



## GUARANTEE

THIS GUARANTEE ("Guarantee"), entered into and effective as of March 1, 2010, is given by COLUMBIA UTILITIES, LLC, a New York limited liability company, and COLUMBIA UTILITIES POWER, LLC, a New York limited liability company (each a "Guarantor" and collectively, the "Guarantors"), each an affiliate of PALMCO ENERGY OH, LLC, an Ohio limited liability company (the "Obligor"), in favor of the Customers (as defined herein) of the Obligor.

## RECITALS

A. The Customers and the Obligor will be entering into Natural Gas Sales Agreements pursuant to which the Customers will purchase natural gas at retail from the Obligor (the "Natural Gas Sales Agreement").

B. The Obligor has applied to the Public Utilities Commission of Ohio (the "Commission") for certification to sell natural gas to retail customers located within the State of Ohio.

C. The Commission has agreed to grant such certification to the Obligor on the condition that the Guarantors provide this Guarantee for the benefit of the Customers.

D. The Guarantors and the Obligor are desirous that Obligor obtain such certification and the Guarantors acknowledge and agree that each shall benefit from the issuance of such license by the Commission.

**NOW THEREFORE**, in consideration of the above recitals (which are each incorporated by reference herein) and the promises set forth in this Guarantee, and for other good and valuable consideration, the receipt, nature and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. For purposes of this Guarantee, the following terms shall have the following meanings:

(a) "Customers" shall mean each of the Obligor's retail customers located in Ohio who enter into a Natural Gas Sales Agreement with the Obligor.

(b) "Obligations" shall mean the obligations of the Obligor under the Natural Gas Sales Agreement with each of its Customers.

2. Guarantee. The Guarantors, jointly and severally, irrevocably guarantee full and prompt payment and performance when due of the Obligations. Except as provided in Section 9 of this Guarantee, this Guarantee shall remain in full force and effect, and shall not be released or terminated until the Obligations have been finally and fully paid, performed or otherwise satisfied, as applicable.

3. Nature of Guarantee. The obligations of the Guarantors shall be primary and effective immediately upon the non-performance of the Obligations.

4. Guarantor Claims and Defenses. The Guarantors shall have and exercise, without limitation, any and all defenses, claims and discharges of the Obligor pertaining to any of the Obligations, including the defense of discharge by payment, performance, or other satisfaction, as applicable, as if the Guarantors were the Obligor. However, the Guarantor will not assert, plead or enforce against any Customer any defense of discharge in bankruptcy or incapacity that may be available to the Obligor in respect of any of the Obligations.

5. Waiver; Laches. No amendment or waiver of any provision of this Guarantee, nor consent to any departure by the Guarantors therefrom, shall be effective unless the same shall be approved by the Commission. No failure on the part of any Customer to exercise, and no delay in exercising any right under this Guarantee with respect to any of the Obligations, shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Guarantee with respect to any of the Obligations preclude any other or further exercise thereof or the exercise of any other right.

6. Entire Agreement. This Guarantee constitutes the entire agreement with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations by or between the Guarantor and the Customers, written or oral, to the extent they related in any way to the subject matter hereof.

7. Governing Law. This Guarantee shall be governed by and construed in accordance with the laws of the State of Ohio.

8. Termination of Guarantee. Notwithstanding any provision of this Guarantee to the contrary, this Guarantee shall terminate automatically upon the earlier to occur of (a) the full and final performance, satisfaction or expiration of the Obligations, or (b) the prior approval by the Commission of the termination of this Guarantee. Upon the termination of this Guarantee as provided in this Section, the Guarantors shall have no further obligations hereunder. For purposes of this Section 8, the Commission shall be deemed an intended third party beneficiary of this Guarantee

IN WITNESS WHEREOF, the Guarantor has executed this Guarantee as of the date first written above.

**COLUMBIA UTILITIES, LLC**

By: Robert Palmere  
Name: Robert Palmere  
Title: Member

**COLUMBIA UTILITIES POWER, LLC**

By: Robert Palmere  
Name: Robert Palmere  
Title: Member

INCOME STATEMENT - PALMCO ENERGY OH, LLC  
Month End February 2010

	January 1 to February 28 <u>2010</u>
<b>REVENUES:</b>	
Sales - Natural Gas	\$ -
Sales - Unbilled Natural Gas	-
<b>Total Revenues from Sales</b>	-
<b>COST OF SALES:</b>	
Purchases - Natural Gas	-
<b>Total Cost of Sales</b>	-
<b>Gross Profit on Sales</b>	-
<b>LESS OTHER EXPENSES:</b>	
Selling Expenses	-
General & Administrative Expense	2,000
<b>Total Other Expenses</b>	<u>2,000</u>
<b>Net Income for Period Transferred to Members' Equity</b>	<u>\$ (2,000)</u>

BALANCE SHEET - PALMCO ENERGY OH, LLC  
Month End February 2010

January 1 to  
February 28  
2010

**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 50,000
Accounts Receivable	-
Accounts Receivable - Unbilled	-
<b>Total Current Assets</b>	<b>50,000</b>

**OTHER:**

Security Deposits	-
<b>Total Assets</b>	<b><u>\$ 50,000</u></b>

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts Payable	\$ -
Accrued Expenses	-
<b>Total Current Liabilities</b>	<b><u>-</u></b>

**MEMBERS' EQUITY**

Balance January 1, 20010	50,000
<b>Total Members' Equity December 31, 2010</b>	<b><u>50,000</u></b>
<b>Total Liabilities and Members' Equity</b>	<b><u>\$ 50,000</u></b>