales Residential | \$9,261,341.03 |
| Gas Sales Commercial | 5,330,640.41 |
| Gas Sales Industrial | 485,057.51 |
| Service Charges | 1,467,430.20 |
| Transmission of Gas | 532,533.96 |
| Other Miscellaneous Revenue | 95,345.87 |
| Total Utility Revenue | \$17,172,348.98 |

| | |
|--------------------------------|------------------------|
| Purchased Gas Cost - City Gate | \$10,610,099.15 |
| Deferred Gas Cost | (32,389.55) |
| Purchased Gas Expenses | 102,858.28 |
| Encroachment Gas Cost | 204,369.57 |
| PURCHASED GAS COST | \$10,884,937.45 |

| | |
|--------------------------------|-----------------------|
| GROSS MARGIN | \$6,287,411.53 |
| GROSS MARGIN PERCENTAGE | 36.61% |

OPERATING EXPENSES:

| | |
|-------------------------------------|-----------------------|
| Direct Labor | \$1,779,432.53 |
| Accrued Benefits | 382,575.66 |
| Capitalized Labor | (559,460.00) |
| Operations Expense | 1,436,660.03 |
| Corporate Overhead | 916,521.01 |
| Maintenance Expense | 194,408.97 |
| Depreciation & Amortization | 1,070,830.61 |
| Amortization-Customer Relationships | 52,211.03 |
| Gross Receipts Tax | 55,945.71 |
| Personal Property Tax | 309,460.25 |
| General Taxes | 25,823.72 |
| Total Operating Expenses | \$5,664,409.52 |

| | |
|--------------------------------------|---------------------|
| INCOME (LOSS) FROM OPERATIONS | \$623,002.01 |
|--------------------------------------|---------------------|

OTHER INCOME & EXPENSES

| | |
|--|---------------------|
| Material Sales Revenue | \$23,594.45 |
| Other Inc Anchor Hocking | 67,743.71 |
| Gain/Loss on Disposal of Property | 23,242.53 |
| Interest Income | 5,959.57 |
| Non Op Inc | 199,144.77 |
| Non Op Exp | 8,406.41 |
| Total Other Income & (Expenses) | \$328,091.44 |

Interest & Related Charges

| | |
|---|---------------------|
| Interest Expense ST Debt | \$566,357.12 |
| Interest Expense & Late Fees | 15,571.89 |
| Amortization of Debt Issuance Costs | 44,818.49 |
| Total Interest & Related Charges | \$626,747.50 |

| | |
|---|---------------------|
| INCOME (LOSS) BEFORE TAX EXPENSE | \$324,345.95 |
|---|---------------------|

| | |
|--------------------------|---------------------|
| Income Tax Expense | |
| NET INCOME (LOSS) | \$324,345.95 |

(0.00)

Orwell Natural Gas
Summary Income Statement
For the Year Ended 12/31/10

(Unaudited)

UTILITY REVENUE:

| | |
|------------------------------|-----------------------|
| Gas Sales Residential | \$5,043,488.00 |
| Gas Sales Commercial | 2,117,292.04 |
| Gas Sales Industrial | 37,613.30 |
| Transmission of Gas | 512,278.05 |
| Other Misc Sales | 24,405.87 |
| Service Fees | 769,242.01 |
| Volume Bank Revenue | 1,437.42 |
| Total Utility Revenue | \$8,505,756.69 |

| | |
|---------------------------------|-----------------------|
| Purchased Gas | \$5,935,947.49 |
| Deferred Gas Cost | 5,465.51 |
| Purchased Gas Expense | 10,182.54 |
| Total Purchased Gas Cost | \$5,951,595.54 |

| | |
|-----------------------------|-----------------------|
| GROSS MARGIN | \$2,554,161.15 |
| GROSS MARGIN PERCENT | 30.03% |

OPERATING EXPENSES:

| | |
|-------------------------------------|-----------------------|
| Salaries & Benefits | \$1,251,331.61 |
| Capitalized Labor | (381,803.53) |
| Professional Fees | 120,168.04 |
| Repairs & Maintenance | 102,063.96 |
| Operations Expenses | 811,682.31 |
| Corporate Overhead | 267,589.22 |
| Depreciation & Amortization | 521,880.01 |
| Amortization-Customer Relationships | 1,500.00 |
| State & Local Taxes | 263,904.30 |
| Gross Receipts Tax | (32,714.04) |
| Total Operating Expenses | \$2,925,601.88 |

| | |
|--------------------------------------|-----------------------|
| INCOME (LOSS) FROM OPERATIONS | (\$371,440.73) |
|--------------------------------------|-----------------------|

STORE REVENUE & (EXPENSES)

| | |
|--|---------------------|
| Store Sales | \$61,155.29 |
| Store Sales Propane | 95,690.98 |
| Store Cost of Goods Sold | (89,118.96) |
| Rent | (11,827.72) |
| Salaries & Benefits | (36,698.23) |
| Advertising | (235.00) |
| Office Maintenance | (18,358.47) |
| Office Supplies & Other | (6,522.77) |
| Depreciation | (1,654.16) |
| Bad Debt | (2,550.83) |
| Inventory Variance | 446.85 |
| Tax Expense - State and Local | (28.89) |
| GROSS PROFIT (LOSS) STORE SALES | (\$9,701.91) |

OTHER INCOME & (EXPENSES):

| | |
|--|--------------------|
| Cost of Goods Sold - Materials | \$65.42 |
| Gain/Loss on Disposal of Property | 1,511.32 |
| Inventory Variance Expense | (1,410.77) |
| Interest Income | 4,173.12 |
| Non Op Inc | 94,600.00 |
| Total Other Income & (Expenses) | \$98,939.09 |

Interest & Related Charges:

| | |
|---|---------------------|
| Interest Expense ST Debt | \$250,487.21 |
| Interest Expense LT Debt | 4,112.66 |
| Penalties | (1,820.93) |
| Total Interest & Related Charges | \$252,778.94 |

| | |
|--------------------------|-----------------------|
| NET INCOME (LOSS) | (\$534,982.49) |
|--------------------------|-----------------------|

Orwell Natural Gas
Summary Income Statement
For the 12 months ended 12/31/11

(Unaudited)

UTILITY REVENUE:

| | |
|------------------------------|-----------------------|
| Gas Sales Residential | \$5,110,056.83 |
| Gas Sales Commercial | 2,548,430.39 |
| Gas Sales Industrial | 46,884.75 |
| Transmission of Gas | 494,972.91 |
| Other Misc Sales | 24,822.88 |
| Service Fees | 814,454.00 |
| Volume Bank Revenue | 2,101.41 |
| Total Utility Revenue | \$9,041,723.17 |

| | |
|---------------------------------|-----------------------|
| Purchased Gas | \$4,670,017.77 |
| Deferred Gas Cost | 226,759.19 |
| Purchased Gas Expense | 10,384.91 |
| Other Gas Costs | 122,983.95 |
| Total Purchased Gas Cost | \$5,030,145.82 |

| | |
|-----------------------------|-----------------------|
| GROSS MARGIN | \$4,011,577.35 |
| GROSS MARGIN PERCENT | 44.37% |

OPERATING EXPENSES:

| | |
|-------------------------------------|-----------------------|
| Salaries & Benefits | \$1,296,283.14 |
| Capitalized Labor | (431,865.25) |
| Professional Fees | 198,413.08 |
| Repairs & Maintenance | 74,903.01 |
| Operations Expense | 840,434.06 |
| Corporate Overheads | 515,176.03 |
| Depreciation & Amortization | 595,782.28 |
| Amortization-Customer Relationships | 4,159.69 |
| Personal Property Taxes | 209,670.28 |
| State & Local Taxes | 10,811.20 |
| Gross Receipts Tax | 21,412.25 |
| Total Operating Expenses | \$3,353,119.77 |

| | |
|--------------------------------------|---------------------|
| INCOME (LOSS) FROM OPERATIONS | \$658,457.58 |
|--------------------------------------|---------------------|

STORE REVENUE & (EXPENSES)

| | |
|--|----------------------|
| Store Sales | \$81,010.25 |
| Store Sales Propane | 96,440.60 |
| Store Cost of Goods Sold | (119,509.20) |
| Rent | (12,000.00) |
| Salaries & Benefits | (37,798.80) |
| Advertising | |
| Office Maintenance | (19,599.57) |
| Office Supplies & Other | (8,528.59) |
| Depreciation | (1,989.86) |
| Bad Debt | 448.49 |
| Inventory Variance | (1,490.52) |
| Tax Expense - State and Local | 91.44 |
| GROSS PROFIT (LOSS) STORE SALES | (\$22,925.76) |

OTHER INCOME & (EXPENSES):

| | |
|--|---------------------|
| Materials Sales Revenue/Line Hits | \$4,787.77 |
| Gain/Loss on Disposal of Property | (11,166.33) |
| Inventory Variance Expense | 4,243.70 |
| Interest Income | 8,042.07 |
| Non Op Income | 96,000.00 |
| Total Other Income & (Expenses) | \$101,907.21 |

Interest & Related Charges:

| | |
|---|---------------------|
| Interest Expense ST Debt | \$131,509.23 |
| Interest Expense LT Debt | 147,271.06 |
| Amortization of Debt Issuance Costs | 17,940.00 |
| Penalties | 973.12 |
| Total Interest & Related Charges | \$279,753.41 |

| | |
|--------------------------|---------------------|
| NET INCOME (LOSS) | \$457,685.62 |
|--------------------------|---------------------|

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in

Case No(s). 12-1792-EL-AIS

Summary: Application Joint Application for Approval of Long Term Financing Arrangement electronically filed by Mr. Andrew J Sonderman on behalf of Brainard Gas Corporation and Northeast Ohio Natural Gas Corporation and Orwell Natural Gas Company