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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

OCT 30 PM 12:00

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In the Matter of the Commission Investigative : Case No. 14-205-GA-COI  
Audit of Brainard Gas Corporation, Northeast :  
Ohio Gas Corporation and Orwell Natural Gas :  
Company. :  
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**STIPULATION AND RECOMMENDATION**

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Ohio Administrative Code Rule 4901-1-30 provides that any two or more parties to a proceeding before the Public Utilities Commission of Ohio ("Commission") may enter into a written stipulation covering the issues presented in that proceeding. This Stipulation and Recommendation ("Stipulation") sets forth the understanding of Brainard Gas Corporation ("Brainard"), Northeast Ohio Natural Gas Corporation ("Northeast") and Orwell Natural Gas Company ("Orwell") (collectively, "the Companies" or "the Ohio utilities") and the Commission Staff ("Staff"), each of whom is a Signatory Party and together constitute the Signatory Parties. The Signatory Parties recommend that the Commission approve and adopt, as part of its Opinion and Order, this Stipulation, which will resolve all of the issues in the above-captioned proceeding.

This Stipulation is a product of lengthy, serious, arm's-length bargaining among the Signatory Parties with diverse interests, who are capable, knowledgeable parties, which negotiations were undertaken by the Signatory Parties to settle this proceeding. This Stipulation was negotiated among all parties to the proceeding, and no party was excluded from negotiations. This Stipulation is supported by adequate data and information. As a package, the Stipulation benefits customers and the public interest; represents a just and reasonable resolution

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of all issues in this proceeding; and violates no regulatory principle or practice. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as here, it is sponsored by parties representing a wide range of interests, including the Commission's Staff.

This Stipulation reflects the Signatory Parties' agreement as to the need to strengthen the management practices and procedures of the Companies. The Signatory Parties acknowledge this Stipulation in no way addresses or attempts to resolve other pending proceedings involving the Companies. Rather, the scope of this Stipulation solely addresses the limited issues resulting from and contained within the bounds of the Commission-ordered investigative audit and encourages stronger practices and procedures related to the Companies' actions as public utilities within the State of Ohio.

For the purpose of resolving all issues raised in this proceeding, the Signatory Parties stipulate, agree and recommend as follows:

## **I. PARTIES**

1. This Stipulation is entered into by and among the Companies, their successors and assigns, and the other Signatory Parties. The Signatory Parties fully support this Stipulation and urge the Commission to accept and approve it.

## **II. BACKGROUND**

1. On November 13, 2013, the Commission issued an Opinion and Order in *In re Northeast Ohio Natural Gas Corp. and Orwell Natural Gas Company*, Case Nos. 12-209-GA-GCR *et al.* ("2012 GCR Order"). In the 2012 GCR Order, the Commission stated that an investigative audit of the Companies was warranted based on evidence regarding the Companies

“management structure, personnel responsibilities”, “decisions and practices of and between the Companies and their affiliates, and the Companies’ management structure.” 2012 GCR Order at 3. The Commission ordered that “an investigative audit be undertaken of the Companies and all affiliates and related entities.” 2012 GCR Order at 64.

2. On April 2, 2014, the Commission issued an Entry initiating the investigative audit into the Companies and their affiliates in the above captioned case. In the April 2, 2014 Entry, the Commission directed Staff to issue a Request for Proposal to potential auditors.

3. On May 5, 2014, the Commission issued an Entry, selecting Rehmann Corporate Investigative Services, LLC (“Rehmann”) as the auditor to perform the investigation in the above captioned case.

4. On January 23, 2015, Rehmann submitted its report to the Commission in both a public and confidential version.

### **III. AGREED UNDERTAKINGS AND FINDINGS**

The Signatory Parties agree to the following terms and conditions:

1. The Companies have developed processes and procedures for calculating their Gas Cost Recovery (“GCR”) for each utility to substantiate filed rates with actual costs, reconciliations, and allocation of gas cost between each utility and adjustments. The Companies currently reconcile gas purchases with the general ledger each month to ensure consistent records of gas purchases. The Companies also reconcile all gas purchase volumes with the amount of sales each month. The Companies currently use a combination of the accounting system and Excel to verify the accuracy of the underlying numbers and calculations and will maintain work papers and supporting documentation for two GCR auditing periods. The Companies will maintain documentation and workpapers in a consistent manner for future GCR audits. The

Companies are currently working with Staff to ensure that the purported content of the Excel spreadsheet used by the Companies is adequate. The Companies have implemented a policy that prohibits employees from performing certain manual adjustments to a GCR Excel spreadsheet and will also develop a written policy within six months of a final Order adopting the Stipulation that documents the remaining practices and procedures discussed in this paragraph.

2. All annual sales figures for the Ohio utilities shall be updated monthly in calculating the GCR rates for the Ohio utilities. The Ohio utilities develop sales figures by using the daily invoicing reports from the billing system. The Companies currently create reports that support all sales volumes, and will maintain these reports for a minimum of two GCR auditing cycles. The Ohio utilities maintain these reports in duplicate through storage in hard copy and on a server. The Companies currently use a gas supply sheet that records all competitive bids. The Companies are currently in the process of creating a secure database to store this historical information. The Companies expect this secure database to be operational by January 1, 2016.

3. The Ohio utilities currently have a policy that addresses the Companies' provision of free gas. The Companies do not include volumes from free gas customers in the GCR calculations and the Companies monitor transportation invoices to ensure GCR customers do not incur any transportation costs related to the transportation of free gas volumes. The Companies provided Staff and OCC a list of customers that are provided free gas during this case and also provided an explanation as to why these customers receive free gas. The Companies will provide the Commission and OCC a list of customers that are provided free gas in future GCR audits upon request. The Companies' current free gas policy is attached as Attachment A.<sup>1</sup>

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<sup>1</sup> The various policies and procedures attached to this Stipulation as exhibits and distributed to the Signatory Parties and the OCC under the terms of a Non-disclosure Agreement are solely for the purposes of illustrating the Companies' progress as recommended by the Rehmann Report and depicting the status of those policies and procedures at the time of the execution of the Stipulation. All policies and procedures attached as exhibits are

4. The Ohio utilities currently have a three step process for documenting, approving, and paying invoices. This process ensures that the Companies: document invoices; mark invoices as final invoices when paid by the Companies for natural gas used in calculating the GCR; authorize invoice payment through the Companies' documented approval process for paying invoices. First, an employee verifies the physical delivery of gas. Second, an employee verifies that accurate volumes of gas were delivered. Third, an employee verifies that the price of the delivered volumes is accurate. Two employees are required to independently verify quantity and price. Each employee provides a separate signature as verification. All final invoices for gas and other purchases are signed in writing by a purchasing manager employed by the Ohio utilities. Each employee provides a separate signature as verification. The Companies' current policies for documenting the approval of invoices are attached hereto as Attachment B.<sup>2</sup>

5. The Ohio utilities have implemented practices and procedures to ensure each GCR calculation properly reflects all Commission-ordered adjustments, including Supplier Refund and Reconciliation Adjustments ("RA"), Balancing Adjustments ("BA"), and Actual Adjustments ("AA"). Employees involved in performing GCR calculations have been instructed to review and comply with Commission-ordered adjustments as set forth in the GCR Rule (Ohio Administrative Code Rule 4901:1-14, Uniform Purchased Gas Adjustment Clause). For each month that the Ohio utilities delay implementing Commission-ordered adjustments, there shall be an interest charge imposed at 10% annually. The Companies are in the process of developing

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subject to change over time and in the ordinary course of the Companies' business, consistent with generally accepted and prudent business practice. The Signatory Parties agree that the reference to and inclusion of these policies and procedures herein should not be interpreted as a requirement that the Companies seek any approval, endorsement, or agreement from the Commission, the Commission Staff, the OCC or any other party to change, alter, modify, amend, update or replace, without limitation, any of the policies or procedures attached hereto as exhibits.

<sup>2</sup> Attachment B contains three policies: one policy for Orwell, one for Brainard, and one for Northeast.

a written policy documenting these procedures, which will be completed within six months of the issuance of a final Order adopting this Stipulation.

6. All gas purchases which are allocated among and between the Ohio utilities shall be supported by adequate and clear documentation to ensure that GCR customers receive gas for which they are lawfully charged. The documentation shall include the basis for the allocation. No gas purchase shall be allocated, split or divided between or among the Ohio utilities without clear and adequate written documentation that identifies the individual(s) making the decision and explaining the reason for the allocation, including a determination that any change or modification results in “least costs with reliability” for gas for regulated customers. All documentation shall be retained by the Companies for a minimum of two GCR auditing cycles.

7. Each of the Companies has implemented a written gas purchase procurement policy. These policies describe the Companies’ supply strategy for obtaining optimum gas supply prices and providing full requirements of gas supply to customers. These policies address the Companies’ process for contracting with affiliated/related parties for the sale of natural gas or transportation services. Copies of the current versions of these policies are attached hereto as Attachment B. The Companies provided Staff and OCC these written policies during the course of this case and will provide a copies of these policies in GCR audits.

8. The Ohio utilities have developed a process to reconcile gas cost items included in GCR calculations with general ledger entries, while taking into consideration the need to be able to document any adjustments or inconsistencies between the calculations and entries. Each month, the Companies reconcile summaries of gas purchases with the general ledger to ensure consistency. The Companies will document the reconciliation between the general ledger and

the GCR in writing, and will ensure that these reconciliations are verified and signed-off by the executive management team and retained for a minimum of two GCR auditing cycles.

9. The Ohio utilities have developed policies and procedures that ensure separation between regulated and non-regulated functions, including gas purchases. These current policies are attached hereto as Attachment C.

10. The Ohio utilities have implemented a written policy for use of the Companies and individual email related to the Companies' business. This policy is contained in the Gas Natural, Inc. employee handbook, a copy of which has been provided to Staff and OCC in this case. A copy of the current policy is in the employee handbook, which is attached hereto as Attachment D.

11. Orwell will evaluate the \$66,991 shrinkage cost charged by Orwell Trumbull Pipeline Co., LLC ("Orwell-Trumbull") to determine if this charge was consistent with the parties' contractual obligations. Orwell agrees to timely seek reimbursement from Orwell-Trumbull if this charge was inconsistent with the terms of the parties' contract.

12. Gas Natural Services Company ("GNSC") shall no longer procure services for the three Ohio utilities.

13. Written job descriptions for the various positions within the three Ohio utilities shall be established within six (6) months from the date of a final Order approving this Stipulation. These job descriptions will describe the role, responsibility and accountability of all utility personnel. The Companies will also provide a description of how the Companies will record and monitor shared services of employees amongst the Companies to ensure no cross-subsidization occurs. The Companies currently track employees' time working for each of the Companies by requiring each employee to record separate time sheet for each utility the

employee is performing work for, then the appropriate utility is charged for the employee's time. The Companies have also developed organizational charts for Orwell and Northeast, which were provided to Staff and OCC in this case. Current copies of these organizational charts are attached hereto as Attachment E.

14. The Ohio utilities currently have an employee handbook, including a code of conduct, which is provided to the Ohio utilities' employees. The Code of Business Conduct was also updated on September 9, 2015 through a Gas Natural, Inc. ("GNI") Board resolution, applicable to each of the Ohio utilities. All employees are required to sign the Code of Business Conduct. Copies of the current employee handbook (Attachment D) and Code of Business Conduct (Attachment F) have been provided to Staff and OCC in this case and are attached to this Stipulation. The Companies are in the process of implementing an online training program for employees that addresses conflicts of interest and affiliated/related party transactions.

15. The Companies, through the Code of Business Conduct, updated their whistleblower policy and framework, which includes a confidential framework for employees to report possible violations of the organization's Code of Business Conduct. The Companies have distributed the updated Code of Business Conduct to all of the Ohio utilities' employees.

16. The Ohio utilities have a vehicle use policy, which is described in the employee handbook that has been provided to Staff and OCC in this case (Attachment D). The Companies agree that the only individuals allowed to use a Company vehicle are employees of the Ohio Companies.<sup>3</sup>

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<sup>3</sup> The Companies represent that one company vehicle is currently in the possession of Richard M. Osborne. The Companies are currently attempting to recover this vehicle through litigation.



17. The Ohio utilities have developed policies and procedures for affiliated and related Company transactions. A current version of these policies and procedures is attached hereto as Attachment C.

18. The Ohio utilities have begun the process of developing a policy regarding access to the utilities records and personnel access to network access rights and key confidential documents of the three Ohio utilities, including access to consolidated spreadsheets, Gas Cost Recovery Spreadsheets and Gas Supply Bid Sheets. The Companies are currently implementing an SAP software conversion that addresses these issues. The Companies intend to have this software conversion process completed within six months of the issuance of a final Order adopting this Stipulation. The Companies agree to provide Staff and OCC an update regarding this process within six months of the issuance of a final Order adopting this Stipulation.

19. GNI has reached a level of growth that now requires compliance with Sarbanes-Oxley protocols ("SOX"). GNI is in the process of ensuring that its accounting and management policies and procedures adhere to SOX requirements. This process is on-going due to the evolving nature of the SOX audit. The Ohio utilities will follow GNI mandates regarding SOX compliance protocols and will update the parties about changes to policies and procedures in the next GCR audit.

20. The Ohio utilities have developed, or adopted a GNI corporately developed, "Intercompany Agreement," that governs the pricing and payment terms of intercompany service and sales transactions. The Ohio utilities shall clearly and adequately document in writing the rationale behind any intercompany transactions. A copy of the current policy is attached hereto as Attachment C.

21. GNI is in the process of establishing an in-house internal audit department, which reports to the GNI Board of Directors formed Audit Committee. Internal audits for the Ohio utilities will be performed annually based on an Audit Committee approved audit plan.

22. Consistent with the Stipulation adopted in Commission Case Nos. 14-206-GA-GCR, 14-209-GA-GCR, 14-212-GA-GCR, the Signatory Parties recommend that the Commission order a Management Performance (“M/P”) Audit conducted by an independent auditor, selected by the Commission, with an audit period of July 1, 2014 through June 30, 2016. The Companies’ shareholders and Orwell’s and Northeast’s customers agree to split the actual cost of the M/P Audit. Orwell’s and Northeast’s customers’ share of the cost of the M/P audit (assuming the audit cost is \$100,000) has been paid as a result of the reduction of their respective refund amounts. The cost of the M/P Audit will not exceed \$100,000. If the actual cost of the M/P Audit is less than \$100,000, the Companies will refund to Orwell’s and Northeast’s customers an amount that ensures an equal sharing of the cost between the Companies’ shareholders and their customers. The scope of the M/P Audit shall be set to enable the M/P Auditor to make recommendations that may include prior period adjustments that are based on new information or findings. The M/P audit shall continue in coordination with the GCR audits until the Commission deems it unnecessary.

23. The Companies agree that all interstate gas system operators’ tariffs shall show the allowed retention/shrinkage percentage.

#### **IV. OTHER CONDITIONS**

1. In arms-length bargaining, the Signatory Parties have negotiated terms and conditions that are embodied in this Stipulation. This Stipulation resolves a variety of difficult, complicated issues that would otherwise be resolved only through expensive, complex, and

protracted litigation. This Stipulation contains the entire agreement among the Signatory Parties, and embodies a complete settlement of all claims, defenses, issues, and objections in this proceeding. Any objections or motions filed by the Signatory Parties that are inconsistent with this Stipulation shall be deemed withdrawn upon approval by the Commission of this Stipulation. The Signatory Parties agree that this Stipulation is in the best interests of the public and of all parties, and urge the Commission to adopt it.

2. This Stipulation is submitted for purposes of this case and should not be understood to reflect the positions which the Signatory Parties would have taken if all of the issues in the proceeding had been litigated. As with most stipulations reviewed by the Commission, the willingness of the Signatory Parties to sponsor this document jointly is predicated on the reasonableness of the Stipulation taken as a whole.

3. Upon notice of termination or withdrawal by any Signatory Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing may go forward at the procedural point at which this Stipulation was filed and the Signatory Parties will be afforded the opportunity to present witnesses, cross-examine all witnesses, present rebuttal testimony, and brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

4. This Stipulation is not to be relied upon in any other proceedings, except as necessary to enforce the terms of this Stipulation. The Signatory Parties agree that if the Commission rejects all or any part of this Stipulation, or otherwise materially modifies its terms, any adversely affected party shall have the right within thirty (30) business days of the Commission's Order, either to file an application for rehearing or to terminate and withdraw from the Stipulation by filing a notice with the Commission. The Signatory Parties agree to, and

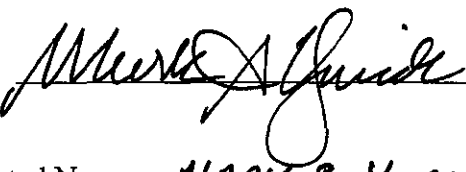
intend to support the reasonableness of, this Stipulation before the Commission and in any appeal from the Commission's adoption or enforcement of this Stipulation. If not fully adopted by the Commission or if rejected by the Supreme Court of Ohio, the Stipulation shall not prejudice any of the positions taken by any party on any issue before the Commission in any other proceeding and shall not be admissible evidence in this or any other proceeding.

5. The exhibits filed by the parties in this case, including the public version of the audit report submitted by Rehmann on January 23, 2015 in this proceeding shall be admitted into the record of this proceeding. This Stipulation is adequately supported by those materials.

IN WITNESS WHEREOF, the undersigned parties agree to this Stipulation as of this 30<sup>th</sup> day of October, 2015. The undersigned parties respectfully request the Commission to issue its Opinion and Order approving and adopting this Stipulation.

BRAINARD GAS CORPORATION, ORWELL  
NATURAL GAS COMPANY AND  
NORTHEAST OHIO NATURAL GAS  
CORPORATION

THE STAFF OF THE PUBLIC UTILITIES  
COMMISSION OF OHIO

By: 

Printed Name: MARK S. YURICK

By:  per e-mail

Printed Name: WERNER L. MARGARD

**ATTACHMENT A**

**CONFIDENTIAL FILED UNDER SEAL**

**ATTACHMENT B**

**CONFIDENTIAL - FILED UNDER SEAL**

**ATTACHMENT C**

**CONFIDENTIAL - FILED UNDER SEAL**

**ATTACHMENT D**

**CONFIDENTIAL - FILED UNDER SEAL**



**ATTACHMENT E**

**CONFIDENTIAL - FILED UNDER SEAL**

**GAS NATURAL INC.**  
**CODE OF**  
**BUSINESS CONDUCT**  
**FOR DIRECTORS, OFFICERS AND EMPLOYEES**

September 9, 2015

Dear Directors, Officers and Employees of Gas Natural Inc.:

We place a premium on the integrity of our company, and its directors, officers and employees, and we believe that these values contribute to a good reputation among customers, suppliers, community and other constituencies. Fundamental to our values are requirements of law.

Because of our commitment to a strong set of values and principles, the Board of Directors of Gas Natural Inc. (the “Company”) has adopted a written Code of Business Conduct (the “Code”), which follows this letter. Maintaining and improving our reputation includes adhering to the Code. By following our Code we can maintain the Company as a good workplace for our employees, a good provider of products and services for our customers, a good investment for our stockholders and a good citizen in our communities.

The Company’s Code provides the essential guidelines for you to understand your responsibilities, including your obligation to comply with the law and to advise management of any concern you have as to whether any aspect of the Code or law has been or may be violated. This function is essential for us to maintain our values, our integrity and our reputation.

Very truly yours,

Kevin J. Degenstein  
Chief Operating Officer and Chief Compliance Officer

## **SECTION I**

### **HOW TO OBTAIN GUIDANCE ON A COMPLIANCE ISSUE OR TO REPORT A CONCERN**

This Code of Business Conduct (the “Code”) is applicable to each director, officer and employee of Gas Natural Inc. and its subsidiaries (the “Company”). It is the responsibility of all persons covered by this Code to know and comply with its provisions. In addition, each manager and supervisor is responsible for ensuring that his or her employees know, understand, and comply with Company policies, the Code and all applicable laws and regulations. If you have a concern that may indicate a violation has occurred or may occur, you are expected to report the concern promptly to your supervisor. Should you feel uncomfortable discussing a concern with your supervisor, you should bring the matter to the attention of any officer of the Company or the Human Resources Manager.

**We will protect the anonymity (to the extent practicable) of any person who reports suspected misconduct. It is our policy that every person who acts in good faith in reporting possible violations of the Code will be free from reprisal, retribution or negative consequences in their employment as a result of such reporting. In the event of a resulting internal investigation, you will be kept informed of its outcome as is practicable under the circumstances.**

Violation of this Code may result in disciplinary action, including, but not limited to, warning, suspension or termination of employment. Violations may include non-compliance with Company policies, lack of supervision or diligence in enforcing Company policies, providing false or misleading information, as well as any retaliatory actions, direct or indirect, against an employee who reports a reasonably suspected violation of this Code or other misconduct. Additional provisions for reporting certain violations are contained in Section XXII (regarding conduct of persons with financial reporting responsibility).

## **SECTION II**

### **INTRODUCTION TO THE GAS NATURAL INC. CODE OF BUSINESS CONDUCT**

This Code does not provide an answer to all questions, or spell out the appropriate reaction for every situation that may arise; it is only a general guide by which we expect directors, officers and employees to conduct business on behalf of the Company. You may need to refer to other policies or procedures for further guidance on appropriate action. When the proper course of action is unclear, or if you are uncertain about an action’s propriety, you should consult with your supervisor. The Company’s Board of Directors (the “Board”) and officers have the responsibility to provide corporate oversight to an overall program implementing this policy.

All covered persons are required to read, understand, and follow the Code. The Company will maintain a record that the Code was provided to you. You may be asked periodically to affirm your understanding of the Company’s policies, including updated versions of policies.

A copy of this Code and future revisions will be made available to all present and future directors, officers and employees. The policies are subject to continual modification to reflect our changing needs and the changing environment in which we operate.

## SUMMARY OF POLICIES

<i>Compliance with Antitrust, Securities and Other Laws</i>	These policies establish our intent to comply with all laws and regulations, including all antitrust and securities laws; this also covers your treatment of non-public or insider information that investors might consider significant.
<i>Conflicts of Interest</i>	You and your “immediate family” must avoid any action that creates, or appears to create, a conflict between their own interests and the interests of the Company. When a policy refers to “you” or “indirectly” it should also be read to include (1) immediate family members (spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home), or (2) an estate or trust of which the covered person or a family member is a beneficiary or trustee.
<i>Proprietary and Confidential Information</i>	You are prohibited from disclosing certain business, market sensitive, or any other proprietary information to those who do not “need to know.”
<i>Equal Employment Opportunity</i>	This details our policy to affirmatively recruit, retain, and promote employees without regard to race, sex, age, disability, ethnic origin, religion, or other protected status. No form of discrimination or harassment will be tolerated.
<i>Fraud, Theft, Payments, Kickbacks or Similar Conduct</i>	You may not engage in any scheme to defraud anyone out of money, property, or honest services. Also prohibited are theft, fraud and embezzlement. Further prohibited are the receipt of fees, loans, or other payments resulting from transactions involving the Company or its subsidiaries and affiliates. No covered person will provide or accept kickbacks, including those in the form of currencies, services, other assets or reductions of personal debts. Any exceptions to this policy must receive the explicit approval of the CEO.
<i>Gifts and Gratuities</i>	You should not routinely give or receive gifts whose value is more than \$100. Gifts in excess of this level should be reasonable as compared to the business standards of the industry, and disclosed to the Chief Compliance Officer.

<i>Safeguarding Company Assets</i>	The existence and integrity of all Company assets must be protected. Financial reports must be accurate and reliable. Covered persons are prohibited from using Company property or funds for personal use or benefit. This prohibition does not extend to incidental use of Company property (such as copy machines and faxes) when such use is rare and does not interfere with Company business.
<i>Records Retention</i>	The Company creates and receives numerous documents in the course of its business. In order to protect the Company's interests, it is essential that the Company's business records be appropriately handled, including appropriate storage and safeguarding of records that the Company needs to retain and appropriate procedures for disposition of records consistent with applicable legal requirements and the business needs of the Company. Directors, Officers and employees shall observe the requirements of any specific Records Retention Procedure issued by the Company.
<i>Corporate Opportunities</i>	Directors, officers and employees are prohibited from diverting business opportunities away from the Company discovered in the normal performance of one's duties.
<i>Software Acquisition, Protection and Distribution</i>	Any operating unit or support function that internally develops software must ensure that appropriate intellectual property rights (copyrights, patents) are obtained and secured. This software must also be identified, accounted for, controlled and documented.
<i>Drug Free Workplace</i>	The unlawful possession, manufacture, use, dispensation or distribution of controlled substances in the workplace, or at any place where a covered person could be construed to be a representative of the Company or any subsidiary or affiliate is strictly prohibited.
<i>Environmental Health and Safety</i>	It is our policy to establish and manage a safe and healthy environment and to comply with environmental health and safety laws.
<i>Other Employment</i>	Full time employees of the Company are not encouraged to be employed by third parties. However, such employment is not prohibited when it does not interfere with an employee's employment with the Company or its subsidiaries and when such employment does not present a conflict of interest.

<i>Responding to inquiries from the Press and Others</i>	Inquiries from the media, shareholders, the financial community, and regarding any other corporate matters are to be referred to the President and Chief Executive Officer, Vice President, Chief Financial Officer, Corporate Controller, Chief Operating Officer, Chief Compliance Officer, or the Chief Legal Counsel. Responses to "official" requests by law enforcement and any legal inquiries should be directed to the Chief Executive Officer.
<i>Political Activity</i>	This policy outlines the manner in which employees may participate in federal, state and local political processes.
<i>Financial Code of Ethics</i>	Persons with responsibilities related to the Company's financial reporting are required to comply with certain specific requirements.
<i>Discipline and Violation Reporting</i>	Non-compliance with our policies can result in discipline, including but not limited to warnings, suspensions or termination of employment. Employees are expected to report as described in this Code any reasonably suspected violations for internal investigation and action.

### SECTION III THE ANTITRUST LAWS AND FAIR COMPETITION

It is our policy to compete vigorously, aggressively and fairly without any anticompetitive understandings or agreements with our competitors, suppliers, dealers and/or customers. You are expected to understand the antitrust laws and regulations that apply to your job or function and to act in accordance with those laws and regulations. Antitrust law can be very complex.

- Actions which may violate the antitrust laws include:
  - Suggesting a product or commodity must be resold (at retail when purchased at wholesale) at or within any particular price or range;
  - Limiting where, to, or by whom something can be sold or marketed;
  - Providing differing information about a request for quotation/proposal to competing bidders;
  - Participating in actions by any trade association or other industry group regarding membership restrictions, data collection, or sharing of information about prices, pricing policies, marketing expansion, cut-back plans, costs, earnings, credit or billing practices, business practices of competitors, customers or suppliers or

desired governmental actions. If you are present at a meeting or informal gathering when these discussions start, leave and report the incident.

Other Considerations:

- You should avoid discussions or agreements with competitors (even informal ones) regarding prices, terms or conditions of sales, credit or billings practices, costs, profits (or profit margins), market shares, bids, requests for proposals, intent to bid (or not to bid) for a particular customer business, intent to do business (or not) with particular suppliers or territories, or plans to build or expand existing capacity;
- You should maintain our independence of judgment in the pricing, marketing, purchasing and selling of all products and services. Avoid inaccurate or misleading statements about competitors, suppliers, customers, or their offerings. We succeed by offering competitively priced, quality products and services, not by attempting to prevent anyone from entering a market, or by disparaging any competitor, supplier or customer or trying to “put them out of business.”
- Our purchasing decisions are based on fair and objective criteria, not on whether a supplier agrees to use our goods and services. Do not suggest to suppliers that purchasing decisions depend on the supplier’s use of our goods or services or that failing to do business with a subsidiary or affiliate could jeopardize business with the parent company.
- For a more detailed explanation of the principal federal and state antitrust laws, compliance reviews of various business practices, and a summary of antitrust penalties and sanctions, please contact an officer of the Company for a copy of the Company’s “Antitrust Compliance Policy and Guidelines.”

#### **SECTION IV INSIDER TRADING**

As a publicly traded company, the Company is concerned about protecting against potential abuses by directors, officers, employees and other individuals who know important information about the Company and its activities that are not otherwise publicly known.

In the normal course of business, some directors, officers and employees may have access to information about the Company and its activities before it becomes public knowledge. Until it is released to the public, this knowledge is considered “inside” information and must be kept confidential. Federal securities laws are designed to protect the public by preventing anyone with access to inside information from exploiting this knowledge. Acting on this information for personal gain or releasing it to anyone else prior to its effective disclosure to the general public is in violation of federal law and Company policy.

All directors, officers and employees should use the following guidelines to support compliance with the rules regarding inside information:

- Inside information shall be shared only with persons inside or outside the Company whose jobs, after a reasonable inquiry, require them to have the information.
- The Company has standard procedures for the release of material information outside the Company. No such disclosure shall be made without following those procedures strictly.
- A director or employee may not buy or sell Company stock, or other Company securities, or direct someone else to buy or sell if he or she has knowledge or material inside information that has not been made public.
- A director, officers or employee who learns of material nonpublic information about a company with which the Company does business (including customers and suppliers), may not trade in such company's securities until the information becomes public or is no longer material.

For a more detailed explanation of the Company's policy regarding insider trading, please contact a Company officer for a copy of the "Gas Natural Inc. Policy Statement on Insider Trading."

## **SECTION V CONFLICTS OF INTEREST**

You may not engage in any activity, or become involved in any arrangement, directly or indirectly, which will conflict, or may be reasonably viewed as conflicting, with your responsibilities to the Company. This includes the use of the Company's name, information, or goodwill for your personal gain or that of others. A conflict of interest may arise from your involvement, or another person acting on your behalf, in certain business or personal activities that may currently, or potentially conflict with your duties at the Company. The ability of an employee, officer or director to fulfill his or her obligations can be compromised if a conflict of interest exists between his or her personal interests and the interests of the Company. Even where the outcome of the matter is on terms that are entirely fair to the Company, the existence of a conflict of interest can create the appearance of impropriety.

Members of the Company's Board of Directors are expected to disclose to their fellow directors any personal interest they have in a transaction upon which the Board takes action and to recuse themselves from participation in any decision in which there is a conflict between their personal interests and the interests of the Company.

A conflict may exist regardless of your intent. If you believe that you are, or may become, involved in a conflict of interest, you should address the issue promptly.



To avoid such situations, directors, officers and employees must:

- Not place themselves in a position where any benefit or interest other than employment could be derived from a transaction with the Company.
- Not contract with or render services to the Company outside of their employment.
- Select and deal with suppliers, customers and other persons doing or seeking to do business with the Company in a completely fair and objective manner without favor or preference based upon personal financial considerations.
- Not engage in any direct financial, managerial, or other relationship with any supplier, customer, competitor, or regulatory agency that could give rise to an actual or potential conflict of interest or an appearance of a conflict of interest.
- Engage, directly or indirectly, in any association, influence, or activity (whether for profit or not), that might impair or appear to impair the ability to make objective and fair decisions on behalf of the Company, or that might not otherwise be in the best interest of the Company. This includes, for example, directly or indirectly engaging in competitive activities, diverting a business opportunity from the Company, or improperly using or disclosing Confidential Information as defined in Section VI.
- Not accept from or give to any supplier, customer or competitor any gift or entertainment except as permitted under the section entitled "Gifts and Gratuities."
- Not do business with a close relative or business entity with which the employee or a relative is associated, except where such dealings are on arms-length terms, have been fully disclosed to the Chief Compliance Officer, and have been given specific written approval pursuant to the Company's Nepotism and Personal Relationship Policy.
- Not directly or indirectly own a substantial financial interest in any firm or corporation which is a competitor of or which does or seeks to do business with the Company. Stock ownership of less than 1% in companies traded on a national securities exchange is not considered to be a conflict of interest.

You must not directly or indirectly deprive the Company of a business opportunity discovered in the course of performing your duties, including diversion of a business opportunity to yourself or someone else account.

Regular full-time employees of the Company are not encouraged to obtain other employment outside of the Company. Employees who choose to work at another job must not allow that employment to have any negative impact on their performance at the Company.

Furthermore, you must not engage in any supplementary employment or activities that could cause embarrassment to, jeopardize the interest of, use proprietary information of, or interfere with, the operations of the Company.

Work performed for another employer by a regular, full-time employee of the Company or its subsidiaries must never be performed while on duty (including on call status), while wearing a Company uniform, or while using Company equipment or vehicles.

Disclosure must be made of all investments, including the ownership of stock traded on the national security exchanges, which may be reasonably construed to create an actual or apparent conflict of interest. A conflict of interest disclosure form must be completed and returned to Human Resources at the commencement of employment, annually, or if you have reason to believe your current or proposed activity may violate this policy.

No employee or officer is permitted to participate in any matter in which he or she has a conflict of interest unless authorized by an appropriate Company official, under circumstances that are designed to protect the interests of the Company and its stockholders, and to avoid any appearance of impropriety. Directors are required to disclose any conflict of interest to the Chief Compliance Officer and to refrain from voting on any matter(s) in which they have a conflict.

## **SECTION VI PROPRIETARY AND CONFIDENTIAL INFORMATION**

You must not disclose any proprietary or confidential information, including, but not limited to, trade secrets, customer lists, technical information or data, special methods of operation, or any other information that is of value to our business. Such information must not be disclosed either during or after service with the Company except, (1) with the prior written authorization of an appropriate Company official under circumstances that are designed to protect the interests of the Company, or (2) as may be required by law.

“Confidential Information” is generally business or technical information not generally available to the employee population as a whole or to third parties, and which may have been developed or specifically acquired by the Company. It includes:

- All information protected by law or by an agreement between the Company and a third party.
- Non-public information that, if disclosed, might be harmful to the Company or useful to competitors.
- “Market sensitive” material which could affect the decisions of current shareholders or potential investors.
- Information from employee personnel records or customer records, which are also protected by various privacy laws.

Employees must disclose any invention, improvement, concept, trademark or design that was prepared or developed in connection with their employment with the Company. The Company is the exclusive owner of such property.

## **SECTION VII EQUAL EMPLOYMENT OPPORTUNITY**

We value the diversity found in our employees, customers, suppliers and others. All covered persons are expected to conduct themselves in a manner that assures that customers, suppliers, and fellow covered persons are treated with respect, fairness and dignity. The Company will take affirmative action to recruit, hire, train, evaluate, promote, assign, transfer, layoff, recall, or terminate qualified individuals without respect to age, sex, color, race, creed, national origin, religious persuasion, marital status, sexual orientation, political belief, disability, veteran or draft status.

Any persons who have questions about this policy or who believe they have been subjected to or witnessed conduct in violation of this policy should contact their immediate supervisor. If, for any reason, an employee is uncomfortable going to his or her immediate supervisor or is dissatisfied with his or her immediate supervisor's response, the employee should go to the next level of management and through successive levels of management until comfortable or satisfied, up to the highest levels of management. Employees may also go directly to Human Resources.

The Company will promptly investigate any and all complaints about violations of this policy. We will protect the anonymity (to the extent practicable) of any person who makes a complaint about violations of this policy. It is our policy that every person who acts in good faith in making such complaints will be free from reprisal, retribution or negative consequences in their employment as a result of such complaints. In the event of a resulting internal investigation, you will be kept informed of its outcome as is practicable under the circumstances.

## **SECTION VIII HARASSMENT FREE WORK ENVIRONMENT**

We are strongly committed to the principle of fair employment. Accordingly, it is our policy to provide a work environment that is free from all forms of discrimination, intimidation or harassment. In recognition of each person's individual dignity, race, ethnicity, religion, sex, sexual orientation, and any other protected characteristics or status, harassment of our employees will not be tolerated. This includes inappropriate verbal or physical conduct or otherwise creating an intimidating, offensive abusive or hostile work environment. If you have a question, concern or complaint of discrimination, including harassment, based on race, ethnicity, religion, sex, sexual orientation, age, national origin, disability, veteran status, or other protected status, you are encouraged to bring the matter to the immediate attention of your supervisor. If you feel uncomfortable discussing an issue with your supervisor, or if you reasonably believe that your supervisor should be present during the first step of the resolution process, or that you cannot bring the matter to the attention of your supervisor or manager directly, contact your Human Resources representative or the Company's Human Resources Manager directly for assistance. Refer to the Company's Employee Handbook for further information.

## **SECTION IX EMPLOYEE PRIVACY**

We try to respect each other's privacy. At the same time, we need to ensure an efficient work environment. Employees should have no expectation that communications using the Company business tools are private in the workplace. The Company reserves the right to review your business tool usage, including without limitation voice mail, telephone, internet or e-mail, for any reason. Employees should be aware that there might be a time when the Company may search employee workspaces or property on the Company premises.

## **SECTION X FRAUD, THEFT, PAYMENTS, KICKBACKS OR SIMILAR CONDUCT**

No one may engage in any scheme to defraud anyone out of money, property or services. Any act that directly or indirectly involves theft, fraud, embezzlement, misappropriation or wrongful conversion of any property, including that of the Company or any of its employees, suppliers or customers, is expressly prohibited. No person shall make any false written or verbal statement involving any Company business or activity.

You may NOT accept personal commissions, fees, loans, or any other form of payment arising from any transaction or business activity directly or indirectly involving the Company without the prior approval of an appropriate Company official after fully disclosing all relevant facts relating to the transaction. No one will accept, provide, attempt to provide, or offer to provide a kickback to anyone for any reason.

These "payments" or kickbacks" may include, but may not be limited to: money, fees, commissions, loans, gratuities, trips or vacations, entertainment, recreation, personal services, accommodations or any other form of value.

## **SECTION XI FOREIGN TRANSACTIONS**

We are committed to ethical business practices both at home and abroad. If you conduct business for the Company outside of the United States, you are expected to comply with all applicable laws and regulations governing such transactions.

The Foreign Corrupt Practices Act makes it a crime to directly or indirectly offer, promise to pay or pay money or anything of value to foreign government officials, parties or political candidates for the purpose of influencing the acts or decisions of such officials in order to obtain business or obtain any improper advantage. All covered persons must keep accurate and truthful records reflecting payments and transactions for all foreign and domestic business activities.

Various Federal laws govern trade between the United States and foreign countries and prohibit United States companies and their foreign subsidiaries from doing business with certain countries, agencies and individuals. Similar export control restrictions limit the export of certain goods, technology and software to certain countries or individuals. Various Federal laws and/or

laws within a specific country may also require a license or permit in order to do business. As these laws and regulations vary by country and type of goods, employees engaged in business transactions outside of the United States should obtain advice prior to engaging in such activities.

It is illegal and against Company policy to cooperate in any way with boycotts between foreign countries not sanctioned by the United States. Any written or oral requests for boycott support or boycott related information should be immediately reported.

## **SECTION XII GIFTS AND GRATUITIES**

Gifts and other forms of special benefits to or from customers, suppliers, or competitors, of the Company can raise ethical and legal questions that could embarrass or damage the Company; therefore, caution is required when dealing with such matters. You should not routinely give or receive gifts whose value is more than \$100. Gifts in excess of this level should be reasonable as compared to the business standards of the industry and reported to the Chief Compliance Officer. It is your responsibility to ensure that your acceptance of meals, refreshments, or entertainment is proper and could not reasonably be construed in any way as an attempt to secure favorable treatment from you. No gifts of money should ever be accepted. If you question the appropriateness of a gift, contact your supervisor, a Human Resources representative, or an appropriate Company official immediately as to the existence, nature and value of the gift.

## **SECTION XIII SAFEGUARDING COMPANY ASSETS**

The Company is strictly accountable for any funds and property entrusted to its care. You are not to use (without prior approval by an appropriate Company official), spend or dispose of Company funds, or property for personal use or benefit, or in a manner or for a cause that is unethical or illegal.

You are responsible for maintaining written records and expense reports in sufficient detail to completely, accurately and fairly reflect all transactions and expenditures made on behalf of the Company. These documents must be prepared on a timely basis. The falsification of any such documents with inaccurate or misleading data is prohibited. Furthermore, you must accurately track and segregate any personal expenses that may be co-mingled with business expenses. Company sponsored credit cards are not to be used for personal charges.

## **SECTION XIV RECORDS RETENTION**

The Company creates and receives numerous documents in the course of its business. In order to protect the Company's interests, it is essential that the Company's business records be appropriately handled, including appropriate storage and safeguarding of records that the Company needs to retain, and appropriate procedures for disposition of records consistent with applicable legal requirements and the business needs of the Company. Documents include paper copies, other tangible media (such as slides) and electronic records such as e-mail and other records, data and documents maintained in databases.

All persons shall observe the requirements of any specific records retention procedures issued by the Company.

The following general guidelines with respect to record retention shall be observed by all directors, officers and employees:

- Important documents such as deeds, licenses, easements, franchises and other documents evidencing property or other rights, shall be safeguarded and retained permanently unless otherwise specifically provided in any records retention procedure.
- Documents subject to specific retention periods mandated by law (including, for example, tax records, employee files and safety records) shall be retained for the period required by law (and for any longer period specified in any records retention procedure).
- Employees are not authorized to create documents and records on Company letterhead, forms, or otherwise on behalf of the Company, other than documents and records that such employees are required to create in connection with their job duties.
- Special requirements may apply to documents that relate to matters that are the subject of lawsuits or other disputes involving the Company. If you are in doubt as to the proper handling of a specific document, you should contact an officer of the Company for guidance.

## **SECTION XV CORPORATE OPPORTUNITIES**

Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information, employment, or other position without the consent of the Board. No employee, officer or director may use corporate property, information, or their position for improper personal gain. No employee or officer may compete with the Company directly or indirectly. No director may compete with the Company for business opportunities, provided, however, that a director may pursue a particular opportunity that relates to the Company's business if the Company's other directors without an interest in the matter make a prior determination that the Company will not pursue such opportunity and that the Company will not be disadvantaged by the director

pursuing the opportunity. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

## **SECTION XVI USE OF COMPUTER RESOURCES, INCLUDING SOFTWARE ACQUISITION PROTECTION AND DISTRIBUTION**

Software, whether purchased or internally developed, and the intellectual property rights represented by such software, are valuable Company assets and must be protected and managed in compliance with all software licensing requirements, restrictions and laws. Such licensing agreements may prohibit copying or distributing such software for Company or personal use.

Use of the business tools, including without limitation the Internet, Intranet or e-mail shall be limited to business purposes. Any use should not interfere with work duties or violate Company policies, including policies relating to gambling, pornography, chain letters and solicitation.

## **SECTION XVII DRUG FREE WORKPLACE**

**Note: For purposes of this policy, “controlled substance” means any drug that is not legally obtainable, or for a drug that is legally obtainable over-the-counter or by prescription, a drug that is not used for the purpose for which it was intended or is being used in excessive dosages.**

Unauthorized use, possession, dispensation, distribution, or manufacture of a controlled substance or alcohol in any Company facility, including parking lots, vehicles on our premises or in use for our business, or any customer or supplier’s facilities, is strictly prohibited. Performing or attempting to perform any Company business, whether on our premises or not, while under the influence of any controlled substance or alcohol is also prohibited, and may result in disciplinary action, up to and including termination.

## **SECTION XVIII RESPONDING TO INQUIRIES FROM LAW ENFORCEMENT, THE PRESS, AND OTHERS**

We have established policies for responding to inquiries from the press and from others legitimately seeking information about us. It is important that employees refrain from any attempts to answer such inquiries unless authorized to do so by an appropriate Company official. Our intention is to maintain a spirit of cooperation while always acting in the Company’s best interest and presenting a uniform message to the press, public and others. Therefore, all inquiries from the media regarding corporate matters, such as shareholders and the financial community, should be forwarded to the President and Chief Executive Officer, Vice President, Chief Financial Officer, Corporate Controller, Chief Operating Officer, Chief Compliance Officer, or Chief Legal Counsel. Any responses to “official” requests by law enforcement and all legal inquiries should be directed to a Company Officer.

## **SECTION XIX ENVIRONMENT, HEALTH AND SAFETY**

It is our policy to provide a safe and healthy environment for our employees and visitors to our premises. To this end, you are expected to conduct operations in a manner that meets applicable environmental, health and safety laws and regulations. You are required to immediately report any and all accidents, injuries, occupational illness, or unsafe conditions or practices to your supervisor.

## **SECTION XX POLITICAL ACTIVITY**

Participation in the American political system is the right of every individual. We encourage our employees, as responsible citizens, to support candidates and ballot measures of their choice at all levels of government. The policies outlined below are not intended to discourage employees from individual political activity during their off-duty hours.

State and federal laws generally place limitations on corporations participating in elections. Under no circumstances may any Company funds or property be used, directly or indirectly, to support or assist the candidacy of any person seeking elective office. To avoid any appearance of the Company making a direct or indirect corporate contribution to a candidate, an employee may not work on behalf of a federal candidate's campaign during the employee's regular business hours, or at any time use the Company's facilities or property for such purpose.

Under limited circumstance some states permit corporations to make contributions to candidates, political parties and ballot issues; however, such contributions are limited and strictly controlled. If made at all by the Company, such contributions will only be made by authorization of the Board.

## **SECTION XXI REGULATION OF BUSINESS RELATIONS AMONG AFFILIATES**

Under Federal Energy Regulatory Commission (FERC) and certain state commission rules, there are specific codes and standards governing the regulated and non-regulated parts of our business. The Company has adopted specific codes of conduct as part of its tariffs, when appropriate, in accordance with the requirements of these states. If your job involves this type of relationship, you will be given additional material and trained further on these rules.

## **SECTION XXII SPECIAL ETHICAL OBLIGATIONS FOR EMPLOYEES WITH FINANCIAL REPORTING RESPONSIBILITIES**

As a publicly-held company, it is of critical importance that the Company's financial organization is operated in a manner that assures honest and ethical conduct, full, fair, accurate, timely and understandable disclosure, and compliance with all applicable laws. The President and Chief Executive Officer, the Vice President and Chief Financial Officer, the Corporate



Controller, and other officers and employees who have responsibility with respect to the preparation of the Company's financial reports (collectively, the "Financial Personnel") are responsible for assuring that the Company's public reports are complete, fair and understandable. Because of this special role, each of the Financial Personnel is bound by the following Financial Personnel Code of Ethics, as described in this Section XXII (the "Financial Code of Ethics") and by accepting such positions, each agrees to comply with the Financial Code of Ethics.

### **Honest and Ethical Conduct**

The Financial Personnel will exhibit and promote within the Company's financial organization, the highest standards of honesty and ethical conduct. The Financial Personnel shall establish and maintain appropriate policies and procedures that:

- Encourage and reward professional integrity in all aspects of the financial organization. Factors inhibiting responsible behavior, such as coercion or conduct that could create fear of reprisal, are prohibited.
- Prohibit and eliminate the appearance or occurrence of conflicts of interest between the interests of the Company and the interests of members of the Company's financial organization, including Financial Personnel.
- Provide a mechanism for members of the financial organization to inform senior management and the Board of deviations in practice from the Company's policies and procedures.
- Demonstrate their personal support for such policies and procedures through periodic communication reinforcing these ethical standards throughout the finance organization.

### **Financial Records and Periodic Reports**

The Financial Personnel will establish and manage the Company's financial accounting and reporting systems and procedures to ensure that:

- Business transactions are properly authorized and completely and accurately recorded on the Company's books and records in accordance with Generally Accepted Accounting Principles ("GAAP") and established Company financial policies.
- The retention or proper disposal of Company records shall be in accordance with established enterprise financial policies and applicable legal and regulator requirements.
- The Company's financial disclosures and periodic reports are full, fair, accurate, timely and understandable and comply with all applicable laws. Accordingly, the Financial Personnel shall ensure that any material information of which he or she may become aware that affects the disclosures made by the Company in its public filings is properly taken into account in connection with the preparation and approval of such public filings.

## **Compliance with Laws, Rules and Regulations**

The Company is committed to conducting our business in accordance with all applicable laws, rules and regulations and in accordance with the highest standards of business ethics. The Financial Personnel must comply with applicable laws and create a culture of high ethical standards and commitment to compliance; maintaining a work environment that encourages employees to raise concerns; and promptly addressing employee compliance concerns. Financial Personnel will establish and maintain mechanisms to:

- Educate members of the finance organization about federal, state and local statutes and regulations that affect the operation of the finance organization and the enterprise generally.
- Monitor the compliance of the finance organization with such statutes and regulations.
- Identify, report and correct in a swift and complete manner, any failures to comply with such statutes and regulations.

## **Reporting Responsibilities**

- The Financial Personnel shall promptly report to the Audit Committee any information he or she may have concerning (i) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.
- The Financial Personnel shall promptly report to the Audit Committee any information he or she may have concerning any violation of the Code of Business Conduct or the Financial Code of Ethics, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.
- The Financial Personnel shall promptly report to the Audit Committee any information he or she may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any Company employee or agent, or of violation of the Code of Business Conduct or of the Financial Code of Ethics.

## **Compliance**

Violations of the Financial Code of Ethics, including the failure to report violations by others, will be viewed as a severe disciplinary matter. The Audit Committee shall recommend to the Board of Directors sanctions to be imposed by the Board in the event of violations of the Code

by Financial Personnel. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Financial Code of Ethics. Such sanctions shall be determined based on the circumstances, and may include written notice to the individual(s) involved that the Board has determined that there has been a violation, demotion or reassignment of the individual(s) involved, suspension with or without pay or benefits, and termination of the individual(s) employment.

In determining what action is appropriate in a particular case, the Board shall take into account all relevant information, including, but not limited to, the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

If you believe that a violation of the Financial Code of Ethics has occurred, please contact the Chief Operating Officer and Chief Compliance Officer. You may also contact the Audit Committee of the Board of Directors by calling a toll free number. Your call remains anonymous. The toll free number is 1-888-883-1499.

### **SECTION XXIII OTHER POLICIES AND PROCEDURES INFORMATION**

In certain cases, your position and responsibilities may require further guidance in certain areas of expected conduct. Accordingly, you may need to consult additional sources containing policies and procedures, such as through a Company Officer, Human Resources, or the responsible department or business unit. Examples include compliance with the Company's filed tariffs, Department of Transportation Rules and Regulations, other federal and state regulations, appropriate accounting standards and professional codes of ethics.

### **SECTION XXIV BUSINESS CONDUCT COMPLIANCE OFFICERS**

The Board has reviewed and approved this Code. Company officers are responsible for the following (and will regularly report on their status to the Audit Committee):

- Audit compliance with the Code;
- Dealings with legal counsel and others in investigating suspected violations of the Code or law;
- Work with the Company's outside counsel to assist outside counsel in reporting violations to appropriate governmental authorities;
- Establish and monitor programs to train employees about the Code and other compliance and ethics issues;

- Deal with issues submitted to it; and
- Oversee the updating and supplementing of the Code.

## **SECTION XXV WAIVERS OF THE CODE AND FINANCIAL CODE OF ETHICS**

Changes to and waivers of the requirements of the Code, as it applies to directors and officers, or the Financial Code of Ethics may only be granted by the Board and will be granted only when circumstances warrant granting a waiver, and then only in conjunction with any appropriate monitoring of the particular situation. Changes in and waivers of the Code and the Financial Code of Ethics will be promptly disclosed as required under applicable law and regulations.

**Gas Natural Inc.**  
**Code of Business Conduct for**  
**Directors, Officers and Employees**  
**As Approved by the Board of Directors**  
**On \_\_\_\_\_, 2015**

***Signature and Acknowledgment:***

I have received and read the Code of Business Conduct and I understand its contents. I agree to abide by its contents. I agree to comply fully with the standards contained in the Code of Business Conduct and the Company's related policies and procedures. I understand that I have an obligation to appropriately report any suspected violations of the Code of Business Conduct.

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date