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ZACHARY D. KRAVITZ Direct: 614.334.6117 zkravitz@taftlaw.com

April 1, 2014

2014 APR -1 PH 4: 13

Betty McCauley Public Utilities Commission of Ohio 180 East Broad Street, 11th Floor Columbus, OH 43215

Re: 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.

PUCO Case Nos. 10-2330-GA-AIS; 12-1792-GA-AIS

Dear Ms. McCauley:

On March 30, 2011 the Public Utilities Commission of Ohio entered its Finding and Order in Case No. 10-2330-GA-AIS approving the Joint Application to issue a Senior Secured Note as joint and several obligors to Sun Life Assurance Company for a term loan of up to \$15,334,000. Findings 16 and 17 therein required Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation, and Orwell Natural Gas Company to file copies of quarterly and annual financial statements and quarterly reports demonstrating that their coverage ratio and total indebtedness as a percent of their capitalization complies with the coverage ratio requirements of their Note Purchase Agreement and all Subsequent Amendments with Sun Life Assurance Company.

Please find enclosed for filing the required financial reports and certification of compliance with the coverage ratio covenants for the year ended December 31, 2013.

Very truly yours,

Zachary D. Kravit

ZDK/kjk

31541225.1

FILE

| S | un Life A | ssuranc | e Company | - Senior Secured Guarar | | | alculations |
|--|-------------|---------------|------------------|--|-------------------|---------------------------------------|---------------------|
| | et | . | | a we | | OF CERTIFICATE | 12/31/13 |
| 1. | | | | eby certifies and warrants that estrictions, and that no other of | | | |
| | | | | gether with its subsequent an | | | |
| A. | Section 10 | 0.4 Coverag | je Ratio (Net in | come to Interest Expense) | | | |
| | a. | Consolid | ated EBITDA | Available for Interest Charges | | | \$ 19,478,322 |
| | ь. | Consolid | ated Annual In | terest Charges | | | \$ 3,201,424 |
| | Ratio | = | a + b | | | | 6.08x |
| | | | | | 1 | Minimum Required | 2.0x |
| | a, | Obligors | EBITDA Availa | able for Interest Charges | | | \$ 4,976,649 |
| | b. | Obligors | Annual Interes | st Charges | | | \$ 1,310,826 |
| | Ratio | = | a ÷ b | | | | 3.80x |
| | | | | | <u> </u> | Minimum Required | 2.0x |
| В. | Section 10 |).4 Debt to | Capitalization F | Ratio | | | |
| | a. | Consolida | ated Funded D | Debt | | | \$ 68,230,540 |
| | b. | Consolida | ated Capitaliza | ation | | | \$ 165,710,315 |
| | Ratio | = | a∻b | | | | 41% |
| ļ | | | | | 1 | Maximum Allowable | 60% |
| | a. | Obligors | Funded Debt | | | | \$ 21,325,742 |
| | b. | Obligors | Capitalization | | | | \$ 64,486,709 |
| | Ratio | = | a÷b | | | Maximum Allowable | 33% 60% |
| C. | Section 10 |).5 Restricti | ons on Divider | nds and Distributions | | | |
| | a. | Obligors | Dividends/Dist | tributions | | | \$ - |
| | b. | Obligors | Net Income | | | | \$ 929,666 |
| | Ratio | = | a÷b | Note: Sun Life has granted a walve | * | or this covenant Maximum Allowable | 0.0% 70.0% |
| D. | Saction D | 1 Doht Sa- | rice Reserve Fu | and | | | |
| J | | | | ına t service reserve fund equal to | the interest paya | able on the Notes fo | or a 12 month |
| | | - | | erest bearing account at PNC (| | | |
| | | | | Debt Service Reserve Fund | Balances at 12/31 | 1/13 | \$ 1,080,001 |
| | | | | Estimated Interest payable f | or next 12 months | 3 | \$ 1,070,676 Yes |
| IN WITNESS WHEREOF, the Company has caused this Certificate to be executed and delivered by: | | | | | | | |
| (C, C, C | | | | | | | |
| By: | | | | | | | |
| Name: | | | | Laurie d' | tevens | uer | |
| Title: | (V) | UNSIC | on Can | troller | | | |

Gas Natural Inc. and Subsidiaries Consolidated Balance Sheets

| | December 31, | | |
|---|---------------|---------------|--|
| | 2013 | 2012 | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 13,147,381 | \$ 3,435,117 | |
| Marketable securities | 406,134 | 344,346 | |
| Accounts receivable | | | |
| Trade, less allowance for doubtful accounts of \$1,986,531 and \$1,350,338, | | | |
| respective]y | 13,440,565 | 11,406,807 | |
| Related parties | 146,225 | 522,557 | |
| Unbilled gas | 7,729,560 | 4,612,258 | |
| Note receivable - related parties, current portion | 1,938 | 10,998 | |
| Inventory | | | |
| Natural gas | 5,464,744 | 4,938,078 | |
| Materials and supplies | 2,413,745 | 1,779,944 | |
| Prepaid income taxes | 727,427 | 501,763 | |
| Prepayments and other | 1,064,845 | 2,153,922 | |
| Recoverable cost of gas purchases | 1,298,299 | 2,329,524 | |
| Deferred tax asset | 1,225,032 | 813,846 | |
| Discontinued operations | 34,151 | 3,117,349 | |
| Total current assets | 47,100,046 | 35,966,509 | |
| PROPERTY, PLANT, & EQUIPMENT, NET | 133,520,286 | 116,429,042 | |
| OTHER ASSETS | | | |
| Notes receivable - related parties, less current portion | 93,727 | 24,411 | |
| Regulatory assets | | | |
| Property taxes | 25,000 | 307,732 | |
| Income taxes | 452,645 | 452,645 | |
| Rate case costs | 130,228 | 176,250 | |
| Debt issuance costs, net of amortization | 1,388,124 | 1,798,720 | |
| Goodwill | 16,267,377 | 14,891,377 | |
| Customer relationships, net of amortization | 3,230,333 | 616,500 | |
| Investment in unconsolidated affiliate | 351,724 | 321,731 | |
| Restricted cash | 1,137,442 | 3,150,847 | |
| Other assets | 46,683 | 327,695 | |
| Total other assets | 23,123,283 | 22,067,908 | |
| TOTAL ASSETS | \$203,743,615 | \$174,463,459 | |

Gas Natural Inc. and Subsidiaries Consolidated Balance Sheets

| LIABILITIES AND CAPITALIZATION CURRENT LIABILITIES | | December 31, | |
|---|--|------------------|-----------------------|
| Checks in excess of amounts on deposit \$843,634 \$720,340 Checks in excess of amounts on deposit 24,529,799 23,859,755 Accounts payable | | | |
| Checks in excess of amounts on deposit \$ 843,634 \$ 720,340 Line of credit 24,529,795 23,859,755 Accounts payable | | | |
| Line of credit | | | |
| Accounts payable | | A 545.41 1 4 | |
| Trade 12,418,701 8,982,051 Related parties 559,933 47,929 Notes payable, current portion 3,502,190 633,498 Contingent consideration, current portion 671,638 - Accrued liabilities - - Taxes other than income 9,5,806 115,956 Employee benefit plans 178,789 145,496 Interest 169,81 191,263 Deferred payments received from levelized billing 2,469,665 2,633,220 Customer deposits 761,022 744,974 Related parties 761,022 744,974 Related parties 793,184 1,185,034 Over-recovered gas purchases 793,184 1,185,034 Other current liabilities 1,482,375 690,511 Discontinued operations 45,855 1,420,897 Total current liabilities 1,342,255 1,53,17 Deferred investment tax credits 1,342,255 1,55,317 Deferred ix liability 9,055,166 4,596,629 Asset retirement obligation | | 24,529,799 | 23,859,755 |
| Related parties 559,933 47,929 Notes payable, current portion 3,502,190 633,498 Contingent consideration, current portion 671,638 | | • | |
| Notes payable, current portion | | 12,418,701 | |
| Contingent consideration, current portion Accrued liabilities Taxes other than income 3,173,640 2,528,940 Vacation 95,866 115,957 167,518 115,957 167,518 115,957 167,518 115,957 167,518 115,957 167,518 115,957 167,518 115,957 | | 559,933 | 47,929 |
| Carcued liabilities 3,173,640 2,528,940 Vacation 95,806 115,956 Employee benefit plans 178,789 145,496 Interest 169,581 191,263 Deferred payments received from levelized billing 2,469,665 2,633,220 Customer deposits 761,022 744,974 Related parties 955,240 Obligation under capital lease, current portion 177,570 167,518 Over-recovered gas purchases 793,184 1,185,034 Other current liabilities 1,482,375 690,511 Discontinued operations 45,855 1,420,897 Total current liabilities 134,225 155,317 Deferred investment tax credits 134,225 155,317 Deferred tax liability 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,16,671 1,609,232 Regulatory liability for gas costs 20,745 20,745 Obligation under capital lease, lease current portion 1,862,938 2,040,508 | Notes payable, current portion | 3,502,190 | 633,498 |
| Taxes other than income 3,173,640 2,528,940 Vacation 95,806 115,955 Employee benefit plans 178,789 145,496 Interest 169,581 191,263 Deferred payments received from levelized billing 2,469,665 2,633,220 Customer deposits 761,022 744,974 Related parties 761,022 744,974 Obligation under capital lease, current portion 177,570 167,518 Over-recovered gas purchases 793,184 1,885,034 Other current liabilities 1,482,975 690,511 Discontinued operations 45,8855 1,420,897 Total current liabilities 134,255 1,5317 Deferred investment tax credits 134,255 155,317 Deferred tax liability 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,800,379 Customer advances for construction 1,06,71 1,009,232 Regulatory liability for gas costs 20,745 20,745 Obligation under capital lease, less current portion 1,862,938 | | 671,638 | •• |
| Vacation 95,806 115,956 Employee benefit plans 178,789 145,496 Interest 169,581 191,263 Deferred payments received from levelized billing 2,469,665 2,633,220 Customer deposits 761,022 744,774 Related parties 595,240 Obligation under capital lease, current portion 177,570 167,518 Over-recovered gas purchases; 793,184 1,885,034 Other current liabilities 1,482,375 690,511 Discontinued operations 45,855 1,420,897 Total current liabilities 134,255 155,317 Deferred investment tax credits 134,255 155,317 Deferred tax llability 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,009,232 Regulatory liability for income taxes 33,161 83,161 Regulatory liability for gas costs 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 | | | |
| Employee benefit plans | | | |
| Interest 169,581 191,263 Deferred payments received from levelized billing 2,469,665 2,633,220 2,469,665 2,633,220 2,469,665 2,633,220 2,469,665 2,633,220 2,469,665 2,633,220 2,469,665 2,633,220 2,469,665 2,633,220 2,449,74 2,469,665 2,633,220 2,449,74 | | 95,806 | |
| Deferred payments received from levelized billing | Employee benefit plans | | |
| Customer deposits 761,022 744,974 Related parties 595,240 Obligation under capital lease, current portion 177,570 167,518 Over-recovered gas purchases 793,184 1,185,034 Other current liabilities 1,482,375 690,511 Discontinued operations 45,855 1,40,887 Total current liabilities 51,873,382 44,662,622 LONG-TERM LIABILITIES 134,255 155,317 Deferred investment tax credits 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,009,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for income taxes 1,862,938 2,040,508 Contingent consideration, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 40,198,552 43,700,742 COMMIT | | | |
| Related parties 595,240 Obligation under capital lease, current portion 177,570 167,518 Over-recovered gas purchases 793,184 1,185,034 Other current liabilities 1,482,375 690,511 Discontinued operations 45,855 1,420,897 Total current liabilities 51,873,382 44,662,622 LONG-TERM LLABILITIES 51,873,382 44,662,622 Deferred investment ax credits 134,255 155,317 Deferred investment at credits 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,099,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs - 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Freferred stock; \$0.15 par value, 1,500,000 shares authorized, 10,451,678 and 5,752,543 4,256,493 | | 2,469,665 | 2,633,220 |
| Obligation under capital lease, current portion 177,570 167,518 Over-recovered gas purchases 793,184 1,185,034 Other current liabilities 1,482,375 690,511 Discontinued operations 45,855 1,420,897 Total current liabilities 51,873,382 44,662,622 LONG-TERM LIABILITIES Total current liability 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,009,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs - 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 - Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY - - Preferred stock; \$0.15 par value, 1,500,000 shares authorized, 10,451,678 and - - | Customer deposits | 761,022 | 744,974 |
| Over-recovered gas purchases 793,184 1,185,034 Other current liabilities 1,482,375 690,511 Discontinued operations 45,855 1,420,897 Total current liabilities 51,873,382 44,662,622 LONG-TERM LIABILITIES 134,255 155,317 Deferred investment tax credits 134,255 155,317 Deferred investment tax credits 2,026,353 1,850,379 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,809,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs - 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 - Total long-term liabilities 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) 5TOCKHOLDERS 'EQUITY - - Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding - - Capital in excess of p | | = | |
| Over-recovered gas purchases 793,184 1,185,034 Other current liabilities 1,482,375 690,511 Discontinued operations 45,855 1,420,897 Total current liabilities 51,873,382 44,662,622 LONG-TERM LIABILITIES 134,255 155,317 Deferred investment tax credits 134,255 155,317 Deferred investment tax credits 2,026,353 1,850,379 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,809,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs - 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 - Total long-term liabilities 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) 5TOCKHOLDERS 'EQUITY - - Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding - - Capital in excess of p | Obligation under capital lease, current portion | 177 ,57 0 | 167,518 |
| Discontinued operations | Over-recovered gas purchases | | |
| Total current liabilities | | | |
| Deferred investment tax credits 134,255 155,317 Deferred tax liability 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,009,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Preferred stock; \$0,15 par value, 1,500,000 shares authorized, no shares issued or outstanding Common stock; \$0,15 par value, 15,000,000 shares authorized, 10,451,678 and 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | Discontinued operations | 45,855 | 1,420,897 |
| Deferred investment tax credits 134,255 155,317 Deferred tax liability 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,009,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Freferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding </td <td>Total current liabilities</td> <td>51,873,382</td> <td>44,662,622</td> | Total current liabilities | 51,873,382 | 44,662,622 |
| Deferred investment tax credits 134,255 155,317 Deferred tax liability 9,055,166 4,596,629 Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,009,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Freferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding </td <td>LONG-TERM LIABILITIES</td> <td></td> <td></td> | LONG-TERM LIABILITIES | | |
| Deferred tax liability | | 134,255 | 155,317 |
| Asset retirement obligation 2,026,353 1,850,379 Customer advances for construction 1,016,671 1,009,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 7 Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | | |
| Customer advances for construction 1,016,671 1,009,232 Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 - Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding - - Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | | 1,850,379 |
| Regulatory liability for income taxes 83,161 83,161 Regulatory liability for gas costs 20,745 Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 — Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Variety of the contract | | | |
| Regulatory liability for gas costs 20,745 | | | |
| Obligation under capital lease, less current portion 1,862,938 2,040,508 Contingent consideration, less current portion 13,362 | | _ | |
| Contingent consideration, less current portion 13,362 Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) *** STOCKHOLDERS' EQUITY *** *** Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding *** *** Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | 1,862,938 | |
| Total long-term liabilities 14,191,906 9,755,971 NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding ———————————————————————————————————— | | | * |
| NOTES PAYABLE, less current portion 40,198,552 43,700,742 COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding - Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | | 9.755.971 |
| COMMITMENTS AND CONTINGENCIES (see Note 17) STOCKHOLDERS' EQUITY Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding - Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | | • |
| STOCKHOLDERS' EQUITY Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding - Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | • | 4011201025 | 124,001,15 |
| Preferred stock; \$0.15 par value, 1,500,000 shares authorized, no shares issued or outstanding - Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | | |
| outstanding - Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | | |
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| 8,369,752 shares issued and outstanding, respectively 1,567,752 1,255,463 Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | - | - |
| Capital in excess of par value 63,468,969 44,256,493 Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | Common stock; \$0.15 par value, 15,000,000 shares authorized, 10,451,678 and | | 1 055 450 |
| Accumulated other comprehensive income 104,909 65,789 Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | 8,369,752 shares issued and outstanding, respectively | | |
| Retained earnings 32,338,145 30,766,379 Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | | |
| Total stockholders' equity 97,479,775 76,344,124 TOTAL CAPITALIZATION 137,678,327 120,044,866 | | | |
| TOTAL CAPITALIZATION 137,678,327 120,044,866 | · · · · · · · · · · · · · · · · · · · | | |
| | | | |
| TOTAL LIABILITIES AND CAPITALIZATION \$ 203,743,615 \$ 174,463,459 | TOTAL CAPITALIZATION | 137,678,327 | 120,044,866 |
| | TOTAL LIABILITIES AND CAPITALIZATION | \$ 203,743,615 | <u>\$ 174,463,459</u> |

Gas Natural Inc. and Subsidiaries Consolidated Statements of Comprehensive Income

| Natural gas operations | | Year Ended December 31, | | |
|--|---|-------------------------|--------------|--|
| Natural gas operations | | | | |
| Marketing and production 12,167,241 40,1933 Pipeline operations 402,914 40,1933 Total revenues: 118,834,764 89,201,245 COST OF SALES Shatural gas purchased 61,236,772 42,485,803 Marketing and production 10,052,865 5,953,156 Total cost of sales 71,289,637 48,438,959 GROSS MARGIN 47,545,127 40,762,286 OPERATING EXPENSES 23,477,984 20,815,855 Maintenance 1,317,792 1,191,038 Depreciation and amortization 6,135,160 5,002,6142 Accretion 175,974 161,238 Contingent consideration gain (1,55,500) - Goodwill impairment 725,744 - Taxes other than income 34,271,1122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (30,94,32) (274,213) Other income, net 924,586 424,21 Acquisition expense (30,94,32) (274,213) Income | | *** | | |
| Pipeline operations | | | | |
| Total revenues | | | | |
| Natural gas purchased 10,252,865 5,595,156 5,5 | | | | |
| Natural gas purchased 61,236,772 42,485,803 Marketing and production 10,052,865 5,953,156 Total cost of sales 71,289,637 48,438,959 GROSS MARGIN 47,545,127 40,762,286 OPERATING EXPENSES 33,477,984 20,815,855 Distribution, general, and administrative 1,317,792 1,191,038 Depreciation and amortization 6,135,160 5,026,142 Accretion 175,974 161,298 Contingent consideration gain (1,565,000) - Cooledwill impairment 725,744 - Taxes other than income 4,003,468 3,478,897 Total operating expenses 34,271,122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (6,620) Other income, net 924,586 424,221 Acquisition expense (309,432) (274,213) Income before income taxes (309,432) (274,213) Income before income taxes (3,004,331,898) (2,650,569) < | Total revenues: | 118,834,764 | 89,201,245 | |
| Natural gas purchased 61,236,772 42,485,803 Marketing and production 10,052,865 5,953,156 Total cost of sales 71,289,637 48,438,959 GROSS MARGIN 47,545,127 40,762,286 OPERATING EXPENSES 33,477,984 20,815,855 Distribution, general, and administrative 1,317,792 1,191,038 Depreciation and amortization 6,135,160 5,026,142 Accretion 175,974 161,298 Contingent consideration gain (1,565,000) - Cooledwill impairment 725,744 - Taxes other than income 4,003,468 3,478,897 Total operating expenses 34,271,122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (6,620) Other income, net 924,586 424,221 Acquisition expense (309,432) (274,213) Income before income taxes (309,432) (274,213) Income before income taxes (3,004,331,898) (2,650,569) < | COST OF SALES | | | |
| Marketing and production 10,052,865 5,953,156 Total cost of sales 71,289,637 48,438,959 GROSS MARGIN 47,545,127 40,762,286 OPERATING EXPENSES Ustribution, general, and administrative 23,477,984 20,815,855 Maintenance 1,317,792 1,191,038 Depreciation and amortization 6,155,000 1.75,974 161,298 Contingent consideration gain (1,565,000) - - Coodwill impairment 725,744 - - Taxes other than income 4,003,468 3,478,897 - Total operating expenses 34,271,122 30,673,230 - OPERATING INCOME 13,274,005 10,089,056 - Loss from unconsolidated affiliate (5,007) (8,620) Other income, net 924,586 424,221 - Interest expense (3,09,432) (274,213) - Income tax expense (3,19,806) (2,700,193) - Income tax expense (3,39,1898) (2,650,569) - | | 61.236.772 | 42,485,803 | |
| Total cost of sales 71,289,637 48,438,959 GROSS MARGIN 47,545,127 40,762,286 OPERATING EXPENSES 3 23,477,984 20,815,855 Distribution, general, and administrative 1,317,792 1,191,038 Depreciation and amortization 6,135,160 5,026,142 Accretion 175,974 161,293 Contingent consideration gain (1,565,000) -725,744 Taxes other than income 4,003,468 3,478,897 Total operating expenses 34,271,122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (8,620) Other income, net 924,586 424,221 Acquisition expense (272,094) (959,267) Stock sale expense (3,178,6606) (2,770,193) Income before income taxes 10,433,452 (5,770,984 Income tax expense (3,391,898) (2,650,569) NCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) | | | | |
| OPERATING EXPENSES 23,477,984 20,815,855 Distribution, general, and administrative 23,477,984 20,815,855 Maintenance 1,317,792 1,191,038 Depreciation and amortization 6,135,160 5,026,142 Accretion 175,974 161,298 Contingent consideration gain (1,565,000) - Goodwill impairment 725,744 - Taxes other than income 4,003,3468 3,478,897 Total operating expenses 30,271,122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (8,620) Other income, net 924,586 424,221 Acquisition expense (309,432) (274,013) Interest expense (309,432) (274,213) Interest expense (3,391,898) (2,709,993) Income before income taxes (3,391,898) (2,690,569) Income tax expense (3,391,898) (2,690,569) Income tax expense (3,301,898) (2,650,569) Incom | | | | |
| Distribution, general, and administrative 23,477,984 20,815,855 Maintonance 1,317,792 1,191,038 Depreciation and amortization 6,135,160 5,026,142 Accretion 175,974 161,298 Contingent consideration gain (1,565,000) - Goodwill impairment 725,744 - Taxes other than income 4,003,468 3,478,897 Total operating expenses 34,271,122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (8,620) Other income, net 924,586 424,221 Acquisition expense (309,432) (274,213) Incest expense (309,432) (274,213) Income before income taxes (309,432) (274,213) Income before income taxes (3391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$ 0,75 \$ 0.48 | GROSS MARGIN | 47,545,127 | 40,762,286 | |
| Depreciation and amortization | OPERATING EXPENSES | | | |
| Depreciation and amortization | Distribution, general, and administrative | 23,477,984 | 20,815,855 | |
| Accretion 175,974 161,298 Contingent consideration gain (1,565,000) - Goodwill impairment 725,744 - Taxes other than income 4,003,468 3,478,897 Total operating expenses 34,271,122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (8,620) Other income, net 924,586 424,221 Acquisition expense (272,094) (959,267) Stock sale expense (30,432) (274,213) Interest expense (3,178,606) (2,700,193) Income before income taxes (10,433,452) 6,570,984 Income tax expenses (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) \$6,671,279 \$3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHÁRE: Continuing operations (0.04) (0.02) Net income per share \$0,75 \$0.48 Weighted average dividends declared per co | | 1,317,792 | 1,191,038 | |
| Contingent consideration gain | Depreciation and amortization | | 5,026,142 | |
| Coodwill impairment T25,744 Taxes other than income 4,003,468 3,478,897 Total operating expenses 34,271,122 30,673,230 | | | 161,298 | |
| Taxes other than income 4,003,468 3,478,897 Total operating expenses 34,271,122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (8,620) Other income, net 924,586 424,221 Acquisition expense (272,094) (959,267) Stock sale expense (309,432) (274,213) Income before income taxes 10,433,452 6,570,984 Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$ 6,671,279 \$ 3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: Continuing operations \$ 0.75 \$ 0.48 Discontinued operations \$ 0.75 \$ 0.48 Discontinued operations \$ 0.75 \$ 0.48 Discontinued operations \$ 0.75 \$ 0.48 Other income per share \$ 0.75 \$ 0.45 Weighted average dividends declare | | | - | |
| Total operating expenses 34,271,122 30,673,230 OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (8,620) Other income, net 924,586 424,221 Acquisition expense (272,094) (959,267) Stock sale expense (309,432) (274,213) Income before income taxes (3,178,606) (2,700,193) Income before income taxes (3,391,898) (2,650,569) Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$ 6,671,279 \$ 3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: Continuing operations \$ 0.75 \$ 0.48 Discontinued operations \$ 0.75 \$ 0.48 Discontinued operations \$ 0.71 \$ 0.46 Weighted average dividends declared per common share \$ 0.55 \$ 0.54 COMPREHENSIVE INCOME: \$ 6,671,279 \$ 3,719,317 <tr< td=""><td></td><td></td><td></td></tr<> | | | | |
| OPERATING INCOME 13,274,005 10,089,056 Loss from unconsolidated affiliate (5,007) (8,620) Other income, net 924,586 424,221 Acquisition expense (272,094) (959,267) Stock sale expense (309,432) (274,213) Interest expense (3,178,606) (2,700,193) Income before income taxes 10,433,452 6,570,984 Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$6,671,279 \$3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: \$0.75 \$0.48 Continuing operations (0.04) (0.02) Net income per share \$0.71 \$0.46 Weighted average dividends declared per common share \$0.55 \$0.54 COMPREHENSIVE INCOME: \$6,671,279 \$3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX 40,002 40,002 40,002 Unrealized gain | | | | |
| Constraint Con | Total operating expenses | 34,271,122 | 30,673,230 | |
| Other income, net 924,586 424,221 Acquisition expense (272,094) (959,267) Stock sale expense (309,432) (274,213) Interest expense (3,178,606) (2,700,193) Income before income taxes 10,433,452 6,570,984 Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$ 6,671,279 \$ 3,719,317 BASIC & DILLUTED EARNINGS (LOSS) PER SHARE: Continuing operations (0.04) (0.02) Net income per share \$ 0.75 \$ 0.48 Weighted average dividends declared per common share \$ 0.71 \$ 0.46 COMPREHENSIVE INCOME: \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | · | | |
| Acquisition expense (272,094) (959,267) Stock sale expense (309,432) (274,213) Interest expense (3,178,606) (2,700,193) Income before income taxes 10,433,452 6,570,984 Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NBT INCOME \$ 6,671,279 \$ 3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: 0.004 0.002 Continuing operations 0.004 0.002 Net income per share \$ 0.71 \$ 0.46 Weighted average dividends declared per common share \$ 0.55 \$ 0.54 COMPREHENSIVE INCOME: \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | | | |
| Stock sale expense (309,432) (274,213) Interest expense (3178,606) (2,700,193) Income before income taxes (10,433,452 6,570,984 Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$6,671,279 \$3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: Continuing operations (0.04) (0.02) Net income per share \$0.75 \$0.48 Weighted average dividends declared per common share \$0.55 \$0.54 COMPREHENSIVE INCOME: \$6,671,279 \$3,719,317 COMPREHENSIVE INCOME: \$6,671,279 \$3,719,317 COMPREHENSIVE INCOME: \$6,671,279 \$3,719,317 COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | | | |
| Interest expense (3,178,606) (2,700,193) Income before income taxes 10,433,452 6,570,984 Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$ 6,671,279 \$ 3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: \$ 0.75 \$ 0.48 Continuing operations \$ 0.75 \$ 0.48 Discontinued operations (0.04) (0.02) Net income per share \$ 0.71 \$ 0.46 Weighted average dividends declared per common share \$ 0.55 \$ 0.54 COMPREHENSIVE INCOME: \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | | | |
| Income before income taxes 10,433,452 6,570,984 Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$ 6,671,279 \$ 3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: \$ 0.75 \$ 0.48 Continuing operations (0.04) (0.02) Net income per share \$ 0.71 \$ 0.46 Weighted average dividends declared per common share \$ 0.55 \$ 0.54 COMPREHENSIVE INCOME: \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | | | |
| Income tax expense (3,391,898) (2,650,569) INCOME FROM CONTINUING OPERATIONS 7,041,554 3,920,415 Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NET INCOME \$6,671,279 \$3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: Continuing operations \$0.75 \$0.48 Discontinued operations (0.04) (0.02) Net income per share \$0.71 \$0.46 Weighted average dividends declared per common share \$0.55 \$0.54 COMPREHENSIVE INCOME: Net income \$6,671,279 \$3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | | | |
| INCOME FROM CONTINUING OPERATIONS Discontinued operations, net of income taxes (See Note 4) NET INCOME BASIC & DILUTED BARNINGS (LOSS) PER SHARE: Continuing operations Discontinued operations Net income per share Weighted average dividends declared per common share COMPREHENSIVE INCOME: Net income OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 3,920,415 3,920,415 201,098) 3,719,317 201,098) 3,719,317 | | | | |
| Discontinued operations, net of income taxes (See Note 4) (370,275) (201,098) NBT INCOME | Income tax expense | (3,391,898) | | |
| NET INCOME \$ 6,671,279 \$ 3,719,317 BASIC & DILUTED EARNINGS (LOSS) PER SHARE: \$ 0.75 \$ 0.48 Continuing operations (0.04) (0.02) Net income per share \$ 0.71 \$ 0.46 Weighted average dividends declared per common share \$ 0.55 \$ 0.54 COMPREHENSIVE INCOME: \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | INCOME FROM CONTINUING OPERATIONS | 7,041,554 | 3,920,415 | |
| BASIC & DILUTED EARNINGS (LOSS) PER SHARE: Continuing operations Discontinued operations Net income per share Weighted average dividends declared per common share COMPREHENSIVE INCOME: Net income Net income OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively \$ 0.75 \$ 0.48 0.002) \$ 0.02) \$ 0.02) \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.55 \$ 0.54 | Discontinued operations, net of income taxes (See Note 4) | (370,275) | (201,098) | |
| Continuing operations Discontinued operations Net income per share Weighted average dividends declared per common share COMPREHENSIVE INCOME: Net income Net income There COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively \$ 0.75 \$ 0.48 0.002 \$ 0.022 \$ 0.71 \$ 0.46 \$ 0.45 \$ 0.48 0.002 \$ 0.022 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 | NET INCOME | \$ 6,671,279 | \$ 3,719,317 | |
| Continuing operations Discontinued operations Net income per share Weighted average dividends declared per common share COMPREHENSIVE INCOME: Net income Net income There COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively \$ 0.75 \$ 0.48 0.002 \$ 0.022 \$ 0.71 \$ 0.46 \$ 0.45 \$ 0.48 0.002 \$ 0.022 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 \$ 0.71 \$ 0.46 | BASIC & DILLITED BARNINGS (LOSS) PER SHÅRE: | | | |
| Discontinued operations Net income per share Weighted average dividends declared per common share COMPREHENSIVE INCOME: Net income Net income Soft i | | \$ 0.75 | \$ 0.48 | |
| Net income per share \$ 0.71 \$ 0.46 Weighted average dividends declared per common share \$ 0.55 \$ 0.54 COMPREHENSIVE INCOME: Net income \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively \$ 39,120 (14,616) | | | | |
| COMPREHENSIVE INCOME: Net income \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | | | |
| Net income \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | Weighted average dividends declared per common share | \$ 0.55 | \$ 0.54 | |
| Net income \$ 6,671,279 \$ 3,719,317 OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | COMPREHENCING INCOME. | | | |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | \$ 6671.270 | \$ 3 710 317 | |
| Unrealized gain (loss) on available for sale securities, net of tax of \$22,951 and \$8,913, respectively 39,120 (14,616) | | \$ 030117813 | Ψ Ψ,/1.7,04/ | |
| \$8,913, respectively <u>39,120</u> (14,616) | Horselized noin flore) on available for sale consisted not of tax of \$77.051 and | | | |
| | | 39.190 | (14.616) | |
| COMPREHENSIVE INCOME \$ 6,710,399 \$ 3,704,701 | 90,21.7,103pec(1YC)y | 12,540 | (17,010) | |
| | COMPREHENSIVE INCOME | \$ 6,710,399 | \$ 3,704,701 | |

Gas Natural Inc. and Subsidiaries Consolidated Statements of Changes in Stockholders' Equity

| | Common Shares | Common Stock | Capital In Excess Of Par Value | Accumulated Other Comprehensive Income | Retained Earnings | Total |
|---------------------------------|------------------|-----------------|--------------------------------------|--|----------------------|--------------|
| BALANCE AT DECEMBER 31, 2011 | 8,154,301 | \$1,223,145 | \$41,978,799 | \$ 80,405 | \$31,489,678 | \$74,772,027 |
| Net income | _ | - | - | - | 3,719,317 | 3,719,317 |
| Other comprehensive loss, net | * | * | | (14,616) | | (14,616) |
| Stock issued for services | 4,500 | 675 | 49,927 | | - | 50,602 |
| Stock based componsition | ⇒ | * , | 9,406 | - | - | 9,400 |
| Purchase of Loring Pipeline | 210,951 | 31,643 | 2,218,361 | - | | 2,250,004 |
| Dividends declared | * | | ** | | (4,442,616) | (4,492,616) |
| BALANCE AT DECEMBER 31, 2012 | 8,369,752 | 1,255,463 | 44,256,493 | 65,789 | 30,766,379 | 76,344,124 |
| Net income | • | _ | * | • | 6,671,279 | 6,671,279 |
| Other comprehensive income, net | - | - | • | 39,120 | · - | 39,120 |
| Exercise of stock options | 20,00k) | 3,000 | 156,500 | - | | 159,500 |
| Stock based compensation | | ~ | 2,962 | = | - | 2,962 |
| Purchase of IDOG Marketing | 256,926 | 38,539 | 2,602,660 | - | * | 2,641,199 |
| Common stock issued | 1,805,000 | 270,750 | 16,450,354 | - | . • | 16,721,104 |
| Dividends declated | | | * | - | (5,099,513) | (5,099,513) |
| BALANCE AT DECEMBER 31, 2013 | 10,451,678 | \$1,567,752 | \$63,468,969 | \$ 104,909 | \$32,338,145 | \$97,479,775 |

Gas Natural Inc. and Subsidiaries Consolidated Statements of Cash Flows

| Consolidated Statements of Cash Flows | | |
|--|-----------------------|--------------------------|
| | Year Ended I 2013 | 2012 |
| EASH FLOWS FROM OPERATING ACTIVITIES | 2013 | |
| Net income | \$ 6,671,279 | \$ 3,719,317 |
| Less loss from discontinued operations | (370,275) | (201,098) |
| Income from continuing operations | 7,041,554 | 3,920,415 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: | C 126 160 | 5,026,142 |
| Depreciation and amortization | 6,135,160 175,974 | 161,298 |
| Accretion | 418,204 | 275,858 |
| Amortization of debt issuance costs Stock based gompensation | 2,962 | 60,009 |
| (Gain) loss on sale of assets | (158,321) | 54,154 |
| Loss from unconsolidated affiliate | 5,007 | 8,620 |
| Unrealized holding loss on contingent consideration | (1,565,000) | _ |
| Goodwill impairment | 725,744 | (21.062) |
| Investment tax credit | (21,062) 4,024,683 | (21,062) 2,261,345 |
| Deferred income taxes | 4,024,000 | militaria sas |
| Changes in assets and liabilities Accounts receivable, including related porties | (1,757,282) | (2,555,988) |
| Unbilled gas | (3,117,302) | (379,404) |
| Natural gas inventory | (526,666) | 1,810,861 |
| Accounts payable, including related parties | 3,101,920 | 896,823 |
| Recoverable/refundable cost of gas purchases | 639,375 1,086,478 | (834,814) (1,432,597) |
| Prepayments and other | (431,153) | 1,051,267 |
| Other assets | 876,068 | (1,163,368) |
| Other liabilities | 16,656,343 | 9,139,559 |
| Net cash provided by operating activities of continuing operations CASH FLOWS FROM INVESTING ACTIVITIES | i abitation to | ******** |
| Capital expenditures | (24,103,789) | (20,654,184) |
| Proceeds from sale of fixed assets | 968,772 | 48,485 |
| Proceeds from related party notes receivable | 186.8 | 10,255 |
| Purchase of Public Gas Company, Inc. | | (1,551,477) -502 |
| Cash acquired in acquisition | (35,000) | 304 |
| Investment in unconsolidated affiliate | 1,264,624 | (1,322,065) |
| Restricted easti – capital expenditures fund Customer advances for construction | 23,802 | 128,381 |
| Contributions in all of construction | 1,105,973 | 134,076 |
| Net cash used in investing activities of continuing operations | (20,766,937) | (23,206,027) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from lines of credit | 22,519,000 | 51,390,754 |
| Repayments of fines of credit | (21,848,956) | (50,690,999) |
| Proceeds from notes payable | (633,498) | 12,989,552 (7,920) |
| Repayments of notes payable | (167,518) | (1,720) |
| Payments of capital lease obligations Debt issuance costs | (7,607) | (1,204,987) |
| Proceeds from issuance of common shares | 16,721,104 | · · · – |
| Beercise of stock options | 1,59,500 | |
| Restricted cash - debt service fund | 748,781 | (878,875) |
| Dividends paid | (5,005,827) | (4,432,920) |
| Net cash provided by financing activities of continuing operations | 12,484,979 | 7,164,605 |
| DISCONTINUED OPERATIONS | (394,427) | (\$22,559) |
| Operating cash flows | 2,345,993 | (46,306) |
| Investing cash flows Financing cash flows | (613,687) | 401,000 |
| - · · · · · · · · · · · · · · · · · · · | 1,337,879 | (167.865) |
| Net cash provided by (used in) discontinued operations NET INCORDANCE OF OPERATE IN CASH AND CASH BOTTVALENTS | 9,712,264 | (7,069,728) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS Cash and cash equivalents, beginning of period | 3,435,117 | 10,504,845 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 13,147,381 | \$ 3,435,117 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | 4 | |

Gas Natural Inc. and Subsidiaries Consolidated Statements of Cash Flows

| | Year Ended December 31, | | |
|--|-------------------------|--------------------------|--|
| | 2013 | 2012 | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Cash paid for interest Cash refunded for income taxes, net | \$2,806,051 (4,050) | \$2,286,902 (989,503) | |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | | |
| Shares issued to purchase JDOG Marketing | \$2,641,199 | \$ - | |
| Contingent consideration issued to purchase JDOG Marketing | 2,250,000 | - | |
| Plant, property and equipment acquired from JDOG Marketing purchase | 21,600 | '- | |
| Customer relationships acquired from JDOG Marketing purchase | 2,800,000 | _ | |
| Goodwill acquired from IDOG Marketing purchase | 2,101,744 | | |
| Note receivable effectively settled in JDOG Marketing acquisition | 32,145 | - | |
| Capital expenditures included in accounts payable | 1,798,014 | 745,402 | |
| Shares issued to purchase Loring Pipeline | · _ | 2,250,004 | |
| Capital assets exchanged to settle payables | 82,584 | | |
| Capital assets acquired through trade-in | 23,500 | - | |
| Accrued dividends | 470,326 | 376,639 | |
| Capitalized interest | 15,226 | 21,147 | |
| Customer advances for construction moved to contribution in aid of construction | 16,364 | - | |