

Question 18

Invoice

Ship To

1.31.12

POSTED

P.O. Number	Terms	Rep	Ship	Via	F.O.B.	Project
			8/26/2011			Bank 2 - Shadow Loan
Quantity	Item Code	Description			Price Each	Amount
1	Bank 2 Shadow Lo...	TN portion of January Loan			1,530.18	1,530.18
	Bank 2 Shadow Lo...	TN portion of January Loan			2,973.78	2,973.78

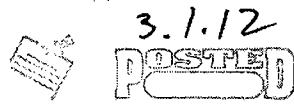
Question 18

Fort Cobb Fuel Authority

Invoice

Date	Invoice #
2/24/2012	1203TNNG

Bill To
Navitas TN NG LLC 18218 Easy McDermott Suite I Irvine, CA 92614

Ship To


P.O. Number	Terms	Rep	Ship	Via	F.O.B.	Project
			2/24/2012			Bank 2 - Shadow Loan
Quantity	Item Code	Description			Price Each	Amount
1	Bank 2 Shadow Lo...	TN portion of February Loan			1,537.83	1,537.83
	Bank 2 Shadow Lo...	TN portion of February Loan			2,966.13	2,966.13


Question 18

Fort Cobb Fuel Authority

Invoice

Date	Invoice #
3/22/2012	1204TNNG

Bill To
Navitas TN NG LLC 18218 Easy McDurnott Suite I Irvine, CA 92614

Ship To


P.O. Number	Terms	Rep	Ship	Via	F.O.B.	Project
			3/22/2012			Bank 2 - Shadow Loan
Quantity	Item Code	Description			Price Each	Amount
1	Bank 2 Shadow Lo...	TN portion of March Loan			1,545.52	1,545.52
	Bank 2 Shadow Lo...	TN portion of March Loan			2,958.44	2,958.44

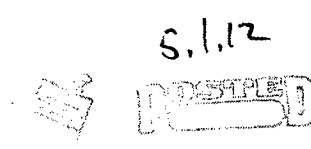
Question 18

Fort Cobb Fuel Authority

Invoice

Date	Invoice #
4/25/2012	1205TNNG

Bill To
Navitas TN NG LLC 3186-D Airway Ave Costa Mesa, CA 92626

Ship To


P.O. Number	Terms	Rep	Ship	Via	F.O.B.	Project
			4/25/2012			Bank 2 - Shadow Loan
Quantity	Item Code	Description			Price Each	Amount
1	Bank 2 Shadow Lo...	TN portion of April Loan			1,553.25	1,553.25
	Bank 2 Shadow Lo...	TN portion of April Loan			2,950.71	2,950.71

Question 18

Fort Cobb Fuel Authority

Invoice

Date	Invoice #
5/25/2012	1206TNNG

Bill To
Navitas TN NG LLC 3186-D Airway Ave Costa Mesa, CA 92626

Ship To
5-31-12 COSTA MESA, CA

P.O. Number	Terms	Rep	Ship	Via	F.O.B.	Project
			5/25/2012			Bank 2 - Shadow Loan
Quantity	Item Code	Description			Price Each	Amount
1	Bank 2 Shadow Lo...	TN portion of May Loan			1,561.02	1,561.02
	Bank 2 Shadow Lo...	TN portion of May Loan			2,942.94	2,942.94

Question 18

Fort Cobb Fuel Authority

Invoice

Date	Invoice #
6/25/2012	1207TNNG

Bill To
Navitas TN NG LLC 3186-D Airway Ave Costa Mesa, CA 92626

Ship To

P.O. Number	Terms	Rep	Ship	Via	F.O.B.	Project
			6/25/2012			Bank 2 - Shadow Loan
Quantity	Item Code	Description			Price Each	Amount
1	Bank 2 Shadow Lo...	TN portion of Jun Loan			1,568.82	1,568.82
	Bank 2 Shadow Lo...	TN portion of Jun Loan			2,935.14	2,935.14

Question 18

Fort Cobb Fuel Authority

Invoice

Date	Invoice #
7/26/2012	1208TNNG

Bill To
Navitas TN NG LLC 3186-D Airway Ave Costa Mesa, CA 92626

Ship To
8.2.12 PAID

P.O. Number	Terms	Rep	Ship	Via	F.O.B.	Project
			7/26/2012			Bank 2 - Shadow Loan
Quantity	Item Code	Description			Price Each	Amount
1	Bank 2 Shadow Lo...	TN portion of Jul Loan			1,576.67	1,576.67
	Bank 2 Shadow Lo...	TN portion of Jul Loan			2,927.29	2,927.29

Question 19

ASSET PURCHASE AGREEMENT

This **Asset Purchase Agreement** (this "*Agreement*") is entered into as of July 9, 2010 (the "*Execution Date*"), by and between Gasco Distribution Systems, Inc., an Ohio corporation (the "*Seller*"), and Navitas Assets, LLC, a Delaware limited liability company (together with its permitted assigns, the "*Buyer*").

RECITALS

WHEREAS, Seller owns and operates the natural gas distribution systems known as (i) the Jellico System located in Campbell County, Tennessee and Whitely County, Kentucky (the "*Jellico System*"), (ii) the Byrdstown System located in Pickett County, Tennessee (the "*Byrdstown System*"), (iii) the Albany System located in Clinton County, Kentucky (the "*Albany System*"), and (iv) the Fentress System located in Fentress County, Tennessee (the "*Fentress System*");

WHEREAS, Buyer desires to purchase from Seller all of the assets and business operations of Seller associated with the Jellico System, the Byrdstown System, the Albany System and the Fentress System (collectively referred to herein as the "*Distribution Systems*"), and Seller desires to sell those assets and business operations to Buyer;

WHEREAS, Seller is a Debtor in Possession in a Chapter 11 bankruptcy proceeding in Case No. 09-056171 (the "*Bankruptcy Case*"), pending in the United States Bankruptcy Court, Southern District of Ohio, Eastern Division, before Judge C. Kathryn Preston ("*Bankruptcy Court*"); and

WHEREAS, the transactions contemplated by this Agreement (the "*Transactions*") will be consummated pursuant to a Bidding Procedures Order and a Sale Approval Order (as defined below) to be entered in the Bankruptcy Case under Section 363 and other applicable provisions of the Bankruptcy Code (as defined below), and the Transactions and this Agreement are subject to the approval of the Bankruptcy Court;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements, covenants, representations, warranties and promises set forth herein, and in order to prescribe the terms and conditions of such purchase and sale, the Parties agree as follows:

§1.1 Definitions. In addition to the other defined terms set forth in this Agreement, the following terms, as used herein, have the following meanings:

(a) "*Accounts Receivable*" means all of Seller's accounts and notes receivable generated by the sale of natural gas through the Distribution Systems.

(b) "*actual knowledge*" or "*knowledge*" means the actual knowledge of the current officers of Seller or Buyer, as the case may be, or matters which such officers could be

reasonably expected to know through executing the duties normally associated with their offices with reasonable care.

(c) “*Applicable Law*” means, with respect to any Person, any code, law (including without limitation common law), statute, regulation, ordinance, decree, treaty, reporting or licensing requirement, rule or Order administered or enforced by any Governmental Authority and applicable to such Person, its assets, liabilities or business.

(d) “*Assets*” has the meaning given in §2.

(e) “*Assumed Contracts*” means the contracts set forth on Schedule 2(f).

(f) “*Assumed Liabilities*” has the meaning given in §4(a).

(g) “*Authorization*” means any franchise, permit, license, authorization, order, certificate registration or other consent or approval granted by any Governmental Authority.

(h) “*Bankruptcy Code*” means Title 11 of the United States Code (11 U.S.C. § 101 et seq.), as amended.

(i) “*Business Day*” means any day that banks are open for general commercial business in New York.

(j) “*Claim*” means a “claim” as defined in Section 101(5) of the Bankruptcy Code.

(k) “*Closing Adjustment Amount*” means the amount calculated pursuant to §5(a).

(l) “*Closing Date*” has the meaning given in §7.

(m) “*Collected Accounts Receivable*” means as of the Final True-Up Date, the total amount of Accounts Receivables that Buyer has collected.

(n) “*Collection Fee*” has the meaning given in §6(a)(3).

(o) “*Counterparty*” has the meaning given in §10(c).

(p) “*Cure Amount*” means the amount of cash required for the cure or compensation necessary to assume and assign a contract or agreement, pursuant to the requirements of Section 365(b) of the Bankruptcy Code.

(q) “*Customer Deposits*” has the meaning given in §9(p).

(r) “*Effective Date*” has the meaning given in the Bankruptcy Addendum.

(s) “*Easements*” means rights-of-way, servitudes, rights of egress and ingress and other similar rights related to the use or enjoyment of the Distribution Systems.

(t) “*Effective Time*” has the meaning given in §7.

(u) “*Excluded Assets*” has the meaning given in §3.

(v) “*Excluded Liabilities*” means all Liabilities related to the Distribution Systems for the period prior to 5:00 p.m. Eastern Time, on the Closing Date, whether known or unknown, contingent or otherwise, excluding Assumed Liabilities, but including the following:

- i. All indebtedness for borrowed money of Seller;
- ii. All guarantees of Third Party obligations of Seller;
- iii. All Taxes imposed on the Seller regardless of whether attributable to periods ending before, on or after the Closing Date;
- iv. Except to the extent constituting Assumed Liabilities, all actions, suits proceedings, arbitrations or investigations pending against Seller on or before the Closing Date or relating to the Asserts prior to the Closing Date even if instituted after the Closing Date;
- v. All Liabilities (x) for salaries, wages, benefits, vacation, supplies or overhead for or on behalf of any current or former employees of Seller pertaining to their employment by Seller in connection with the Distribution Systems, (y) to the extent arising out of acts or omissions prior to Closing with respect to any Seller benefit plan, employee practices or programs, including employee claims of wrongful discharge or discrimination, and (z) for severance and any other obligations of Seller under employment contracts for any employees of Seller;
- vi. Drafts or checks outstanding at the Closing;
- vii. Any claims related to Excluded Assets, including contracts that are not Assumed Contracts;
- viii. All debts and Liabilities of Seller not otherwise assumed by Buyer; and
- ix. Retained Environmental Liabilities.
- x. All Liabilities, if any, with respect to the relocation of pipelines for all periods prior to Closing pursuant to the Kentucky Relocation Contract; except that, Buyer will pass through to Seller any reimbursements received from the State of Kentucky under the Kentucky Relocation Contract with respect to expenses incurred by Seller for such pre-Closing period. In no event shall Buyer be liable to make up or pay to Seller or any other Person any shortfall or disputed payments under the Kentucky Relocation Contract.

(w) “*Final Order*” means an order of the Bankruptcy Court that is not the subject of any applicable stay.

(x) “*Final True-Up Date*” means the date that is the later of (i) three (3) calendar months after the Closing Date and (ii) July 31, 2011.

(y) “*First True-Up Date*” has the meaning set forth in §6(b).

(z) “*Governmental Authority*” means any federal, state, regional, local or municipal governmental body, agency, instrumentality, authority or entity established or controlled by a government or subdivision thereof, including any legislative, administrative or judicial body.

(aa) “*Hazardous Materials*” means those pollutants, contaminants, chemicals or toxic, hazardous or petroleum hydrocarbon substances or wastes that are regulated under Applicable Law, including environmental laws.

(bb) “*Intellectual Property Right*” means any trademark, service mark, trade name, mask work, invention, patent, trade secret, copyright, know-how (including any registrations or applications for registration of any of the foregoing), license agreement or any other similar type of proprietary intellectual property right.

(cc) “*Kentucky Relocation Contract*” has the meaning set forth in §3.

(dd) “*Liabilities*” shall mean any losses, claims, charges, damages, deficiencies, assessments, interests, fines, penalties, costs and expenses, obligations or undertakings of any kind (including reasonable attorneys’ fees and other fees, court costs and other disbursements), whether accrued, absolute, fixed or contingent, known or unknown, due or to become due, unliquidated or otherwise.

(ee) “*Letter Agreement*” has the meaning set forth in §10(d).

(ff) “*Lien*” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or other encumbrance in respect of such property or asset.

(gg) “*materiality*” or “*material*” means an amount exceeding five thousand dollars (\$5,000) or an event or occurrence with an economic effect reasonably anticipated to exceed five thousand dollars (\$5,000).

(hh) “*Material Adverse Change*” means any event, change, condition or matter that materially impairs the revenue of the Distribution Systems or the value of the Assets, excluding any such effect or change to the extent resulting from or arising in connection with (i) the proposed Transactions or the public announcement thereof, (ii) changes or conditions generally affecting the natural gas industry, (iii) changes in economic, regulatory or political conditions generally, (iv) changes resulting from the continuation of the Bankruptcy Case, (v) actions taken by Seller pursuant to (or as contemplated by) Orders entered by the Bankruptcy Court in the Bankruptcy Case, (vi) changes in the banking, financial or stock markets in the United States of America or (vii) change in Applicable Laws.

(ii) “*Order*” means any administrative decision or award, decree, injunction, judgment, order, quasi-judicial decision or award, ruling, or writ of any federal, state, local or foreign or other court, arbitrator, mediator, tribunal, administrative agency or regulatory authority.

(jj) “*Parties*” means Buyer and Seller.

(kk) “*Permitted Liens*” means (i) Liens for Taxes, assessments and other governmental charges not delinquent; (ii) Liens in respect of judgments or awards with respect to which an appeal or other proceeding for review is being prosecuted and with respect to which a stay of execution pending such appeal or such proceeding for review has been obtained; (iii) easements, leases, reservations or other rights of others in, or minor defects and irregularities in title that do not materially impair the use of, the encumbered property or assets for the purposes for which they are held; (iv) any Lien or privilege vested in any lessor, licensor or permittor for rent or other obligations; (v) any obligations or duties affecting the Assets to any Governmental Authority with respect to any Authorization, none of which, to the actual knowledge of Seller, would interfere with the operation of the Distribution Systems as conducted as of the Closing Date; and (vi) Liens that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Change with respect to the Assets. The phrase “would interfere with the operation of the Distribution Systems” as used in this Paragraph does not mean that the particular encumbrance does not exist, but rather that if the encumbrance exists it has not had any adverse effect on the operation or economics of the Distribution Systems.

(ll) “*Person*” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Authority.

(mm) “*Post-Closing Adjustment Amount*” means the amount calculated post-closing pursuant to §6(a).

(nn) “*Pre-Closing Cure Amount*” has the meaning given in §10(c).

(oo) “*Pre-Closing Tax Period*” means (i) any Tax period ending on or before the Closing Date and (ii) with respect to a Tax period that commences before but ends after the Closing Date, the portion of such period up to and including the Closing Date.

(pp) “*Purchase Price*” has the meaning given in §5(a).

(qq) “*Regulators*” means the Tennessee Regulatory Authority and the Kentucky Public Service Commission, or their equivalent.

(rr) “*Retained Environmental Liabilities*” means all environmental Liabilities related to the Seller, the Assets or the Distribution Systems with respect to actions, inactions or matters occurring or arising prior to the Closing whether a claim with respect thereto is raised before or after Closing, including, without limitation:

- i. Penalties assessed for any notice of violation from any Governmental Authority related to the operation of the Assets or the Distribution Systems prior to Closing that is pending and unresolved as of the Closing Date;
- ii. Claims asserted in connection with any Hazardous Materials in connection with the Assets or the Distribution Systems; and
- iii. Claims for bodily injury or property damage arising out of exposure to or contamination by Hazardous Materials to the extent arising from the ownership or operation of the Distribution Systems prior to the Closing Date.

(ss) “*Sale Approval Order*” has the meaning set forth in the Bankruptcy Addendum.

(tt) “*Sale Motion*” means the motion or motions filed and served by Seller in the Bankruptcy Case, pursuant to all applicable provisions of the Bankruptcy Code and the Bankruptcy Rules, in order, among other things, to obtain entry of the Sale Approval Order, approve the Transactions and authorize the assumption and assignment of the Assumed Contracts and Intellectual Property Rights, if any, to Buyer in accordance with this Agreement.

(uu) “*Spare Parts*” means with respect to the Distribution Systems, any spare parts, inventory, tools and equipment not included in the net plant assets, as recognized by the applicable regulators.

(vv) “*Tax*” means (i) any tax, governmental fee or other like assessment or charge of any kind whatsoever (including withholding on amounts paid to or by any Person), together with any interest, penalty, addition to tax or additional amount imposed by any Governmental Authority responsible for the imposition of any such tax (domestic or foreign), or (ii) liability for the payment of any amounts of the type described in (i) as a result of being party to any agreement or any express or implied obligation to indemnify any other Person.

(ww) “*Tax Returns*” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

(xx) “*Third Party*” means any Person that is not Buyer or Seller.

(yy) “*Third Party Consent*” means any approval, consent, amendment or waiver of a Person that is required under any organizational document of Seller or Buyer or under any contract to which Seller or Buyer is a party or by which it or its assets is bound in order to effect the Transactions or any part thereof, including waivers and consents by lenders and waivers of transfer restrictions; provided, however, that the use of the term “Third Party Consent” in this Agreement shall not be deemed to require any such approval, consent, amendment or waiver of such Person when such approval, consent, amendment or waiver has been obtained, or could be obtained, by entry of an Order by the Bankruptcy Court or another court of competent jurisdiction.

(zz) “*Transportation Agreement*” means the Transportation Agreement substantially in the form attached hereto as Exhibit C between The Titan Energy Group and Seller. It is the intent of the Parties that Seller shall assign its interest in the Transportation Agreement to Buyer at Closing.

§1.2 Sale Terms and Procedures.

(a) Attached as Exhibit A hereto is the “*Bankruptcy Addendum*,” which contains additional terms and conditions applicable to this Agreement, the terms of which (including the definition of “*Effective Date*”) are expressly incorporated herein. **This**

Agreement, and Buyer's ability to purchase the Distribution Systems as set forth herein, may be subject to any higher and/or better offers, all as more particularly set forth in the Bankruptcy Addendum. To the extent that the terms and conditions in the Bankruptcy Addendum are or may be construed as different from those in the remainder of this Agreement, the terms of the Bankruptcy Addendum are controlling.

(b) Seller is making no representations or warranties other than those set forth in §9 as to the condition, state of repair, merchantability, or fitness for any particular purpose of any of the Assets and it is understood by the Parties that the Assets are being transferred to Buyer "as is," nor does Seller make any representation or warranty as to the Assets for any purposes or needs of Buyer or as to the present or any future condition of the Distribution Systems. SELLER IS MAKING NO WARRANTIES TO BUYER, EITHER EXPRESS OR IMPLIED, REGARDING THE CONDITION, FITNESS FOR USE, FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY OF THE ASSETS.

§2 Sale of Assets. On the terms and subject to the conditions set forth in this Agreement, at the Closing Seller shall sell, transfer, convey, assign and deliver to Buyer, and Buyer shall purchase and assume from Seller, all right, title and interest of Seller as of the Closing Date in and to the following assets, properties and rights, free and clear of all Liens and Claims (other than Permitted Liens and the Assumed Liabilities) to the maximum extent permitted by Section 363 of the Bankruptcy Code:

(a) The natural gas transmission pipelines and stations more fully described on the attached Schedule 2(a).

(b) The Easements used in connection with the Distribution Systems, which are more fully described on the attached Schedule 2(b).

(c) The machinery, equipment, and vehicles used in connection with the Distribution Systems, which are described on the attached Schedule 2(c) (the "*Equipment*").

(d) The interests of Seller in all tariffs filed on behalf of Seller in connection with the Distribution Systems, as more fully described on the attached Schedule 2(d) (the "*Tariffs*").

(e) All Authorizations granted to Seller in connection with its operation of the Distribution Systems, to the extent they are transferable or assignable, which are more fully described on the attached Schedule 2(e).

(f) Seller's contracts and agreements relating to the operation of the Distribution Systems, all distribution and transmission rights, all operating rights, all metering rights and agreements, all marketing, gas purchase and sale agreements, all natural gas delivery and service agreements with customers, all gas transportation and supply contracts (including the Transportation Agreement), all easements, licenses, franchises, or other contractual rights to the operation of the Distribution Systems' business and all other contracts or agreements material to the business and operation of the Distribution Systems, contracts relating to the exchange,

processing, operating and storage of natural gas, and other contracts and agreements related to the physical existence, development, improvement, leasing or operation of equipment, fixtures, inventory or other property in connection with the Distribution Systems, all of which contracts shall be assigned to and assumed by Buyer, and are described on the attached Schedule 2(f) (the "*Assumed Contracts*").

(g) All of Seller's inventory of natural gas allocated exclusively to the Distribution Systems, including natural gas located within the pipelines that are part of the Distribution Systems as of the Closing Date and natural gas that has been purchased for the Distribution Systems prior to the Effective Time but not yet delivered to the Distribution Systems as of the Closing Date.

(h) All Accounts Receivable.

(i) All books of account, customer records, tariff filings, public utility commission orders, site maps, customer lists and other books and records relating exclusively to the Distribution Systems (the "*Books of Account*").

(j) All goodwill associated with the operation of the Distribution Systems.

(k) All warranties related to the Assets remaining in effect as of the Execution Date.

(l) All transferable Intellectual Property Rights to the extent used by Seller in the operation of the Distribution Systems and as authorized by Applicable Law, but not including the names "*Gasco Distribution Systems, Inc.*," "*GDSI*," "*Gasco*," or any variation thereof and any trademarks or service marks therein.

The foregoing, which (except for the Excluded Assets as defined in §3) are hereafter referred to collectively as the "*Assets*," comprise substantially all of the property and assets used in the conduct and operation of the Distribution Systems as of the Effective Date. The Assets are sufficient to operate and conduct business with respect to the Distribution Systems as currently conducted, and, to the actual knowledge of Seller, no other assets, rights, easements or licenses are needed for the operation of the Distribution Systems as currently conducted. At the Closing, Seller shall convey good and marketable title to the Assets to Buyer free and clear of all Liens, except for Permitted Liens.

§3. Excluded Assets. The following items are not intended by the Parties to be a part of the sale and purchase contemplated hereunder and are excluded from the Assets (collectively, the "*Excluded Assets*"): (a) cash and cash equivalents; (b) all assets of the Seller relating to the operation of any of its other natural gas distribution systems, any of its oil and gas properties and any of its pipelines or other equipment located outside of and not used in connection with the Distribution Systems; (c) causes of action relating to the ownership or operation of the Distribution Systems prior to the Effective Time and not affecting any Asset after the Effective Time; (d) tax refunds, if any, related to the Distribution Systems prior to the Effective Time; (e) the names "*Gasco Distribution Systems, Inc.*," "*GDSI*," "*Gasco*," or any variation thereof and

any trademarks or service marks therein; (f) all of Seller's intercompany and interdivision accounts and notes receivable, including without limitation those arising from the transfer of gas inventory between Seller's divisions or between Seller and its subsidiaries; (g) Spare Parts, except to the extent purchased by Buyer at Closing as set forth in §5 hereof, (h) any right of Seller for reimbursement of pre-Closing expenses incurred by Seller under that certain Utility Relocation – Engineering Services Keep Cost Contract (the “*Kentucky Relocation Contract*”) with respect to the Albany System and (i) any assets not listed in §2.

§4. Liabilities.

(a) Assumed Liabilities. At the Closing, Buyer, or its designated affiliate, will assume: (i) the future payment and performance of the obligations accruing and arising after the Effective Time under the Assumed Contracts; and (ii) the obligation of operating the Distribution Systems in accordance with all Applicable Laws and in accordance with the Tariffs in effect at the Effective Time (the “*Assumed Liabilities*”). Any and all Liabilities not listed herein as an Assumed Liability shall be deemed to be an Excluded Liability.

(b) Excluded Liabilities. Buyer and Seller agree that Buyer is not assuming the Excluded Liabilities.

§5. Purchase Price/Good Faith Deposit.

(a) Purchase Price. The Purchase Price for the Assets shall be \$760,200.00 (the “*Base Price*”), less the Cure Amount, plus the Closing Adjustment Amount, plus the Post-Closing Adjustment Amount. The “*Closing Adjustment Amount*” shall be the cumulative sum, whether positive or negative, of (i) all prepaid amounts on existing transferable insurance policies and contracts which Buyer elects to assume, plus (ii) all cash deposits under a supplier or gas transportation contract assigned by Seller and assumed by Buyer under this Agreement, plus (iii) the value of any Spare Parts Buyer elects to purchase, less (iv) all Taxes with respect to the Pre-Closing Tax Period (unless and to the extent that such Tax are otherwise paid, in whole or in part, by Seller out of the Closing). Not less than three days prior to the Closing Date, Seller shall deliver to Buyer a closing statement (the “*Closing Statement*”) setting forth in reasonable detail Seller's good faith computation of the Pre-Closing Cure Amount and the Closing Adjustment Amount, including the calculation thereof and supporting documentation. On the Closing Date, Buyer shall pay Seller the Base Price, less the Deposit, less the Pre-Closing Cure Amount and plus the Closing Adjustment Amount (the “*Closing Date Payment*”).

(b) Deposit. A good faith deposit of \$75,000 (the “*Deposit*”) shall be paid to Seller within three (3) Business Days after the Execution Date, or such other time period as mutually agreed by the Parties. The balance of the Closing Day Payment shall be paid to Seller at the Closing in immediately available funds wired to a bank account (or accounts) as shall be designated in writing no later than two (2) days prior to the Closing Date by Seller to Buyer. The Deposit may be retained by Seller (i) at the Closing as a credit against the Purchase Price, (ii) if this Agreement is terminated pursuant to §16(b)(iii), or (iii) if this Agreement is terminated pursuant to §16(a)(iii) and any condition set forth in §12(a), (b), (c), or (d) is not satisfied. If this Agreement is terminated pursuant to §16(a)(iii) because the conditions set forth in §12(e) are not

satisfied, Seller shall be entitled to retain \$20,000 of the Deposit. Except as described in the previous two sentences, the Deposit shall be returned to Buyer within two (2) Business Days of it being determined that Buyer is not the successful bidder, or within two (2) Business Days after any termination of this Agreement. Seller or its counsel shall hold the Deposit in a separate account and shall not commingle the Deposit with any other funds of Seller.

(c) Allocation of Purchase Price. Seller and Buyer agree that the Purchase Price shall be allocated to the Assets in the manner set forth on the attached Schedule 5(c). This allocation shall be binding on the Parties, shall be used for all purposes on their respective federal, state and local income tax returns, and shall be supported by them in any audits or other disputes or litigation involving any such returns.

§6. Post-Closing Adjustment Amount. The Closing Date Payment shall be increased or decreased, as applicable, by the Post-Closing Adjustment Amount pursuant to the two-step true-up process set forth in §6(b) and §6(c) below.

(a) Calculation of Post-Closing Adjustment Amount. The Post-Closing Adjustment Amount shall be equal to the cumulative sum of the following adjustments, determined as of the applicable calculation date:

(1) Unrecovered Gas Costs. If the Parties determine that Seller has over collected gas costs, then the Post-Closing Adjustment Amount shall include a credit in Buyer's favor for the amount of that over collection and Buyer shall assume the obligation of reimbursing to the system customers the over collected gas costs. If the Parties determine that there are unrecovered gas costs still due to Seller, then the Post-Closing Adjustment Amount shall be increased by the amount of the unrecovered gas costs. The amount of any overpayment or underpayment hereunder shall be verified by documentation from the appropriate Governmental Authority. Attached hereto as Schedule 6(a)(1) is the amount of unrecovered gas costs as of the Execution Date, which Schedule shall be updated in the Closing Statement as of the Closing Date.

(2) Customer Deposits. Seller shall provide Buyer with a list of customer deposits held by it and accrued interest on the deposits. The Post-Closing Adjustment Amount shall include a credit in Buyer's favor (which shall be calculated as of the First True-Up Date) for the amount of deposits and interest held by Seller and Buyer shall assume the obligation of returning any and all deposits to customers.

(3) Accounts Receivable. The Post-Closing Adjustment Amount will be increased by the amount of Accounts Receivable actually collected by Buyer on Seller's behalf on or before the Final True-Up Date, less the Collection Fee (as hereafter defined). Buyer shall not be required to reimburse Seller for any Accounts Receivable which are not Collected Accounts Receivable on or before the Final True-Up Date. Seller agrees not to engage in any collection activity with respect to the Accounts Receivable on or after the Closing Date. Buyer shall

use reasonable commercial efforts to collect the Accounts Receivable in accordance with the Tariffs and Good Utility Practices. Seller shall pay Buyer a collection fee (the "*Collection Fee*") with respect to its collection of the Accounts Receivable in accordance with the following schedule: (i) Closing Date until 60 days thereafter, no collection fee, (ii) days 61 to 90, a collection fee of 1% of the Accounts Receivable collected during such period, and (iii) days 91 until the Final True-Up Date, an additional collection fee of 1% shall apply to each 30 day period.

(4) Additional Amounts. The Post-Closing Adjustment Amount shall be increased by (i) the value of the Spare Parts purchased by Buyer, as reasonably determined by the Parties, and (ii) any amounts due and owing by Buyer to Seller pursuant to the Letter Agreement.

(5) Cure Amount. In the event that all Cure Amounts are not included in the Pre-Closing Cure Amount, the Post-Closing Adjustment Amount shall be reduced by the amount that the aggregate Cure Amount exceeds the Pre-Closing Cure Amount. In addition, there shall be no adjustment for amounts owing to Seller as reimbursement of pre-Closing expenses under the Kentucky Relocation Contract, as Seller will retain rights of reimbursement directly from Buyer, to the extent reimbursement is actually received by Buyer from the State of Kentucky.

(b) First True-Up. One calendar month after the Closing Date (the "*First True-Up Date*"), the Post-Closing Adjustment Amount shall be calculated as of the First True-Up Date. If the Post-Closing Adjustment Amount is positive, such amount shall be paid by Buyer to Seller within three (3) days of such determination date. If the Post-Closing Adjustment Amount is negative, such amount shall be paid by Seller to Buyer within three (3) days of such determination date.

(c) Final True-Up. Until the Final True-Up Date, Buyer shall pay Seller for any additional Collected Customer Receivables since the First True-Up Date, subject to the applicable Collection Fee. Upon Seller's receipt of such payment, if any, on the Final True-Up Date, the Purchase Price shall be deemed to have been paid in full and no further installments shall be due and owing under this Agreement.

§7. Closing. Subject to the satisfaction or waiver by the appropriate Party of all of the conditions precedent to Closing specified in §§11 and 12 hereof, the consummation of the sale and purchase of the Assets and the other transactions contemplated by and described in this Agreement (the "*Closing*") shall take place at the offices of Allen Kuehnle Stovall & Neuman, 17 South High Street, Columbus, Ohio 43215, on the last day of the month in which the conditions set forth in §§11 and 12 hereof are satisfied, unless extended to a later date by mutual agreement of the Parties, at 10:00 a.m. local time (the "*Closing Date*"). The Closing shall be effective as of 11:59 p.m., Eastern Time, on the Closing Date (the "*Effective Time*"), or at such other time and place as the Parties may mutually designate in writing. In the event that the Tennessee Regulators approve the transfer of the Assets located in Tennessee prior to the approval of the Kentucky Regulators with respect to the Assets located in Kentucky, the Parties

shall close on the sale of the Assets located in Tennessee prior to receiving such approval from the Kentucky Regulators. In no event, however, shall Buyer be required to close on the Assets located in Kentucky prior to closing on the Assets located in Tennessee. The purchase price for such partial closing on the Tennessee Assets shall be equal to eight-five percent (85%) of the Base Price. The Parties acknowledge that such allocation is derived from an analysis of the ratio of net plant in Tennessee to the total net plant (Kentucky and Tennessee) as of December 31, 2009.

§8. Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller as follows:

(a) Organization and Authority. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Oklahoma and has full corporate power, right and authority to own its properties and assets and to carry on its business as it is now being conducted, to purchase the Assets and to enter into and carry out the transactions contemplated by this Agreement.

(b) Authorization. This Agreement has been duly authorized, executed and delivered by Buyer, and no further limited liability company proceedings on the part of Buyer are or will then be necessary to authorize this Agreement and the transactions contemplated hereby. Subject to entry by the Bankruptcy Court of the Sale Approval Order in the Bankruptcy Case, this Agreement constitutes a valid and binding agreement of Buyer that is enforceable in accordance with its terms, except as enforcement thereof may be limited by the effect of bankruptcy, insolvency, reorganization, moratorium and other Applicable Laws affecting creditors' rights generally.

(c) No Conflicts. Neither the execution, delivery and performance of this Agreement by Buyer nor the consummation of the Transactions will (i) violate, conflict with, or result in a breach of any provisions of, or constitute a default (or any event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Buyer or any subsidiary of Buyer under any of the terms, conditions or provisions of (x) the organizational documents or operating agreement of Buyer, or (y) except where such event would not have a Material Adverse Change on the financial condition or business of Buyer, any material note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Buyer is a party or by which Buyer may be bound, or to which Buyer or the properties or assets of Buyer may be subject, or (ii) except where such event would not have a Material Adverse Change on the financial condition or business of Buyer, violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to Buyer or to the properties or assets of Buyer.

(d) Regulatory Filings. Except as otherwise set forth on Schedule 8(d), no material Authorization is necessary for the consummation by Buyer of the transactions contemplated by this Agreement.

(e) Satisfaction of Conditions. Buyer is not, as of the Execution Date, aware of any reason why the conditions set forth in §12 hereof would not be satisfied on the Closing Date.

(f) Litigation. As of the Execution Date, there is no action, suit or proceeding pending against, or to the actual knowledge of Buyer threatened against or affecting, Buyer or any affiliate of Buyer or any of their respective properties before any Governmental Authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay any of the Transactions.

(g) Brokers and Finders. Neither Buyer nor any of its officers, directors, managers, members, or employees has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder's fees, and no broker or finder has acted directly or indirectly for Buyer in connection with this Agreement or the Transactions.

(h) Financing. Buyer currently has and at the Closing will have adequate capital and available funds to fulfill its obligations hereunder on the Closing Date.

(i) Regulatory Matters. Buyer has all material Authorizations required in order to permit Buyer to carry on its business as presently conducted in all respects material to the financial condition or business of Buyer. Buyer has not been a party to any material investigation or proceeding instituted by any Regulator and Buyer is not in violation of, and has not infringed, any Applicable Law which violation would have a Material Adverse Change on the ability of Buyer to consummate the Transactions.

§9. Representations and Warranties of Seller. Seller represents and warrants to Buyer as follows:

(a) Organization and Authority. Seller is a corporation organized, validly existing and in good standing under the laws of the State of Ohio and has full corporate power, right and authority to own its properties and assets and to carry on its business as it is now being conducted and, subject to the satisfaction of the conditions set forth in §12, to enter into and carry out its obligations under this Agreement.

(b) Authorization. Prior to, and other than, the filing for the approval of the Bankruptcy Court, this Agreement will be duly authorized, executed and delivered by Seller and no further corporate proceedings on the part of Seller are or will then be necessary to authorize this Agreement and the Transactions. This Agreement has been duly executed and delivered by Seller. Subject to entry by the Bankruptcy Court of the Sale Approval Order in the Bankruptcy Case, this Agreement constitutes a valid and binding agreement of Seller that is enforceable in accordance with its terms, except as enforcement thereof may be limited by the effect of bankruptcy, insolvency, reorganization, moratorium and other Applicable Laws affecting creditors' rights generally. This Agreement is the legal, valid and binding obligation of Seller, enforceable in accordance with its terms, and in all respects, subject to the approval of the Bankruptcy Court.

(c) No Conflicts. Except as permitted under the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure or the Orders of the Bankruptcy Court, neither the execution, delivery and performance of this Agreement by Seller nor the consummation of the Transactions, will (i) violate, conflict with, or result in a breach of any provisions of, or constitute a default (or any event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Seller under any of the terms, conditions or provisions of (x) the organizational documents of Seller, or (y) except where such event would not have a Material Adverse Change on the financial condition or business of Seller, any material note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Seller is a party or by which Seller may be bound, or to which Seller or the properties or assets of Seller may be subject, or (ii) except where such event would not have a Material Adverse Change on the financial condition or business of Seller, violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to Seller or to the properties or assets of Seller.

(d) Regulatory Filings. Except as disclosed on Schedule 9(d), no Authorization is necessary for the consummation by Seller, or any affiliate of Seller, of the transactions contemplated by this Agreement.

(e) Satisfaction of Conditions. Seller has no actual knowledge, as of the Execution Date, of any reason why the conditions set forth in §11 hereof would not be satisfied on the Closing Date.

(f) Title to Assets. Seller has title to the Assets free and clear of all Liens, other than Permitted Liens. Subject to the approval of the Bankruptcy Court, Seller will convey, on the Closing Date marketable title to the Assets free and clear of all Liens except the Permitted Liens. Notwithstanding the foregoing to the contrary, *Seller may not have written evidence of all Easements used in connection with the Distribution Systems, but Seller has no actual knowledge of any pending or threatened claim that is or may be adverse to Buyer's or Seller's continued use of the Easements in the operation of the Distribution Systems as currently conducted and Seller enjoys peaceful and undisturbed possession of such Easements.*

(g) Good Utility Practice. Other than Seller's filing of its Bankruptcy Case and the claims against Seller arising prior thereto, Seller represents and warrants that it has operated and maintained the Assets and the Distribution Systems in accordance with Good Utility Practice. "*Good Utility Practice*" means substantial compliance with the practices, methods, standards and acts generally accepted by the natural gas transportation industry in the United States, using that degree of skill, care, foresight and knowledge as would be employed by a reasonably prudent owner and operator of a natural gas distribution system in the United States, including compliance with all Applicable Laws.

(h) Litigation. Other than with respect to the Bankruptcy Case and any actions by Seller and other parties with respect to such case, as of the Execution Date, there is no action, suit or proceeding pending against, or to the actual knowledge of Seller threatened against

or affecting, Seller or any affiliate of Seller or any of their respective properties before any Governmental Authority which in any manner affects the Distribution Systems, or challenges title to the Assets or operation of the Distribution Systems, or challenges or seeks to prevent, enjoin, alter or materially delay any of the Transactions.

(i) Contracts. Except for the Assumed Contracts listed in Schedule 2(f), Seller is not a party to or otherwise subject to any leases, contracts, agreements (oral or written), or documents related to the ownership or operation of the Assets or the Distribution Systems. Seller has provided Buyer complete and correct copies of the Assumed Contracts. Except as otherwise disclosed on Schedule 9(i): (i) the Assumed Contracts are in full force and effect as of the Execution Date, (ii) Seller has not received a notice of default or termination with respect to such Assumed Contracts, and to Seller's knowledge no such default or termination of an Assumed Contract is threatened, (iii) there has not occurred any event which would constitute a breach by Seller of, or default by Seller in, the performance of any covenant, agreement or condition contained in any of the Assumed Contracts, (iv) to Seller's knowledge, no other party is in default under any terms or provisions of any Assumed Contract, (v) no Cure Amount is due and owing, and (vi) no event has occurred, and no circumstances or condition exists, that (with or without notice or lapse of time) would reasonably be expected to result in a breach or violation of, or a default under, the terms of any Assumed Contract.

(j) Tax Returns; Audits. Except as otherwise disclosed on Schedule 9(j): (i) to the extent applicable, Seller has filed with all appropriate Governmental Authorities all Tax Returns which it is required to file pertaining to the Assets; and (ii) the amounts shown as owing on the Tax Returns are true and correct amounts and Seller has paid all Taxes shown as due on such Tax Returns and all other Taxes due and owing in the operation of the Distribution Systems, and is not delinquent in the payment of any Taxes claimed to be due and owing by any Governmental Authority pertaining to this segment of Seller's business. Seller has not given any waiver or extension of any statute of limitations governing the time for assessment or collection of any Tax which has not expired prior to the Execution Date on the Assets. There have been no audits relating to the Assets other than routine audits by any Governmental Authority, and none are pending, proposed, or threatened pertaining to the Assets.

(k) Employees and Benefits. Seller has provided to Buyer a complete list (as of the date set forth therein) of names, positions, and current annual salaries or wage rates and bonus and other compensation arrangements as of the date thereof of all full-time and part-time employees of Seller employed exclusively in connection with the Distribution Systems. The list indicates whether each such employee is a part-time or full-time employee. There is no pending or, to Seller's actual knowledge, threatened employee strike, work stoppage or labor dispute. No collective bargaining agreement exists or is currently being negotiated by Seller, no demand has been made to Seller for recognition by a labor organization by or with respect to any employees employed with respect to the Distribution Systems, and no union organizing activities, to Seller's actual knowledge, are taking place. There is no unfair practice claim against Seller with respect to the Distribution Systems before the State Employees Relation Board or National Labor Relations Board, or any strike, dispute, slowdown, or stoppage pending or, to Seller's actual knowledge, threatened against or involving the Distribution Systems. Seller is in material compliance with all Applicable Laws respecting employment and employment practices, terms

and conditions of employment, and wages and hours. Seller is not engaged in any unfair labor practices.

(l) Regulatory Matters. Seller has all Authorizations required in order to permit Seller to carry on the business of the Distribution Systems as presently conducted. Except as otherwise disclosed on Schedule 9(l), Seller has not been a party to any investigation or proceeding instituted by any Governmental Authorities and Seller is not in violation of, and has not infringed, any Applicable Law which violation would have a Material Adverse Change on the ability of Seller to consummate the Transactions and the ability of Buyer to purchase and operate of the Distribution Systems as is contemplated by this Agreement.

(m) Brokers and Finders. Neither Seller nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder's fees, and no broker or finder has acted, directly or indirectly, for Seller in connection with this Agreement or the Transactions.

(n) Complete System. No property, assets, contracts, or Authorizations other than the Assets comprise any part of the Distribution Systems, and no other, property, assets, contracts, or Authorizations are necessary to operate and conduct the business with respect to the Distribution Systems.

(o) Environmental and Regulatory Matters. To Seller's actual knowledge (i) Seller has all required Authorizations and has made all material filings and applications with all Governmental Authorities charged with regulating human health, workplace health, the environment, natural resources and energy, including, without limitation, the United States Environmental Protection Agency and the Kentucky and Tennessee Department of Environmental Protection ("*Environmental Agencies*"); (ii) Seller is in material compliance with any and all Applicable Laws which address public health and safety, worker health and safety, pollution or protection of the environment ("*Environmental Requirement*"); (iii) except as described in the attached Schedule 9(o), no spills, leaks, discharges, injections, leaching, dumping, disposing or any other releases of any Hazardous Materials has occurred at, in, by, from or related to the Assets, the Distribution Systems or the Easements; and (iv) Seller has not been a party to any investigation, proceeding, enforcement action, corrective action, remediation, clean-up, lawsuit, negotiation or settlement initiated by any Environmental Agencies, citizens groups or individuals related to Hazardous Materials or any Environmental Requirement.

(p) Customer Deposits. Attached hereto as Schedule 9(p) is a list of customer deposits and accrued interest held by Seller as of the Execution Date (the "*Customer Deposits*"). Each account is in full force and effect and no action is pending, or to Seller's knowledge, threatened, in relation thereto.

(q) Accounts Receivable. Attached hereto as Schedule 9(q) is a list of all of the Accounts Receivable as of the Execution Date.

(r) Line Fill. The Distribution Systems contain line fill and natural gas of a quality and quantity usable and salable, as appropriate, in the ordinary course of the operation of

the Distribution Systems. Such line fill is substantially merchantable and fit for its particular use, and no substantial amount of the line fill is depleted.

(s) Books of Account. The Books of Account are complete and accurate and have been maintained in accordance with sound business practices.

(t) Insurance. To Seller's knowledge, Schedule 9(t) sets forth a list, including the name of the underwriter, risks insured, coverage and related limits and deductibles, expiration dates, and significant riders, of the property damage and business interruption insurance policies currently maintained by Seller with respect to the Distribution Systems. To Seller's knowledge, as of the Execution Date, all such policies are in full force and effect and all premiums due thereon have been paid.

§10. Pre-Closing Covenants.

(a) Mutual Covenants. From the Effective Date to the Closing Date, the Parties shall comply with the following covenants:

1. *Joint Request*. Within fourteen (14) days following the Effective Date, Buyer and Seller shall make a joint request to the Regulators requesting authorization, consent and approval of the sale of the Assets to Buyer, including the transfer of any franchise, certificate of convenience and necessity for the operation of the Distribution Systems.

2. *Authorizations*. Between the Effective Date of this Agreement and the Closing Date, each of Seller and Buyer (i) will use commercially reasonable efforts to obtain as promptly as practicable, all Authorizations required of them to consummate the transactions contemplated hereby, (ii) will provide such other information and communications to Governmental Authorities as such authorities may reasonably request; (iii) will assist and cooperate with the other Party and its representatives and counsel in obtaining, as soon as practicable, all other Authorizations which the other Party reasonably deems necessary or appropriate to consummate the transactions contemplated hereby and in the preparation of any document or other material which may be required by any Governmental Authority as a predicate to or result of the transactions contemplated hereby, and such other documents between them as may be reasonably necessary to comply with Applicable Laws and to obtain the Authorizations to consummate the transactions described herein.

(b) Seller's Covenants. From the Execution Date to the Closing Date, the Seller shall comply with the following covenants:

1. *Conduct of Business*. Seller shall use its best efforts to cause the value and/or operation of the Assets to be preserved, including, without limitation, operating the Distribution Systems in accordance with Good Utility Practice. During this period, Seller shall not (without Buyer's written consent): (i) purchase,

sell, convey, lease, acquire, or transfer any real property, Easements, fixtures, machinery, equipment, signs, furniture, furnishings, or other assets which comprise the Assets, except inventories of natural gas and supplies, or other assets purchased or sold in the usual and ordinary course of business, or (ii) enter into any agreement or transaction with respect to the Distribution Systems that is not in the usual and ordinary course of business.

2. *Consents.* In the case of Assumed Contracts, and in conjunction with the sale of Assets, Seller shall make all reasonable efforts to obtain an Order of the Bankruptcy Court, allowing Seller to assume and assign the Assumed Contracts, as permissible under the Bankruptcy Code.

3. *Release of Liens.* Seller shall transfer the Assets, pursuant to the Sale Approval Order, free and clear of all Liens and Claims, other than Permitted Liens.

4. *Payment of Taxes.* Seller shall transfer the Assets free and clear of all Liens securing Taxes (including penalties and interest in respect thereof) or provide for the payment of Sellers' prorated obligation for such Taxes. All Tax claims (including interest and penalties) asserted against Seller shall be treated in accordance with the Bankruptcy Code and an Order of the Bankruptcy Court.

5. *Access to Information.* From the Execution Date until the earlier of the Closing Date or the date of termination of this Agreement, Seller shall reasonably afford, and shall cause its officers, employees, attorneys and other agents to reasonably afford, to Buyer and its counsel, accountants and other representatives, access (on reasonable prior notice and at reasonable times during normal business hours) to officers and other employees of Seller for the purpose of evaluating the Assets and the Distribution Systems.

6. *Updates.* Seller shall promptly notify Buyer in writing (an "Update") of (i) any facts or events occurring after the Execution Date that would make false or misleading, or necessitate a change to, any of the Schedules or Exhibits to this Agreement, (ii) any written communication or written notice from any Person alleging that the consent of such Person is or may be required in connection with the consummation of the Transactions; (iii) any material written communication from any Governmental Authority in connection with or relating to the Transactions; and (iv) any Material Adverse Change. In the event that any Update shall identify a Material Adverse Change to the Assets, Buyer shall have fifteen (15) Business Days from receipt of such Update to notify Seller as to whether Buyer accepts or rejects such Update or objects to such Material Adverse Change. If Buyer rejects such Update or the Material Adverse Change, Seller and Buyer shall negotiate in good faith to amend this Agreement (including the Purchase Price and/or appropriate terms) to account for the Update or Material Adverse Change in a manner mutually acceptable to Seller and Buyer. If Buyer and Seller cannot agree on a mutually acceptable amendment to this Agreement

within ten (10) Business Days after Buyer's notice of rejection to Seller, Buyer shall have the right to terminate this Agreement in accordance with the terms of §16(b) without penalty and with the right to receive a full refund of the Deposit. If Buyer does not terminate this Agreement as set forth in the preceding sentence, and the sales transaction hereunder closes, then Buyer shall be deemed to have accepted the Update or the Material Adverse Change and to have waived any rights to seek indemnity or damages in relation thereto.

(c) Cure Amount Determination. With respect to any Assumed Contract which was entered into prior to the Bankruptcy Case and for which a Cure Amount is required for Seller to assume and assign such contract to Buyer, and which Buyer has agreed to assume, Buyer and Seller shall use commercially reasonable efforts to agree upon the Cure Amount with the counterparty to such contract (the "Counterparty"). In the event that each of Seller, Buyer and the Counterparty agree on the Cure Amount prior to the Closing (the "Pre-Closing Cure Amount"), Buyer shall pay such Counterparty the Cure amount at the Closing in accordance with §14(g). In the event that Seller, Buyer and the Counterparty are unable to agree on such Cure Amount prior to the Closing, upon determination by the Bankruptcy Court of such Cure Amount, Seller shall pay such Cure Amount to the Counterparty. Notwithstanding the foregoing, Buyer shall not be obligated to assume any such contract which is not listed on Schedule 2(f).

(d) Meters. The Parties anticipate that new meters will be installed at the interconnection of (i) the Byrdstown System and the B&W Pipeline and (ii) the Albany System and the B&W Pipeline. In the event that the Parties agree to such installation prior to Closing, the Parties shall enter into a letter agreement (the "*Letter Agreement*") providing for the reimbursement of any expenses incurred by Seller in connection with such installations.

§11. Conditions to Obligations of Buyer. The obligations of Buyer to be performed under this Agreement at the Closing shall be subject to the satisfaction of the following conditions (unless waived in writing by Buyer):

(a) Representations and Warranties. Seller's representations and warranties as set forth in §9 of this Agreement shall be true and correct in all respects as of the Closing Date as if such representations and warranties were made as of the Closing Date.

(b) Performance of Agreement. All covenants, conditions and other obligations under this Agreement that are to be performed or complied with by Seller on or prior to the Closing Date, shall have been fully performed and complied with in all material respects, including, without limitation, Seller's obligation to deliver the executed instruments and documents in accordance with §13.

(c) Bankruptcy Matters. Buyer shall have obtained documentation or other evidence reasonably satisfactory to it that:

1. the Bidding Procedures Order has been entered by the Bankruptcy Court and has become a Final Order, unless Buyer, in its sole discretion, waives the requirement that the Bidding Procedures Order be a Final Order; and

2. the Sale Approval Order has been entered by the Bankruptcy Court and has become a Final Order, unless Buyer, in its sole discretion, waives the requirement that the Sale Approval Order be a Final Order.

(d) No Material Adverse Change. There shall have been no Material Adverse Change in the financial or business condition of the business and operations of Seller or in the business and operational condition of the Distribution Systems and Assets between the Execution Date and the Closing Date.

(e) No Adverse Proceeding. There is no pending or threatened claim, action, litigation or proceeding against Buyer, Seller, or the Assets for the purpose of or that would have the effect of enjoining or preventing the consummation of this Agreement, or otherwise claiming that this Agreement or the consummation hereof is illegal.

(f) Regulatory Approval. Unless otherwise agreed to in writing by Buyer and Seller, the Regulators shall have approved the transfer of the Distribution Systems and Assets to Buyer pursuant to the terms of this Agreement.

(g) Due Diligence. Buyer shall be satisfied, in its sole and absolute discretion, with its due diligence investigation of the Assets. This condition shall be deemed satisfied if Buyer does not terminate this Agreement under §16(b)(iii) on or before the date that is 60 days after the Execution Date.

§12. Conditions to Obligations of Seller. The obligations of Seller to be performed at the Closing under this Agreement shall be subject to the satisfaction of the following conditions (unless waived in writing by Seller):

(a) Representations and Warranties. Buyer's representations and warranties as set forth in §8 of this Agreement shall be true and correct in all respects as of the Closing Date as if such representations and warranties were made as of the Closing Date.

(b) Performance of Agreement. All covenants, conditions and other obligations under this Agreement that are to be performed or complied with by Buyer on or prior to the Closing Date shall have been fully performed and complied with in all material respects, including, without limitation, Buyer's obligation to deliver the executed instruments and documents in accordance with §14.

(c) No Adverse Proceeding. There is no pending or threatened claim, action, litigation or proceeding against Buyer, Seller, or the Assets for the purpose of or that would have the effect of enjoining or preventing the consummation of this Agreement, or otherwise claiming that this Agreement or the consummation hereof is illegal.

(d) No Material Adverse Change. There shall have been no Material Adverse Change in the financial or business condition of the business and operation of Buyer.

(e) Regulatory Approval. Unless otherwise agreed to in writing by Buyer and Seller, the Regulators shall have approved of the transfer of the Distribution Systems and Assets to Buyer pursuant to the terms of this Agreement.

(f) Bankruptcy Court Approval. The Bankruptcy Court shall have approved the transfer of the Assets to Buyer, free and clear of all claims not assumed by Buyer, and the assumption and assignment of the Assumed Contracts, pursuant to the terms of this Agreement and the Bankruptcy Addendum.

§13. Closing Deliveries by Seller. At the Closing, Seller shall deliver or cause to be delivered, the following closing documents:

(a) Closing Statement. The Closing Statement showing the Closing Date Payment.

(b) Incumbency Certificates. An incumbency certificate dated the Closing Date certifying the incumbency of all officers of Seller who have executed this Agreement or any of the other Transaction documents. This certificate shall contain specimens of the signatures of each of such officers and shall be executed by an officer of Seller other than an officer whose incumbency or authority is certified.

(c) Bill of Sale. A Bill of Sale, Assignment and Assumption Agreement substantially in the form attached hereto as Exhibit B (the "*Bill of Sale*"), duly executed by Seller, pursuant to which Seller shall transfer and convey the Assets to Buyer.

(d) Regulatory/Bankruptcy Court Approvals. The Sales Order from the Bankruptcy Court approving the sale to Buyer, free and clear of all Liens, except for the Permitted Liens and authorizing the assumption and assignment of the Assumed Contracts, all as set forth in the Bankruptcy Addendum. To the extent obtained by Seller, orders approving the sale and transfer of Assets to Buyer that have been obtained from the Regulators.

(e) Schedule of Gas Costs. A schedule of under or over collected gas costs determined as of the Closing Date.

(f) Schedule of Customer Deposits. An updated Schedule 9(p) showing deposits being held for return to Distribution Systems' customers, determined as of the Closing Date.

(g) Schedule of Accounts Receivable. An updated Schedule 9(q) of the Accounts Receivable as of the Closing Date.

(h) Books of Accounts. The Books of Account.

(i) Certificates of Title. Motor vehicle certificates of title to any vehicles included as part of the Equipment, duly endorsed for transfer to Buyer.

(j) Resolutions. Resolutions of the board of directors of Seller authorizing the execution and delivery of this Agreement by Seller and the performance of its obligations hereunder, certified by the Secretary of Seller.

(k) Officer's Certificate. A certificate of the President of Seller to the effect that Seller's representations and warranties set forth in §9 of this Agreement are true and correct as of the date thereof and as to fulfillment of Seller's pre-Closing covenants and conditions.

(l) Non-Foreign Seller Affidavit. An affidavit that Seller is not a non-resident "alien," "foreign corporation," "foreign partnership," "foreign trust" or "foreign estate" within the meaning of the Internal Revenue Code and Regulations thereunder, executed by the President of Seller.

(m) Possession. Seller shall deliver to Buyer possession of the Assets, free and clear of all Liens except for Permitted Liens.

(n) Transportation Agreement. Seller shall deliver to Buyer a duly authorized assignment of the Transportation Agreement among The Titan Energy Group (or its Successor in Interest), Seller and Buyer.

(o) Other. Such other separate instruments of sale, assignment or transfer that Buyer may reasonably deem necessary or appropriate in order to perfect, confirm or evidence title to all or any part of the Assets.

§14. Deliveries by Buyer. At the Closing, Buyer shall deliver or cause to be delivered the following Closing documents:

(a) Bill of Sale. An executed counterpart to the Bill of Sale described in §13(c), above.

(b) Incumbency Certificates. An incumbency certificate dated the Closing Date certifying the incumbency of all officers of Buyer who have executed this Agreement or any of the other Transaction documents. This certificate shall contain specimens of the signatures of each of such officers and shall be executed by an officer of Buyer other than an officer whose incumbency or authority is certified.

(c) Officers' Certificate. A certificate of the President and Secretary of Buyer to the effect that (i) Buyer's representations and warranties set forth in §8 hereof are true and correct as of the date thereof; and (ii) Buyer has fulfilled all pre-Closing covenants and conditions.

(d) Resolutions. Resolutions of the managers of Buyer authorizing the execution and delivery of this Agreement by Buyer and the performance of its obligations hereunder, certified by the Secretary of Buyer.

(e) Closing Date Payment. A bank check or other form of payment reasonably acceptable to Seller for the Closing Date Payment.

(f) Regulatory Approvals/Bankruptcy Court Approvals. To the extent obtained by Buyer, orders from the Regulators approving the sale of the Assets.

(g) Pre-Closing Cure Amounts. Buyer shall pay to each Counterparty the Pre-Closing Cure Amounts with respect to such Counterparty.

(h) Other Documents. Such other Closing documents as may be reasonably requested by Seller or its counsel.

§15. Additional Obligations.

(a) Further Actions. At or after the Closing Date, the Parties shall prepare, execute and deliver such further instruments of conveyance, sale, assignment, assumption or transfer, and shall take or cause to be taken such other or further action as either Party shall reasonably request at any time or from time to time in order to perfect, confirm or evidence in Buyer title to all or any part of the Assets or to consummate in any other manner, the terms and conditions of this Agreement. In addition, to the extent that any Spare Parts or other Assets acquired by Buyer are located at a leased third party facility on the Closing Date, Seller shall (i) reasonably assist Buyer if Buyer desires to assume such lease and (ii) provide Buyer with prior notice of any action by Seller to terminate its leasehold interest in such third party facility.

(b) Third Party Consents. If any Third Party Consent required for the assignment of any Assumed Contract to Buyer is not obtained on or prior to the Closing Date, then, notwithstanding anything to the contrary in this Agreement, such Assumed Contract shall not be assigned to Buyer at Closing, and thereafter (i) the Parties shall continue to use all commercially reasonable efforts to obtain the required Authorizations or Third Party Consent for a reasonable period of time after the Closing Date and, (A) if such Authorization or Third Party Consent is obtained after the Closing Date, such Assumed Contract shall be assigned to Buyer as soon as reasonably practicable after such Authorization or Third Party Consent is obtained; (B) if such Authorization or Third Party Consent is not obtained within a reasonable time after the Closing Date, Seller shall have the right to terminate such Assumed Contract, and (ii) with respect to the period of time from the Closing Date until such Assumed Contract is assigned to Buyer or terminated by Seller, Seller and Buyer shall enter into such arrangements as shall be reasonably practicable such that the economic and other costs and benefits of such Assumed Contract shall be passed through from Seller to Buyer.

§16. Termination.

(a) Termination by either Party. This Agreement may be terminated and cancelled prior to the Closing by either Party:

(i) Upon the mutual consent of the Parties;

(ii) if any permanent injunction or other order of a court or other competent authority preventing consummation of the transactions contemplated by this Agreement shall have become final and non-appealable;

(iii) if the Sale Approval Order is not issued by the Bankruptcy Court on or before September 30, 2010; or

(iv) if the Closing shall not have been consummated on or before June 30, 2011, unless the Party seeking termination is in breach of its obligations under this Agreement.

(b) Termination by Buyer. This Agreement may be terminated and cancelled prior to the Closing by the Buyer:

(i) pursuant to §10(b)(6);

(ii) if (A) any of the representations or warranties of Seller contained in this Agreement shall prove to be inaccurate in any material respect, or any covenant, agreement, obligation, or condition to be performed or observed by Seller under this Agreement has not been performed or observed in any material respect at or prior to the time specified in this Agreement, and (B) such inaccuracy or failure shall not have been cured within 15 Business Days after written notice of such occurrence from Buyer to Seller; or

(iii) if Buyer determines, in its sole and absolute discretion, that it is unsatisfied with its due diligence investigation of the Assets; provided, however, that Buyer may not exercise its termination option under this §16(b)(iii) on or after the date that is the earlier of 61 days after the Execution Date or the day before any auction date set by the Bankruptcy Court for the sale of the Assets..

(c) Termination by Seller. This Agreement may be terminated and cancelled prior to the Closing by the Seller if:

(i)(A) any of the representations or warranties of Buyer contained in this Agreement shall prove to be inaccurate in any material respect, or any covenant, agreement, obligation, or condition to be performed or observed by Buyer under this Agreement has not been performed or observed in any material respect at or prior to the time specified in this Agreement, and (B) such inaccuracy or failure shall not have been cured within 15 Business Days after written notice of such occurrence from Seller to Buyer; or

(ii) (A) Seller executes one or more definitive agreements with a Third Party for the acquisition of all or substantially all of the Assets, and (B) the Bankruptcy Court enters an order in the Bankruptcy Case approving such definitive agreement(s).

§17. Indemnification. The representations and warranties of the Parties set forth in this Agreement shall survive the Closing. The Parties shall have the following indemnification obligations:

(a) Seller Indemnification Obligation. Seller shall indemnify and save harmless Buyer against and from any and all Liabilities arising directly or indirectly out of:

- (i) Any Excluded Assets;
- (ii) Any Excluded Liabilities;
- (iii) Any failure of any representation or warranty by Seller to have been correct and complete when made;
- (iv) Any failure by Seller to pay any Liabilities assumed by Seller at the Closing or to perform any obligations assumed by Seller pursuant to this Agreement.
- (v) Any failure by Seller to fully perform and observe all obligations and conditions to be performed or observed by Seller under this Agreement (whether such failure is innocent, negligent, or intentional).

(b) Buyer Indemnification Obligation. Buyer shall indemnify and save harmless Seller against and from any and all losses, damages, liabilities, or claims arising directly or indirectly out of:

- (i) Any liabilities resulting from Buyer's conduct of the business after the Closing;
- (ii) Any Assumed Liabilities;
- (iii) Any failure of any representation or warranty by Buyer to have been correct and complete when made; and
- (iv) Any failure by Buyer to fully perform and observe all obligations and conditions to be performed and observed by Buyer under this Agreement (whether such failure is innocent, negligent, or intentional).

(c) Expiration of Indemnity for Representations. Notwithstanding the foregoing to the contrary, the Parties' obligations of indemnity shall terminate eighteen (18) months after the Closing Date, except as follows: the obligations of indemnity under §17a(i), §17a(ii), §17b(i), and §17b(ii), shall terminate two (2) years after the Closing Date, except that the obligation under §17a(ii) with respect to Retained Environmental Liabilities shall terminate six months from Closing, or one year from the date of the execution of this Agreement, whichever period is longer. If prior to the applicable date of such termination a notice of a claim

is given, then the Party giving notice shall not be precluded from pursuing that claim following the expiration of such limitation period.

(d) Indemnification for Third Party Claims. If either Party (the "*Indemnified Party*") determines to seek indemnification under this Section from the other Party (the "*Indemnifying Party*") with respect to a claim resulting from the assertion of liability by a Third Party, the Indemnified Party shall give written notice to the Indemnifying Party which notice shall set forth such material information with respect to such claim as is then reasonably available. The Indemnifying Party shall be entitled, if it so elects by written notice to the Indemnified Party, to assume the defense of such asserted liability or claim with counsel reasonably satisfactory to the Indemnified Party. Notwithstanding the foregoing: (i) the Indemnified Party shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be payable by the Indemnified Party; and (ii) the rights of the Indemnified Party to be indemnified shall not be adversely affected by its failure to give notice pursuant to the foregoing provisions unless, and, if so, only to the extent that the Indemnifying Party is materially prejudiced by such failure.

(e) No Setoff. There shall be no right of set off with respect to amounts payable as a result of a claim for indemnity against any amount owed to the Party which is required to provide indemnification pursuant to this Agreement.

(f) Exclusive Remedy. The Parties agree that any remedies which may arise under the Asset Purchase Agreement and under this Agreement are covered by and included within this §17. This §17 shall provide the sole and exclusive remedy for any and all Liabilities, including, without limitation, those asserted by any Governmental Authority, Third Party, or former or present employee, sustained or incurred by Buyer or Seller, or their successors or assigns.

§18. Notices. Any notice or other communication required or desired to be given to any Party under this Agreement shall be in writing and shall be deemed given when: (a) delivered personally to an officer of that Party, or (b) deposited in the United States mail, first class, postage prepaid, express mail service, addressed to that Party at the following address or at any other address hereafter designated by that Party in writing to the Party giving notice:

Notice to Seller:

Gasco Distribution Systems, Inc.
4445 East Pike
Zanesville, OH 43701
Attention: Fred A. Steele, President
Phone: (740) 454-8871, ext. 116
Fax: (740) 454-7780
Email: fsteele@gascodistribution.com

with a copy to:

Daniel J. Hunter, Esq.
Allen Kuehnle Stovall & Neuman
17 South High Street, Suite 1220
Columbus, OH 43215
Phone: (614) 221-8500
Fax: (614) 221-5988
Email: *hunter@aksnlaw.com*

Notice to Buyer:

Navitas Assets, LLC
18218 East McDermott, Suite I
Irvine, California 92614
Attention: Thomas Hartline
Phone: (949) 331-7496
Fax: (949) 261-5661
Email: *thartline@navitasutility.com*

with a copy to:

Roberta M. Rossi
Law Offices of Roberta M. Rossi
8904 FM 2920
Spring, Texas 77379
Phone: (281) 257-1313
Fax: (281) 251-7416
Email: *robbi@robbirossi.com*

§19. Governing Law. All questions concerning the validity or meaning of this Agreement or relating to the rights and obligations of the Parties with respect to performance under this Agreement shall be construed and resolved under the laws of the State of Ohio, exclusive of conflicts of law. The Parties hereby designate the Bankruptcy Court in Franklin County, Columbus, Ohio as the court of jurisdiction and venue for any action or proceedings relating to this Agreement, hereby irrevocably consent to such designation, jurisdiction and venue and hereby waive any objections or defenses relating to jurisdiction or venue with respect to any action or proceeding initiated in any such court.

§20. Recording and Transfer Fees. Except as otherwise provided in this Agreement, each Party shall pay its own costs and expenses in connection with the negotiation, execution and consummation of this Agreement. All recording fees, transfer taxes, and fees and expenses relating to the conveyances, assignments and transfers under this agreement shall be paid by Buyer.

§21. Execution of Documents. Each Party and its successors and assigns shall execute, acknowledge or verify and deliver any and all documents which from time to time may be reasonably requested by the other Party to carry out the purposes and intent of this Agreement.

§22. Severability. The intention of the Parties is to comply fully with all Applicable Laws and public policies, and this Agreement shall be construed consistently with all such Applicable Laws and public policies to the extent possible. If any court of competent jurisdiction determines it is impossible to construe any provision of this Agreement consistently with any Applicable Law or public policy and consequently holds that provision to be invalid, such holding shall in no way affect the validity of the other provisions of this Agreement, which shall remain in full force and effect.

§23. Non-waiver. No failure by a Party to insist upon strict compliance with any term of this Agreement, to exercise any option, enforce any right, or seek any remedy upon any default of the other Party shall affect, or constitute a waiver of, the first Party's right to insist upon such strict compliance, exercise that option, enforce that right, or seek that remedy with respect to that default or any prior, contemporaneous, or subsequent default; nor shall any custom or practice of the Parties at variance with any provision of this Agreement affect, or constitute a waiver of, any Party's right to demand strict compliance with all provisions of this Agreement.

§24. No Third Party Benefit. This Agreement is intended for the exclusive benefit of the Parties and their respective successors and assigns, and nothing contained in this Agreement shall be construed as creating any rights or benefits in or to any Third Party.

§25. Captions. The captions of the various sections of this Agreement are not part of the context of this Agreement, but are only labels to assist in locating those sections, and shall be ignored in construing this Agreement.

§26. Complete Agreement. This document (including its schedules and exhibits), contains the entire agreement between the Parties and supersedes all prior or contemporaneous discussions, negotiations, representations, or agreements relating to the subject matter of this Agreement. No changes to this Agreement shall be made or be binding on a Party unless made in writing and signed by each of the Parties.

§27. Successors. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by and against the respective heirs, personal representatives, successors and assigns of each Party, provided that Buyer shall not assign its rights under this Agreement except to an affiliate or to a cooperative except with the express written consent of Seller, provided that Buyer shall remain liable for all obligations under this Agreement following any permitted assignment.

§28. Counterparts. This Agreement may be executed in counterparts, each of which when taken together shall constitute an original. This Agreement shall become effective when each Party shall receive a counterpart hereof signed by the other Party.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the Execution Date.

SELLER

GASCO DISTRIBUTION SYSTEMS, INC.

By: _____
Fred A. Steele, President

BUYER

NAVITAS ASSETS, LLC

By: _____
Thomas Hartline, Secretary

EXHIBIT A
Bankruptcy Addendum

EXHIBIT B

FORM OF BILL OF SALE

ASSIGNMENT, CONVEYANCE AND BILL OF SALE

This **Assignment, Conveyance and Bill of Sale** (this "**Bill of Sale**"), dated this ____ day of ____, 2010, is made by Gasco Distribution Systems, Inc., an Ohio corporation ("**Assignor**"), to Navitas Assets, LLC, a Delaware limited liability company ("**Assignee**").

RECITALS

WHEREAS, Assignor and Assignee have entered into that certain Asset Purchase Agreement (the "**Agreement**"), dated as of July __, 2010, the terms and provisions of which are made a part hereof by this reference;

WHEREAS, the Agreement relates to the purchase by Assignee of the Assets; and

WHEREAS, this Bill of Sale is intended to convey all of Assignor's right, title and interest in and to the Assets to Assignee;

NOW, THEREFORE, in consideration of the above set forth Recitals, and for value received under the Agreement, Assignor hereby executes this Bill of Sale in accordance with the following terms and provisions:

1 **Definitions.** All capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Agreement.

2 **Assignment.** Assignor does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER and DELIVER unto Assignee, all of Assignor's right, title and interest in and to the Assets.

3 **Title.** Assignor has good and marketable title to the Assets and the Assets are free of any Lien.

4 **Effective Date.** This Bill of Sale shall be effective as of the Closing Date.

5 **Further Actions.** Assignor agrees to take or cause to be taken all such further actions and to execute and deliver, or cause to be executed and delivered, all such instruments as may be necessary to effectuate the terms and provisions of this Bill of Sale.

6 **Priority.** This Bill of Sale is delivered pursuant to the Agreement and is subject to the conditions, representations, warranties and covenants provided therein, and if and to the extent the provisions of this Bill of Sale and the Agreement are inconsistent, the provisions of the Agreement shall be controlling.

7 **Governing Law.** This Bill of Sale shall be construed in accordance with and governed by the Laws of the State of Ohio.

This Bill of Sale is executed and delivered the date first set forth above.

GASCO DISTRIBUTION SYSTEMS, INC.

By: _____

Name: _____

Title: _____

ACKNOWLEDGEMENT

STATE OF OHIO)

)

COUNTY OF _____)

BEFORE ME, the undersigned, Notary Public, in and for said County and State, on this ____ day of ____, 2010, to me known to be the identical person who subscribed the name of Gasco Distribution Systems, Inc., to the foregoing instrument as its [title], and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

WITNESS my hand and official seal the day and year last above written.

Notary Public

(SEAL)

My Commission Expires:

EXHIBIT C

FORM OF TRANSPORTATION AGREEMENT

TRANSPORTATION AGREEMENT

This Transportation Agreement is made and entered into this ___ day of _____, 2010 (this "Agreement"), by and between The Titan Energy Group, Inc., its successors and assigns, ("TTEG") and Gasco Distribution Systems, Inc., its successors and assigns ("GASCO"). TTEG and GASCO are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, TTEG owns and operates a natural gas pipeline in Pickett, Fentress and Morgan Counties, Tennessee commonly known as the B&W Pipeline (the "Pipeline"); and

WHEREAS, TTEG will accept natural gas into the Pipeline at the East Tennessee Gas Pipeline Spectra Energy Meter Station 59157, Morgan County Number 3 (the "Receipt Point"); and

WHEREAS, the Pipeline is capable of delivering natural gas to the delivery points specified in Attachment A (the "Delivery Points"); and

WHEREAS, GASCO desires to transport certain volumes of natural gas on the Pipeline with delivery to occur at the Delivery Points;

NOW THEREFORE, in consideration of the foregoing and the mutual agreements, covenants, representation, warranties and promises set forth herein, the Parties mutually agree as follows:

1. SCOPE OF DELIVERY

TTEG agrees to accept and receive injections of natural gas for GASCO or its agents at the Receipt Point and to transport such natural gas to the Delivery Points. TTEG agrees to operate the Pipeline in accordance with Prudent Industry Practices and to transport GASCO's gas on a firm basis. For purposes hereof, "Prudent Industry Practices" means the exercise of that degree of skill, diligence, prudence and foresight that would reasonably and ordinarily be expected from a skilled and experienced pipeline operator in the United States engaged in the same type of undertaking.

2. DAILY DELIVERIES

(a) Volume. TTEG agrees to accept and transport on a firm basis up to 3,000 MCFs of natural gas on a daily basis (the "Maximum Daily Quantity"), excluding shrinkage volumes.

Any volumes received in excess of the Maximum Daily Quantity shall be transported on an interruptible basis.

(b) Nominations. At least five (5) days prior to the beginning of any month, GASCO will notify TTEG in writing of its intent to ship volumes on the Pipeline and will provide an estimate of the volumes of gas in MCFs to be transported on a daily basis during the calendar month.

(c) Changes to Nominations. GASCO has the right to change its nominated volume to be transported during the month on a daily basis. It is GASCO's responsibility to notify producers, TTEG, and connecting pipelines regarding any change in transportation volumes. TTEG will accept GASCO's nominations as such may change from time to time in accordance with its agreements with its suppliers. Nothing in this Agreement is intended or shall be deemed to obligate TTEG to redeliver any gas to GASCO if GASCO has not previously caused an equal volume of gas to be injected into the Pipeline in accordance with this Agreement.

(d) Specifications. TTEG shall publish on its website or deliver to GASCO the required specifications (the "Specifications") of natural gas to be injected into the Pipeline, including the Pipeline's requirements with respect to natural gas quality, pressure and odorization. GASCO shall deliver gas at the Receipt Points which conforms to the Specifications.

3. TERM OF AGREEMENT

(a) Initial Term. This Agreement shall become effective on the Effective Date and shall continue for a period of five years (the "Initial Term").

(b) Renewal. Not later than 60 days prior to the expiration of the Initial Term, the Parties may mutually agree to renew this Agreement for an additional term on such terms as the Parties may mutually agree (the "Renewal Term"). The Initial Term together with any Renewal Term shall be the "Term."

4. RATE

The rate for transporting volumes on the Pipeline from the Receipt Point to the Delivery Points shall be \$0.60 (sixty cents) per MCF (the "MCF Rate"). In the event that the Pipeline ever becomes subject to the jurisdiction of the FERC, the Parties will endeavor to achieve a regulated rate equal to the MCF Rate. The rate shall be applied to volumes delivered to each Delivery Point and each invoice shall designate the Delivery Point for all volumes.

5. SHRINKAGE

TTEG will retain ten percent (10%) of all volumes delivered to TTEG on GASCO's behalf for shrinkage, which shall be allocated based on volumes delivered to each Delivery Point. This shrinkage allocation is subject to approval by the applicable state regulatory authorities, and may be increased or decreased to some greater or lower percentage by such regulatory authorities.

6. BALANCING OF VOLUMES

The Parties shall endeavor to maintain the volume of gas injected at the Receipt Point in continuous balance with the volume of gas discharged at the Delivery Points. The Parties acknowledge, however, that operational imbalances may occur from time to time. In order to reconcile any such imbalances, GASCO's account will be reviewed at the end of each month and any imbalance shall be corrected in the following month. If the net imbalance is such that GASCO has received more gas than was delivered to TTEG during the period under review, GASCO shall be billed for such excess based on the daily MCF Rate. If the net imbalance is such that GASCO has received less gas than was delivered to TTEG, then GASCO will be credited or paid an amount equal to the excess volumes at the daily MCF Rate. In lieu of payment, either Party may correct the imbalance with equivalent volumes of gas.

7. POSSESSION OF GAS

After GASCO delivers gas or causes gas to be delivered to TTEG at the Receipt Point, TTEG shall be deemed to be in control and possession of the gas until it is redelivered to GASCO at the Delivery Point. GASCO shall have no responsibility with respect to any gas deliverable to TTEG or on account of anything which may be done, happen or arise, with respect to such gas until TTEG delivers such gas to GASCO at the Delivery Point(s) or for the account of GASCO. TTEG shall have no responsibility with respect to such gas before GASCO delivers such gas to TTEG at the Receipt Point or after TTEG redelivers such gas to GASCO at the Delivery Point(s). TTEG may commingle gas for delivery to GASCO with other volumes in its possession that conform to the Specifications.

8. WARRANTY OF TITLE TO GAS

GASCO warrants that it will have title to the gas at all times during transport on the Pipeline. GASCO will indemnify TTEG and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to said gas, including claims for any royalties, taxes, license fees or charges applicable to such gas or to the delivery thereof to TTEG for transportation. TTEG will indemnify GASCO and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of any liens or adverse claims of any or all persons to said gas, including claims for any royalties, taxes, license fees or charges applicable to such gas or to the delivery thereof to GASCO for transportation.

9. BILLING AND PAYMENT

(a) Statement. On or before the fifth day of each calendar month following commencement of deliveries, TTEG will deliver to GASCO a statement showing the amount of natural gas delivered for GASCO's account during the previous Month at each Delivery Point. The statement will be delivered to GASCO at the address and in the form specified in Section 10.

(b) Payment. Within fifteen days of receipt of the statement, GASCO will remit to TTEG the full amount of payment to TTEG.

(c) Disputed Payments. If any portion of either the quantities delivered or the price pertaining to any quantity delivered is disputed by GASCO, the portion not in dispute will be paid promptly to TTEG. Both Parties agree to work in good faith to expeditiously resolve any billing disputes.

(d) Calibration. The accuracy of measuring equipment shall be verified at reasonable intervals in accordance with Prudent Industry Practices or when requested by either Party by a test to be conducted by the Party owning such equipment, using methods generally accepted in the gas industry. The Parties acknowledge that Spectra Energy (not TTEG), owns the meter at the Receipt Point, and GASCO owns, or will own, meters at the Delivery Points. The Parties acknowledge that TTEG does not own or control any meters measuring the flow of gas from the Receipt Point to the Delivery Points. The Party performing the test shall notify the other Party sufficiently in advance of the test to permit a representative to be present. All tests shall be made at the expense of the Party performing the test, provided, however, that the Party requesting a test which is less than 180 days from the date of a prior test on the same meter shall bear the expense if any inaccuracy in the equipment is not greater than plus or minus two percent (2%).

(e) Inaccuracies. If upon testing any measuring equipment is found to be inaccurate by plus or minus two percent (2%) or less, previous records of such equipment shall be considered accurate in computing deliveries. If upon testing any measuring equipment shall be found to be inaccurate by more than plus or minus two percent (2%) of the average hourly rate of flow since the last test, then any previous readings of such equipment shall be corrected to zero error for any part of the period since the last test during which such error is known to have existed or which may be agreed upon in actual practice by the Parties. In case the period of such error is not definitely known or agreed upon, such correction shall be for a period of one-half of the time elapsed since the date of the last test, provided that, such correction period shall not exceed fifteen(15) days. Following any test, any measuring equipment found to be inaccurate, regardless of the percentage of inaccuracy, shall be adjusted immediately to function correctly.

10. NOTICES

Notices required under this Agreement shall be given in writing, and shall be deemed given when (i) hand-delivered, (ii) sent by nationally recognized express courier service, (iii) deposited in the United States mail, postage prepaid, and addressed to the respective Parties, by certified or ordinary mail, or (iv) sent by fax to the Parties at the addresses and/or fax numbers listed below, or at such other addresses as may be later designated by the Parties in writing.

TO TTEG:

The Titan Energy Group, Inc.
4445 East Pike
Zanesville, OH 43701
Attention: Fred A. Steele, President
Phone: (740) 454-8871, ext. 116
Fax: (740) 454-7780
Email: fsteele@gascodistribution.com

TO GASCO:

Gasco Distribution Systems, Inc.
4445 East Pike
Zanesville, OH 43701
Attention: Fred A. Steele, President
Phone: (740) 454-8871, ext. 116
Fax: (740) 454-7780
Email: fsteele@gascodistribution.com

11. CURTAILMENT OF TRANSPORTATION SERVICE

Transportation service may be curtailed or discontinued at the sole option of TTEG after reasonable notice of not less than 60 days for scheduled maintenance and as soon as commercially practicable for emergency maintenance. However, GASCO shall continue to hold title to any gas (less shrinkage) received by TTEG and not delivered prior to such curtailment or discontinuance. TTEG will promptly notify GASCO when conditions permit TTEG to resume transportation service.

12. PRIORITY AND ALLOCATION OF TRANSPORTATION SERVICE

GASCO's gas will be given the highest priority of deliverability on the Pipeline due to its service to regulated customers of the Kentucky Public Services Commission and the Tennessee Regulatory Authority.

13. REGULATORY BODIES

This Agreement is subject to all present and future valid laws and lawful orders of all regulatory bodies (state and/or federal) now or hereafter having jurisdiction of the Parties or either of them; and should either Party, by force of any such law or regulation imposed at any time during the Term of this Agreement be rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than to make payments due, the contract shall continue and shall then be deemed modified to conform with the requirements of such law or regulation.

14. CHOICE OF LAW

This Agreement will be governed by the laws of the State of Tennessee, exclusive of conflicts of laws.

15. INDEMNIFICATION

(a) GASCO agrees to indemnify, defend and hold harmless TTEG, its affiliates and their directors, officers, employees, representatives, agents and contractors from and against any and all claims, damages, costs, expenses (including reasonable attorneys' fees and other fees, court costs and other disbursements) and penalties (collectively, "Liabilities") incurred by TTEG (including, but not limited to, any penalties incurred by or assessed against TTEG by GASCO's

supplier of gas) resulting or arising from (i) GASCO's failure to take the full quantity of gas scheduled to be taken by GASCO from its supplier (*provided that*, such failure was not caused by TTEG's breach of its obligations hereunder) or from GASCO's taking of a quantity of gas in excess of the quantity scheduled to be taken and (ii) GASCO's breach of any of its obligations under this Agreement.

(b) TTEG agrees to indemnify defend and hold harmless GASCO, its affiliates and their directors, officers, employees, representatives, agents and contractors from and against any and all Liabilities resulting or arising from (i) any adverse claim, lien or other encumbrance asserted by any Person to GASCO's gas in the Pipeline and not caused by GASCO, (ii) TTEG's breach of any of its obligations under this Agreement, and (iii) TTEG's ownership and operation of the Pipeline, including any environmental liabilities related thereto. For purposes hereof, "Person" shall mean an individual, corporation, partnership, limited liability company, joint venture, trust or unincorporated organization, joint stock company or any other private entity or organization, governmental authority, court or any other legal entity, whether acting in an individual, fiduciary or other capacity.

16. FORCE MAJEURE

(a) Force Majeure. For purposes of this Agreement, "Force Majeure" means any cause or event reasonably beyond the control of a Party, including fires, earthquakes, lightning, floods, explosions, storms, adverse weather, landslides and other acts of natural calamity or acts of God; acts of war, hostilities (whether declared or undeclared), civil commotion, embargoes, blockades, terrorism, sabotage or acts of the public enemy; any act or omission of any governmental authority; good faith compliance with any order, request or directive of any governmental authority, or any other cause reasonably beyond the control of a Party, whether similar or dissimilar to those above and whether foreseeable or unforeseeable, which, by the exercise of due diligence, such Party could not have been able to avoid or overcome. A Party's inability economically to perform its obligations under this Agreement shall not constitute an event of Force Majeure.

(b) Waiver of Liability. Neither Party shall be liable to the other Party if it is rendered unable by an event of Force Majeure to perform in whole or in part any obligation or condition of this Agreement, for so long as the event of Force Majeure exists and to the extent that performance is hindered by the event of Force Majeure; *provided, however*, that the Party unable to perform shall use any commercially reasonable efforts to avoid or remove the event of Force Majeure and that the Parties shall resume performance promptly once the event of Force Majeure has ceased. During the period that performance by one of the Parties of a part or whole of its obligations has been suspended by reason of an event of Force Majeure, the other Party likewise may suspend the performance of all or a part of its obligations to the extent that such suspension is commercially reasonable, except for any payment and indemnification obligations.

(c) Notice. The Party rendered unable to perform shall give notice to the other Party within 48 hours after receiving notice of the occurrence of an event of Force Majeure, including, to the extent feasible, the details and the expected duration of the event of Force Majeure. Such Party also shall promptly notify the other Party when the event of Force Majeure is terminated.

17. EVENTS OF DEFAULT AND TERMINATION

(a) Event of Default. Notwithstanding any other provision of this Agreement, a "Default" or "Event of Default" shall be deemed to occur under this Agreement when:

(i) GASCO fails to make payment when due under this Agreement within ten business days of a written demand therefor.

(ii) Either Party fails to perform any obligation to the other Party or breaches any covenant made to the Party under this Agreement, which is not cured to the satisfaction of the other Party (in its sole discretion) within ten business days from the date that such Party receives notice that corrective action is needed.

(iii) Either Party breaches in any material respect any representation or warranty made or repeated by the Party, or any representation or warranty proves to have been incorrect or misleading in any material respect when made or repeated under this Agreement.

(iv) Either Party repudiates any material obligation under this Agreement.

(b) Either Party becomes Bankrupt. For purposes hereof, "Bankrupt" shall mean means that a Party (1) is dissolved, other than pursuant to a consolidation, amalgamation or merger, (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due, (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors, (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditor's rights, or a petition is presented for its winding-up or liquidation, (5) has a resolution passed for its winding-up, official management or liquidation, other than pursuant to a consolidation, amalgamation or merger, (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for all or substantially all of its assets, (7) has one or more secured parties take possession of all or substantially all of its assets, or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets, (8) files an answer or other pleading admitting or failing to contest the allegations of a petition filed against it in any proceeding of the foregoing nature or (9) takes any other action to authorize any of the foregoing actions. GASCO has been in a chapter 11 bankruptcy proceeding in Columbus Ohio since June 1, 2009 in Case No. 09-56171. For the purpose of this paragraph, GASCO shall not be considered a "Bankrupt" for the purpose of default, for so long as its chapter 11 case is not converted to a case under chapter 7.

(c) Remedies Upon Event of Default. Notwithstanding any other provision of this Agreement, upon the occurrence of an Event of Default with respect to a Party (referred to as the "Defaulting Party"), the other Party (the "Performing Party") shall in its sole discretion and upon one business day's notice to the Defaulting Party (except in the case of a Default pursuant to Section 17(a)(v) which shall not require any prior notice hereunder), be entitled to do any or all of the following: (i) suspend its performance under this Agreement, (ii) terminate this

Agreement effective upon the date of such notice, and (iii) pursue its rights or remedies available under applicable law and at equity.

(d) Waiver of Defaults. The failure of a Party hereunder to assert a right or enforce an obligation of the other Party shall not be deemed a waiver of such right or obligation. The waiver by the Performing Party of any right under this Agreement will not operate to waive any other such right nor operate as waiver of that right at any future date upon another default by either Party under this Agreement and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise of that right, power, or privilege or the exercise of any other right, power or privilege.

18. ASSIGNMENT; SUCCESSORS

This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns. Either Party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other Party hereto, if, with respect to TTEG (or its successor), it assigns its interest to a party that purchases the Pipeline, and, if, with respect to GASCO (or its successor), it assigns its interest to the party that purchases its interest in the utilities that utilizes the Pipeline for the delivery of gas to its customers.

19. AUDIT

Each Party and its duly authorized representatives shall have access to the accounting records and other documents maintained by the other Party which relate to the measurement, composition or handling of natural gas being transported under this Agreement. Each Party shall have the right to audit such records once a year at any reasonable time or times within twenty-four months of the rendition of any statement or invoice forming the basis of such claim.

20. MISCELLANEOUS

(a) Severability. If any Section or provision of this Agreement shall be determined to be null and void, voidable or invalid by a court of competent jurisdiction, then for such period that the same is void or invalid, it shall be deemed to be deleted from this Agreement and the remaining portions of this Agreement shall remain in full force and effect.

(b) Entire Agreement. The terms of this Agreement constitute the entire agreement between the Parties with respect to the matters set forth in this Agreement, and no representations or warranties shall be implied or provisions added in the absence of a written agreement to such effect between the Parties. This Agreement shall not be modified or changed except by written instrument executed by the Parties' duly authorized representatives.

(c) Survival. All audit rights, payment and indemnification obligations shall survive the expiration or termination of this Agreement.

(d) No Third Party Beneficiaries. The Parties do not intend, and nothing in this Agreement shall be deemed to give any person other than the Parties hereto any right or interest

based on this Agreement. The Parties reserve the right to amend this Agreement by mutual consent without notice to or consent of any person, or to terminate it without notice to or consent of any Person not a party to this Agreement.

(e) Counterparts. This Agreement may be executed by the Parties in separate counterparts and initially delivered by facsimile transmission or otherwise, with original signature pages to follow and all such counterparts shall together constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Transportation Agreement has been executed on the date first above written by the Parties by their officers or other authorized representatives.

THE TITAN ENERGY GROUP, INC.

GASCO DISTRIBUTION SYSTEMS, INC.

By: _____

By: _____

Title

Title

Date

Date

ATTACHMENT A

DELIVERY POINTS

The Delivery Points are as follows:

1. **Fentress Utility System:** GASCO currently has six individual meters as part of its Fentress Utility Systems in Fentress Tennessee along the Pipeline owned by TTEG at the following service points: 143 Sawmill Ridge Rd; 3264 Stockton Road; 3191 Baseline Road; 2840 Stockton Road; 2876 Stockton Road; and 2564 Gatewood Ford Road. GASCO may add or remove service addresses in Fentress County, Tennessee at its own expense.
2. **Byrdstown Utility System:** City Gate master meter at the interconnection of the Byrdstown System and the Pipeline, at _____
3. **Albany Utility System:** City Gate master meter at the interconnection of the Albany System and the Pipeline, at _____


Question 19

This document has been electronically entered in the records of the United States Bankruptcy Court for the Southern District of Ohio.

IT IS SO ORDERED.

Dated: August 23, 2010




C. Kathryn Preston
United States Bankruptcy Judge

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

In re:

**GASCO DISTRIBUTION
SYSTEMS, INC.**

Debtor.

Case No. 09-056171

Chapter 11

Judge C. Kathryn Preston

**ORDER AUTHORIZING AND APPROVING THE BIDDING PROCEDURES FOR AN
AUCTION SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S UTILITY
DISTRIBUTION SYSTEMS ASSETS, SCHEDULING AN AUCTION DATE AND SALE
HEARING DATE AND THE DEADLINE FOR OBJECTIONS TO THE PROPOSED
SALE, AND APPROVING NOTICES TO CREDITORS AND PARTIES IN INTEREST
[RELATED TO DOC. NO. 179]**

This matter comes before the Court upon the Motion Of Gasco Distribution Systems, Inc., Debtor and Debtor in Possession ("Debtor"), for an Order (I) Authorizing the Sale of Substantially All of the Debtors Remaining Utility Distribution Systems Assets Free and Clear of Liens, Claims and Encumbrances with Certain Exceptions under Asset Purchase Agreement, Subject to Higher and Better Offers, (II) Authorizing the Assumption and Assignment of Certain Executory Contracts in Connection Therewith, (III) Approving Procedures for an Auction; (IV)

Scheduling an Auction and Hearing Relating Thereto; (V) Approving Break-Up Fee, and (VI) Approving the Forms of Notices Relating to the Sale and Bidding Procedures filed on July 14, 2010 (Doc. # 179) (the "Motion")¹, and the Court finding that the proposed Bidding Procedures requested in items (III), (IV), (V), and (VI) of the Motion and attached as Exhibit 1 to this Order ("Bidding Procedures") are designed to maximize the value to be received for the Debtor's assets, and, consequently, their approval is in the best interest of the estate, and finding further that the proposed bid procedures and sale notice attached as Exhibit 2 to the Order ("Bid Procedures and Sale Notice") will provide creditors and parties in interest with due and proper notice of the Debtor's intention to sell its assets and assume, assign or reject, as the case may be, its executory contracts, and fully complies with Federal Rule of Bankruptcy Procedure Rules 2002, 6004, 6006 and this Court's local rules, and finding that the cure notice attached as Exhibit 3 to this Order ("Cure Notice") provides the parties to the Debtor's executory contracts with due and proper notice of the procedures to fix the Cure Amount (as defined in the Cure Notice) for any such assumed and assigned contracts, and being otherwise duly advised and informed in the premises:

IT IS ORDERED, ADJUDGED and DECREED that:

(1) The Motion is granted to the extent provided in this Order, and the Bidding Procedures, the Bid Procedures and Sales Notice and the Cure Notice are hereby approved in every respect;

¹ On August 18, 2010, the Debtor filed a Supplement to the Motion (Doc. No. 194) (the "Supplement") to provide an updated agreed form of the Transportation Agreement which was attached to the Asset Purchase Agreement as Exhibit C, and which the Debtor, as a condition of closing on the sale of the Albany, Byrdstown and Fentress Utilities, will have executed with Titan Energy Group, Inc., or its assignee (to provide for the transportation of natural gas in the B & W Pipeline to the Utilities) and which the Debtor will assign to the purchaser of those Utilities. On that same day, the Debtor filed a Motion for the Court to approve and authorize the Debtor to enter into the form of Transportation Agreement which was included in the Supplement (Doc No. 196).

(2) Within three business days of the entry of this Order by the Court, the Debtor shall make service of this Order, the Bid Procedures, Sale Notice and Cure Notice, by first-class mail, postage pre-paid, (or by electronic email service, as applicable), to (a) all creditors and parties in interest, (b) the Office of the United States Trustee, (c) counsel for the proposed buyer, (d) parties in interest that have requested notice, (e) all parties who are known to possess or assert a lien, claim, or encumbrance, or interest in or upon any of the Debtor's assets, and (f) all applicable federal, state and local regulatory or taxing authorities, and certify service of same;

(3) On or before three business days of the entry of this Order by the Court, the Debtor shall make service, by first-class mail, postage pre-paid, of this Order and the Cure Notice to the counterparties to its executory contracts which may be assumed and assigned in connection with the sale of its assets and certify service of same;

(4) On or before three business days of the entry of this Order, the Debtor shall make its best efforts to serve all known potentially interested purchasers that have contacted the Debtor either by email or ordinary mail service;

(5) The Debtor is authorized and empowered to take such steps, expend such sums of money and do such things as may be necessary and reasonable to implement and effect the terms and requirements of this Order;

(6) If the Debtor receives one or more Qualified Bids² submitted by a Qualified Bidder (other than the Stalking Horse Bidder, who is deemed to be a Qualified Bidder), as set forth below,³ an Auction for the sale of substantially all of the Debtor's assets shall be held on **October 12, 2010, at 10:00 a.m., E.D.T.**, at the offices of Allen Kuehnle Stovall & Neuman

² Capitalized terms used but not defined herein, unless otherwise noted, should have the meanings given in the Bidding Procedures attached hereto as Exhibit 1.

³ As provided in Exhibit 1 to this Order, all Qualified Bids are due by noon, October 5, 2010.

LLP, LLC, 17 South High Street, Suite 1220, Columbus, Ohio 43215 (or at another location in Columbus Ohio to be announced by Debtor's Counsel to all entities submitting a Qualified Bid), such auction to be conducted in substantial accordance with the approved Bidding Procedures;

(7) A hearing to consider approval of the Debtor's sale of substantially all of its remaining utility systems assets and assumption and assignment of any of its executory contracts under the Motion and any objections thereto shall be held before the Honorable Judge C. Kathryn Preston at the United States Bankruptcy Court for the Southern District of Ohio, 170 N. High Street, Fifth Floor, Courtroom C, Columbus, Ohio 43215 on **October 19, 2010, at 9:30 a.m. E.D.T.** (the "Sale Hearing");

(8) Any and all objections to the Debtor's sale of its assets under the Motion or the assumption and assignment of the Debtor's executory contracts in connection therewith, shall be filed with the Court and served upon Debtor's Counsel, the Stalking Horse Bidder's Counsel under the APA (Roberta M. Rossi, Law Offices of Roberta M. Rossi, 8904 FM 2920, Spring, Texas 77379, Fax: (281) 251-7416; Email: robbei@robbeirossi.com), and the United States Trustee (170 North High Street, Suite 204, Columbus, Ohio 43215), on or before **September 20, 2010**; provided, however, that any objections to the assumption and assignment of any executory contracts to a party other than the Stalking Horse Bidder based solely on such party's alleged inability to provide adequate assurance of future performance with the meaning of section 365 of the Bankruptcy Code may be raised at the Sale Hearing. Any objections that are not so filed and or are not received timely, shall not be considered by the Court. Objections, if any, to the conduct of the Auction (if held) or the selection of the Winning Bidder(s) shall be filed with the Court and served upon Debtor's Counsel, and Counsel to the Stalking Horse Bidder under the APA, and the United States Trustee, on or before **October 15, 2010**, and shall be heard at the

Sale Hearing; the failure of any objecting person or entity to timely file and serve its objection in accordance with this Bidding Procedures Order shall be a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Motion or the consummation and performance of the Sale as contemplated by the terms of the APA or alternatively by the terms of the Winning Bid(s) with the Winning Bidder(s) (including the transfer of the Assets free and clear of all Liens, claims, encumbrances and interests as part of the Sale).

(9) In the event that Stalking Horse Bidder is not the Winning Bidder for the Three ABF Utilities and the Jellico Utility, the Stalking Horse Bidder will receive a break-up fee in the amount of \$25,000 ("the Break-Up Fee"), payable only from the proceeds of the closing on the purchase of the Three ABF Utilities and the Jellico Utility as follows: One-half of the Break-Up Fee shall be paid from the proceeds of sale of the Three ABF Utilities and the other one-half shall be paid from the proceeds of the sale of the Jellico Utility. In the event Stalking Horse Bidder is the Winning Bidder for the Jellico Utility, but not the Three ABF Utilities, Stalking Horse Bidder will receive a \$12,500 credit towards its purchase of the Jellico Utility upon closing, and Stalking Horse Bidder will receive \$12,500 from the proceeds of sale of the Three ABF Utilities.

(10) Absent an order of this Court, this Order shall not be stayed for any reason, whether by way of Rules 6004(h) or 6006(d) Bankruptcy Code, to the extent applicable, or otherwise, and shall be deemed effective and enforceable immediately upon signature hereof.

IT IS SO ORDERED.

SUBMITTED AND APPROVED BY:

/s/ Richard K. Stovall

Richard K. Stovall (0029978)

Daniel J. Hunter (0017536)

Thomas R. Allen (0017513)

ALLEN KUEHNLE STOVALL & NEUMAN LLP

17 South High Street, Suite 1220

Columbus, Ohio 43215-4100

Telephone: (614) 221-8500

Facsimile: (614) 221-5988

E-mail: stovall@aksnlaw.com

E-mail: hunter@aksnlaw.com

E-mail: allen@aksnlaw.com

Counsel for Debtor and Debtor in Possession

Copies to: All Filing Parties

EXHIBIT 1 TO ORDER

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

In re:

**GASCO DISTRIBUTION
SYSTEMS, INC.**

Debtor.

Case No. 09-056171

Chapter 11

Judge C. Kathryn Preston

BIDDING PROCEDURES
[RELATED TO DOC. NO. 179]

On July 14, 2010, the Debtor filed the Motion Of Gasco Distribution Systems, Inc., Debtor and Debtor in Possession, for an Order (I) Authorizing the Sale of Substantially all its Utility Distribution Systems Assets Free and Clear of Liens, Claims and Encumbrances with Certain Exceptions under Asset Purchase Agreement, Subject to Higher and Better Offers, (II) Authorizing the Assumption and Assignment of Certain Executory Contracts in Connection Therewith, (III) Approving Procedures for an Auction; (IV) Scheduling an Auction and Hearing Relating Thereto; (V) Approving Break-Up Fee; and (VI) Approving the Forms of Notices Relating to the Sale and Bidding Procedures (Doc. #179) (the "Motion"), seeking *inter alia*, approval of certain procedures to facilitate and govern the Debtor's sale of substantially all its assets to Navitas Assets LLC, or its designated affiliate ("Stalking Horse Bidder") pursuant to the terms of that certain Asset Purchase Agreement by and between Debtor and Stalking Horse Bidder, dated July 9, 2010 (the "APA") or to some other party submitting a higher or better bid for the Debtor's asset at Auction. On August 23, 2010, the Bankruptcy Court entered the foregoing order (the "Bidding Procedures Order") which authorized and approved the below procedures (the "Bidding Procedures").

Notice of Bid Procedures

On or before the third business day following the Bankruptcy Court's entry of the Bidding Procedures Order, the Debtor will serve a copy of the Bidding Procedures Order and the Bid Procedures and Sale Notice by first-class mail, postage prepaid, to all creditors and parties in interest, including (1) the Office of the United States Trustee, (2) counsel for the Stalking Horse Bidder, (3) each counterparty to the Debtor's executory contracts, (4) parties in interest that have requested notice, (5) all parties who are known to possess or assert a lien, claim, or encumbrance,

or interest in or upon any of the Debtor's assets, (6) all applicable federal, state and local regulatory or taxing authorities, and (7) the Debtor shall make its best efforts to serve all known potentially interested purchasers that have contacted the Debtor either by email or ordinary mail service, and the Debtor shall certify the service of all of same.

Interested bidders requiring information about the bid qualification process, the Assets or the Debtor's business should contact the Debtor's counsel, Daniel J. Hunter or Richard K. Stovall, Allen Kuehnle Stovall & Neuman LLP, LLC, 17 South High Street, Suite 1220, Columbus, Ohio 43215, Phone: 614.221.8500, Fax: 614.221.5988, E-mail: hunter@aksnlaw.com; stovall@aksnlaw.com; ("Debtor's Counsel").

Utility Systems Assets Being Sold:

In general, the Utility Assets being sold by the Debtor are the following natural gas distribution systems, including related rights of way agreements and easement associated with each system, machinery and equipment associated with each system, as follow:

- (a) the Jellico systems, operating in the town of Jellico, Campbell County, Tennessee, and Whitley County, Kentucky, including generally consisting of a pipeline distribution system located in Campbell County, Tennessee and Whitley County Kentucky, and including approximately 497 customers, which system is more specifically defined in the APA (the "**Jellico Utility**"), and
- (b) the following three smaller utility systems (as one lot), all of which rely upon a certain B & W Pipeline system for access to natural gas (which B & W Pipeline System is not owned by the Debtor and not included in the sale, but for which a transportation contract is included in the sale) and all of which are further described in the APA, including: (i) the Albany County, Kentucky Natural Gas Utility System (approximately 126 customers), (ii) Byrdstown County, Tennessee Natural Gas Utility System (approximately 46 customers), and (iii) the Fentress Tennessee, Natural Gas Utility Distribution Systems (approximately 6 customers), all located in the counties as indicated, and all of which are more specifically described in the APA (collectively the "**Three ABF Utilities**").

Qualified Bidders

Persons seeking to submit a Qualified Bid (defined *infra*) pursuant to the Bidding Procedures and desiring to participate in the Auction must deliver to the Debtor's Counsel, Daniel J. Hunter or Richard K. Stovall, Allen Kuehnle Stovall & Neuman LLP, 17 South High Street, Suite 1220, Columbus, Ohio 43215, Phone: 614.221.8500, Fax: 614.221.5988, E-mail: hunter@aksnlaw.com; stovall@aksnlaw.com; the following:

- i) an executed non-disclosure agreement, a copy of which is available from the Debtor's Counsel;

- ii) financial and other information that will allow the Debtor to make a reasonable determination as to (a) such person's financial capability to consummate a purchase of the Debtor's assets within the timeframe set forth for closing, (b) such person's ability to provide adequate assurance of future performance of any executory contracts, and (c) such person's ability to be approved by the regulatory authorities of the States of Tennessee and Kentucky, and applicable counties and cities, which are a further condition to the sales of the Jellico Utility and the Three ABF Utilities; and
- iii) other documentation in form and substance reasonably satisfactory to the Debtor as may subsequently be requested by the Debtor, from time to time.

A person who complies with all the foregoing requirements may be determined by the Debtor to be a "Qualified Bidder." The Stalking Horse Bidder is deemed to be a Qualified Bidder.

Qualified Bidders desiring to conduct due diligence shall contact the Debtor's Counsel and will be provided access to information available through an electronic data room. All due diligence efforts undertaken by Qualified Bidders must be completed by the date bids are due; and after such date, the Debtor shall have no obligation to furnish any additional due diligence information relating to the Debtor's business or the Assets. Certain information that a potential Qualified Bidder may require in their due diligence may be available in paper form at the Debtor's place of business in Zanesville, Ohio.

Form of Bids

In order to participate in the Auction, Qualified Bidders, other than the Stalking Horse Bidder, must be a pre-qualified bidder (a "Qualified Bidder" or collectively the "Qualified Bidders"). To participate as a bidder at the Auction, a Qualified Bidder must submit the following items:

(1) A written offer to purchase either (a) the Jellico Utility, or (b) the Three ABF Utilities (as one unit), or (c) both the Jellico Utility and the Three ABF Utilities together;

(2) An executed Asset Purchase Agreement in substantially the same form as the APA. Each Qualified Bidder must submit an executed "clean" version of an Asset Purchase Agreement, together with a black lined version to reflect any proposed changes in the terms and conditions of its bid as compared against the APA.⁴

Terms of Bid:

A Qualified Bid must contain the following terms:

⁴ In order to facilitate the submission of a party's bid, such party may request a Microsoft Word™ copy of the APA from the Debtor's Counsel, which counsel will promptly provide.

(1) It must be for either (a) the Jellico Utility, or (b) the Three ABF Utilities (as one separate unit), or (c) both the Jellico Utility and the Three ABF Utilities, together;

(2) It must be made for all or substantially all of the Debtor's assets associated with each utility system(s) which is/are the subject of the respective Qualified Bid, and the Qualified Bid must specify the assets which are excluded from each Qualified Bid.

(3) It must be a cash transaction;

(4) It must identify, with particularity, each and every executory contract the assumption and assignment to which is a condition to closing for each qualified bid;

(5) It must be accompanied by the following earnest money deposits:

- (i) if for the Jellico Utility only- \$50,000.00;
- (ii) if for the Three ABF Utilities only- \$50,000.00;
- (iii) if a bid is made separately for the both Utilities - \$75,000.00
- (iv) if for the combination of the Jellico Utility and the Three ABF Utilities – \$75,000, (but bidder is not required to pay more than \$75,000 total, as bidder will receive a credit for a deposit made with any other bid);

(6) It must be for the following minimum purchase amounts:

- (i) for the Jellico Utility - \$500,000;
- (ii) for the Three ABF Utilities - \$311,000.00;
- (iii) for the combination of the Jellico Utility and the Three ABF Utilities - \$810,200;

(7) It must identify the proponents of each bid;

(8) It must disclose the bidder's relationship to or connection with any party in interest in this Case or affirmatively discloses that it has no relationship or connection to or with any party in interest in this Case, and disclose an officer or representative who is authorized to appear on behalf of the bidder;

(9) It must provide sufficient indicia that the bidder is financially capable and has the requisite corporate or similar authority to sign and consummate a binding and enforceable asset purchase agreement and or assignment agreement and that any representative acting on behalf of such bidder is legally empowered, by a power of attorney or otherwise, to execute the bid on behalf of the bidder;

(10) It must not contain any contingencies as to the validity, effectiveness, and/or binding nature of the offer, including, without limitation, financing, due diligence or inspection; however it must be subject to regulatory approval by the applicable States, counties and localities in which the utility systems are located;

(11) It must contain an acknowledgment that: (a) the bidder has had an opportunity to examine the respective Utility systems for which a bid is being made, including the Assets to be purchased ("Assets") and liabilities to be assumed, prior to making its offer, (b) the bidder has relied solely upon its own independent review, investigation and/or inspection of any documents in making its bid, (c) the bidder did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied, by operation of law or otherwise, regarding the Assets, or the completeness of any information provided in connection with the Debtor's implementation of the Bidding Procedures, (d) the bidder agrees to be bound by the terms and conditions of the Bidding Procedures, and (e) the competing proposal is irrevocable until five (5) days after the entry of an order by the Bankruptcy Court approving the Winning Bid (defined *infra*) as the highest and best bid and authorizing the Debtor to enter into an agreement with respect thereto;

(12) It must contain a representation that such bidder has no agreement with any other bidder concerning the price to be paid for the Assets;

(13) It must not be subject to termination, except on the same terms as set forth in the APA;

(14) It must not request or entitle the bidder to any breakup fee, termination fee, expense reimbursement or similar type of payment.

All Qualified Bids must be submitted in writing so that they are actually received by no later than **October 5, 2010, at 12:00 noon** (the "Bid Deadline") by the Debtor's Counsel at his e-mail address or fax to: Daniel J. Hunter or Richard K. Stovall, Allen Kuehnle Stovall & Neuman LLP, LLC, 17 South High Street, Suite 1220, Columbus, Ohio 43215, Fax: 614.221.5988, E-mail: hunter@aksnlaw.com; stovall@aksnlaw.com.

Earnest Money Deposit Requirement

All Qualified Bids shall be accompanied by an initial deposit (the "Earnest Money Deposit") as set forth above. The Earnest Money Deposit shall be in the form of a certified check or wire transfer⁵ payable to the Debtor's Counsel. All Earnest Money Deposits shall be held by the Debtor's Counsel, without interest, until such time as the Qualified Bids are officially rejected by the Debtor. Such Earnest Money Deposits shall be forfeited in the event that (i) with respect to any Winning Bid (defined *infra*), such winning bidder defaults or (ii) with respect to any Back Up Bid (defined *infra*), any Back Up Bidder for an accepted Back Up Bid defaults.

Each bid of a Qualified Bidder meeting all of the foregoing criteria, unless waived by the Debtor, shall be a "Qualified Bid." However, the Debtor may reject any bid that it deems to be: (i) inadequate or insufficient; or (ii) contrary to the interests of the Debtor or its estate. Any such rejection of a bid may be made at any time prior to Bankruptcy Court approval. The Debtor's Counsel shall return the Earnest Money Deposits of any bidders who are not determined to be the Winning Bidder by the Bankruptcy Court as set forth below under Selection of Winning Bid.

⁵ Wiring instructions shall be provided by Debtor's Counsel upon request.

Confidentiality

All bids shall be kept confidential with access restricted to the Debtor, its officers and directors, and any of their respective professionals.

The Debtor, may request such additional information from a bidder as necessary in order to evaluate the bidder's ability to consummate a transaction and to fulfill its obligations in connection therewith and such bidder shall be obligated to provide such additional information as a precondition to participating further in the Auction.

Auction Details

If the Debtor receives one or more Qualified Bids submitted by a Qualified Bidder (other than the Stalking Horse Bidder), the Debtor will conduct the Auction; otherwise, the Debtor shall seek Bankruptcy Court approval to consummate the APA with the Stalking Horse Bidder at the Sale Hearing. The Auction, if any, will be conducted at the offices of Allen Kuehnle Stovall & Neuman LLP, LLC, 17 South High Street, Suite 1220, Columbus, Ohio 43215, (or at some other place designated by Debtor's Counsel) on **October 12, 2010, beginning at 10:00 a.m. E.D.T.**

All Qualified Bidders that have submitted a Qualified Bid shall appear in person at the Auction or through a duly authorized representative. If multiple Qualified Bids are received for any Lot (with the Jellico Utility, the Three ABF Utilities, and the two together being three separate Lots), each Qualified Bidder shall have the right to continue to improve its bid at the Auction for such Lot, with bid increments set at \$10,000. The Debtor shall conduct an open Auction on the record and recorded by a court reporter. Qualified Bidders shall be permitted to caucus privately among themselves (but not with other Qualified Bidders) at any time, provided, however, that the Debtor reserves the right to impose uniform reasonable time restrictions on such caucuses so that the Auction may continue and be completed in an orderly and timely manner.

The Debtor may adopt such other rules for the Auction (including rules that may depart from those set forth herein) that it anticipates will result in the highest or otherwise best value for its estate and that are not inconsistent with any Bankruptcy Court order, provided that any changed or additional rules for the Auction are not materially inconsistent with these Bidding Procedures and are communicated to all participants at or prior to the Auction.

Any and all disputes related or pertaining to, or resulting or arising from, the marketing process, the Auction, the sale of the Assets, and/or the conduct of the Debtor and/or any of its professionals, shall be adjudicated solely by the Bankruptcy Court. The submission of a bid shall constitute express consent by the bidder to the exclusive jurisdiction of the Bankruptcy Court for all such matters.

Selection of Winning Bid

At the conclusion of the Auction, subject to Bankruptcy Court approval, the Debtor shall select the winning bid or bids, after consultation with their professionals (the "Winning Bid" or "Winning Bids") and back-up bid ("Back-Up Bid" or "Back-Up Bids") (if any). In general, the Debtor will be reviewing as to whether it would be in the best interests of the estate to accept the (a) the sum of the amounts for the separate Qualified Bids for the Jellico Utility and the Three ABF Utilities, or (b) the amount bid for the combined lot for the Jellico Utility and the Three ABF Utilities. In determining which bids are in the best interests of the estate, the Debtor may consider the amount(s) bid, the amount of the Break-Up Fee, the additional cost of requesting the applicable state, county and local regulatory authorities to accept two, as opposed to one, Qualified Bidder, the relative strengths of the Qualified Bidder(s)' ability to be approved by any applicable regulatory authorities, and the need to sell all utilities of the Debtor. The Debtor will accept the Winning Bid(s) only when (a) the Bankruptcy Court has approved the Winning Bid(s) and Winning Bidder(s), as the case may be (b) the Sale Order approving such Winning Bid(s) has/have been docketed, and (c) definitive documentation has been executed and delivered by the Debtor with respect to each Winning Bid.

Break-up Fee

In the event that Stalking Horse Bidder is not the Winning Bidder for the Three ABF Utilities and the Jellico Utility as one Lot, the Stalking Horse Bidder will receive a break-up fee in the amount of \$25,000 ("the Break-up Fee"). One-half of the Break-Up Fee will be paid half from the proceeds of sale of the Three ABF Utilities and the other one-half will be paid from the proceeds of the sale of the Jellico Utility. In the event Stalking Horse Bidder is the Winning Bidder for the Jellico Utility, but not the Three ABF Utilities, Stalking Horse Bidder will receive a \$12,500 credit towards the purchase of the Jellico Utility, and \$12,500 from the proceeds of sale of the Three ABF Utilities.

Report of Sale

In accordance with Bankruptcy Rule 6004(f), the Debtor shall promptly file with the Bankruptcy Court a notice of the selection of the Winning Bid, or Winning Bids and the Back-Up Bid or Back-Up Bids, if any, which shall include a statement of the property to be sold, the identification of the Winning Bidder(s) and Back-Up Bidder(s), and the price to be received under such bids for the specific Lots.

Bankruptcy Court Approval After Hearing

Pursuant to the Bidding Procedures Order, a hearing with respect to the approval of the Winning Bid and Back-Up Bid and to confirm the results of the Auction (the "Sale Hearing"), will be held before the Honorable C. Kathryn Preston, United States Bankruptcy Judge at the United States Bankruptcy Court for the Southern District of Ohio, 170 N. High St., Courtroom C, Columbus, Ohio 43215 on **October 19, 2010, at 9:30 a.m., E.D.T.** (subject to and contingent upon the Court's availability).

Pursuant to the Bidding Procedures Order, Objections, if any, to the relief requested to be approved at the Sale Hearing (other than an objection to a proposed purchaser's ability (other than Stalking Horse Bidder's) to provide adequate assurance of future performance which may be made at the Sale Hearing) must be filed with the Court and served so as to be actually received by no later than **September 20, 2010**, by the Office of the United States Trustee (170 North High Street, Suite 204, Columbus, Ohio 43215), counsel for the Debtor, Daniel J. Hunter or Richard K. Stovall, Allen Kuehnle Stovall & Neuman LLP, 17 South High Street, Suite 1220, Columbus, Ohio 43215, Phone: 614.221.8500, Fax: 614.221.5988, E-mail: hunter@aksnlaw.com; stovall@aksnlaw.com, and counsel for the Stalking Horse Bidder, Roberta M. Rossi, Law Offices of Roberta M. Rossi, 8904 FM 2920, Spring, Texas 77379, Phone: (281) 257-1313, Fax: (281) 251-7416; Email: robby@robbyrossi.com.

Pursuant to the Bidding Procedures Order, Objections, if any, to the conduct of the Auction (if held) or the selection of the Winning Bidder(s) shall be filed with the Court and served upon Debtor's Counsel, and Counsel to the Stalking Horse Bidder under the APA, and the United States Trustee, on or before **October 15, 2010**, and shall be heard at the Sale Hearing;

The Bidding Procedures Order provides that the failure of any objecting person or entity to timely file and serve its objection in accordance with this Bidding Procedures Order shall be a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Motion or the consummation and performance of the Sale as contemplated by the terms of the APA or alternatively by the terms of the Winning Bid(s) with the Winning Bidder(s) (including the transfer of the Assets free and clear of all Liens, claims, encumbrances and interests as part of the Sale).

Closing

The closing of the Sale(s) to the Winning Bidder(s) shall occur in accordance with the terms of such bidder's executed APA, unless otherwise agreed to in writing by the Debtor, or as otherwise provided by an order of the Court. In any event, as a prerequisite to the closing of the sale of the Jellico Utility and the Three ABF Utilities, the Winning Bidder(s) and the Debtor and the Winning Bidder(s) shall seek the approval of the respective state, county and local regulatory authorities and shall close within 30 days after the approval thereof. If the Winning Bid is for both the Jellico Utility and the Three ABF Utilities, and if the purchase of the Three ABF Utilities is contingent upon the purchase of the Jellico Utility, and if the respective regulatory authorities approve the sale of the Three ABF Utilities prior to the Jellico Utility, the Winning Bidder may, at its option, wait for the approval of the state regulatory authorities of the purchase

of the Jellico Utility prior to closing on the purchase of either sale. Except as otherwise provided by further order of the Court, at the closing, the Winning Bidder shall pay the cash balance of any purchase price by wire transfer or an endorsed bank or certified check.

Failure To Consummate Purchase

If, for any reason, the Winning Bidder, or Winning Bidders as the case may be, fail to consummate a purchase of the Jellico Utility or of the Three ABF Utilities, or any part thereof, the Back-Up Bid(s) will automatically be deemed to be the highest and best bid with respect to such assets, and the Debtor and such Back-Up Bidder(s), shall be authorized, but not required, to affect the sale of such assets to the Back-Up Bidder(s) as soon as it is commercially reasonable without further order of the Bankruptcy Court. If the failure to consummate the purchase is the result of a breach by the Winning Bidder(s), its Earnest Money Deposit shall be forfeited to the Debtor and the Debtor specifically reserves the right to seek all available damages from such Winning Bidder.

Return of Earnest Money Deposits

Within two business days after Winning Bid(s) has (have) been selected and sale of the assets to the Winning Bidder(s) has been approved by the Bankruptcy Court any Earnest Money Deposits of the Qualified Bidders who are not a Winning Bidder shall be returned.

EXHIBIT 2 TO ORDER

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

In re:

**GASCO DISTRIBUTION
SYSTEMS, INC.**

Debtor.

Case No. 09-056171

Chapter 11

Judge C. Kathryn Preston

**NOTICE OF BID DEADLINE, AUCTION, AND SALE HEARING AND OBJECTION
DEADLINE RELATING TO SALE OF SUBSTANTIALLY ALL OF DEBTOR'S ASSETS
[RELATED TO DOC. NO. 179]**

PLEASE TAKE NOTICE that:

1. **The Sale Motion.** On July 14, 2010, the above-captioned debtor (the "Debtor") filed its Motion Of Gasco Distribution Systems, Inc., Debtor and Debtor in Possession, for an Order (I) Authorizing the Sale of Substantially all its Utility Distribution Systems Assets Free and Clear of Liens, Claims and Encumbrances with Certain Exceptions under Asset Purchase Agreement, Subject to Higher and Better Offers, (II) Authorizing the Assumption and Assignment of Certain Executory Contracts in Connection Therewith, (III) Approving Procedures for an Auction; (IV) Scheduling an Auction and Hearing Relating Thereto; (V) Approving a Break-Up Fee, and (VI) Approving the Forms of Notices Relating to the Sale and Bidding Procedures (Doc. # 179) (the "Motion"), seeking approval of, among other things, (i) the institution of bidding procedures (the "Bidding Procedures") to be employed in connection with the Debtor's sale of substantially all its assets to Navitas Assets LLC, or its designated affiliate ("Stalking Horse Bidder") pursuant to the terms and conditions of an Asset Purchase Agreement ("APA") subject to higher or otherwise better bids, and (ii) the scheduling of a bid submission deadline, auction, and sale hearing and objection deadline.

2. **The Bidding Procedures Order.** On August 23, 2010, the United States Bankruptcy Court for the Southern District of Ohio (the "Bankruptcy Court") entered an order (the "Bidding Procedures Order"), approving, among other things, the Bidding Procedures and related schedules and deadlines.

3. **The Sale.** The Debtor and the Stalking Horse Bidder entered into the APA for a sale of substantially all of the Utility Assets of the Debtor, defined as the Jellico Utility and the Three ABF Utilities in the Bidding Procedures (and as further defined in the APA, the "Assets")

free and clear of liens, claims, encumbrances and interests, except certain Permitted Encumbrances and certain Assumed Liabilities for the price of \$760,200.00, with certain adjustments as set forth in the APA, including credits/debits, as appropriate, for customer deposits, accounts receivable collected within a certain time, spare parts, unrecovered gas costs, and cure amounts on Assumed Contracts. There is no current relationship between the Debtor and the Stalking Horse. As set forth in the Bidding Procedures, the sale of the Assets remains subject to the receipt of Bids from any prospective Qualified Bidder.

4. **Bidding Procedures.** All interested parties are invited to seek to become a Qualified Bidder and to submit a Qualified Bid to purchase the Assets⁶ in accordance with the terms and conditions of the Bidding Procedures and Bidding Procedures Order by contacting the Debtor's Counsel, Daniel J. Hunter or Richard K. Stovall, Allen Kuehnle Stovall & Neuman LLP, 17 South High Street, Suite 1220, Columbus, Ohio 43215, Phone: 614.221.8500, Fax: 614.221.5988, E-mail: hunter@aksnlaw.com; stovall@aksnlaw.com. The deadline to submit a Competing Bid for the Assets (the "Bid Deadline") is **October 5, 2010 at 12:00 P.M. E.D.T.**

5. **The Auction.** Pursuant to the Bidding Procedures Order, the Debtor may conduct an auction (the "Auction") for the sale of the Assets, if necessary, and select the Winning Bidder or Winning Bidders (as defined below) on **October 12, 2010, commencing at 10:00 a.m. E.D.T.** at the offices of the Debtor's Counsel: Allen Kuehnle Stovall & Neuman LLP, 17 South High Street, Suite 1220, Columbus, Ohio 43215 (or at another location in Columbus Ohio to be announced by Debtor's Counsel to all entities submitting a Qualified Bid).

6. **The Sale Hearing.** The Bidding Procedures Order further provides that a Sale Hearing will be held, following the auction, if applicable, commencing on **October 19, 2010 at 9:30 a.m. E.D.T.**, before the Honorable C. Kathryn Preston, United States Bankruptcy Judge for the United States Bankruptcy Court for the Southern District of Ohio, Eastern Division. 170 North High Street, Courtroom C. At the Sale Hearing, the Debtor intends to request that the Court enter an order approving, among other things, the Winning Bid or Winning Bids (if in separate lots) for the Assets, and pursuant to that Order, and after approval of the respective state regulatory authorities, the Debtor will transfer the Assets to the Winning Bidder, or Winning Bidders (as the case may be) free and clear of liens, claims, encumbrances and interests. At the Sale Hearing, the Court may enter such orders as it deems appropriate under applicable law and as required by the circumstances and equities of this case.

7. **Deadline for Objections to Sale.** Objections, if any, to the proposed sale of the Assets to the Stalking Horse Bidder or other Winning Bidder(s), to the APA, to the Debtor's assumption of its obligations under the APA, or to the assumption and assignment of its executory contracts or the necessary Cure Amounts therefore (a) be in writing, (b) set forth the nature of the objector's interests in Debtor's estate and the basis for the objection and the specific grounds therefore, (c) comply with the Bankruptcy Rules and the Local Bankruptcy Rules and Orders of this Court (d) be filed with the Bankruptcy Court and served upon each of the

⁶As set forth in the Bidding Procedures, the Jellico Utilities will be offered for sale in one lot, the ABF Utilities for be offered for sale in a second lot, and then both the Jellico Utility and the ABF Utilities will be offered for sale in the third lot. After the auction, the Debtor will determine the Winning Bidder of Winning Bidders, subject to Bankruptcy Court approval, subject to the factors set forth in the Bidding Procedures.

following parties: (i) Daniel J. Hunter or Richard K. Stovall, Allen Kuehnle Stovall & Neuman LLP, 17 South High Street, Suite 1220, Columbus, Ohio 43215, Phone: 614.221.8500, Fax: 614.221.5988, E-mail: hunter@aksnlaw.com; stovall@aksnlaw.com (Debtor's Counsel); (ii) Roberta M. Rossi, Law Offices of Roberta M. Rossi, 8904 FM 2920, Spring, Texas 77379, Phone: (281) 257-1313, Fax: (281) 251-7416; Email: robby@robbyrossi.com (Counsel for Stalking Horse Bidder) and (iii) The Office of the United States Trustee, 170 North High Street, Suite 204, Columbus, Ohio 43215 by **September 20, 2010**. Objections, if any, to the conduct of the Auction (if held) or the selection of the Winning Bidder(s) shall be filed with the Court and served upon the same parties (Debtor's Counsel, and Counsel to the Stalking Horse Bidder under the APA, and the United States Trustee,) on or before **October 15, 2010**, and shall be heard at the Sale Hearing;

8. **Assumption and Assignment of Executory Contracts.** The Debtor is also seeking authority to assume and assign certain executory contracts (the "Assumed Contracts") to the Stalking Horse Bidder, or such higher or better bidder as may prevail pursuant to the Bidding Procedures. The Debtor is required to serve a separate Notice of Assumption and Assignment to all non-Debtor counter-parties to the Assumed Contracts.

9. **Requests for Information.** Interested bidders requiring information about the bid qualification process, the Assets or the Debtor's business should contact the Debtor's Counsel, Daniel J. Hunter or Richard K. Stovall, Allen Kuehnle Stovall & Neuman, LLP, listed below.

Dated: _____, 2010

Respectfully submitted,

/s/ Richard K. Stovall

Richard K. Stovall (0029978)

Daniel J. Hunter (0017536)

Thomas R. Allen (0017513)

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Counsel for Debtor and Debtor in Possession

EXHIBIT 3 TO ORDER

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

In re:

**GASCO DISTRIBUTION
SYSTEMS, INC.**

Debtor.

Case No. 09-056171

Chapter 11

Judge C. Kathryn Preston

**NOTICE OF DEBTOR'S INTENT TO ASSUME AND ASSIGN CERTAIN
EXECUTORY CONTRACTS AND THE FIXING OF CURE COSTS ASSOCIATED
WITH SALE OF SUBSTANTIALLY ALL ITS ASSETS
[RELATED TO DOC. NO. 179]**

1. On August 23, 2010, the United States Bankruptcy Court for the Southern District of Ohio (the "Bankruptcy Court") entered an order (the "Bidding Procedures Order"), pursuant to sections 105, 363 and 365 of title 11 of the United States Code (the "Bankruptcy Code") and rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure in the chapter 11 case of the above captioned debtor (collectively, the "Debtor") approving, among other things, the procedure for the fixing of cure amounts (the "Cure Amounts") related to the Debtor's possible assumption and assignment of certain executory contracts and other agreements (each, an "Assumed Contract" and together the "Assumed Contracts") listed on **Exhibit A** annexed hereto in connection with the sale of substantially all of the Debtor's assets. The Debtor may assume and assign the Assumed Contracts, **to which you may be a party**, to Navitas Assets LLC, or its designated affiliate(s) (the "Stalking Horse Bidder"), pursuant to the terms and conditions of an Asset Purchase Agreement entered into between the Debtor and Stalking Horse Bidder (the "APA"), or alternatively to such other bidder or bidders (the "Qualified Bidders") for Debtor's assets under the bidding procedures (the "Bidding Procedures") approved by the Bankruptcy Court in the Bidding Procedures Order.

2. The Bidding Procedures Order further provides that a sale hearing will be held commencing on **October 19, 2010, at 9:30 a.m. E.D.T.**, before the Honorable C. Kathryn Preston, United States Bankruptcy Judge for the United States Bankruptcy Court for the Southern District of Ohio at 170 N. High Street, Courtroom A, Columbus, Ohio 43215 (the "Sale Hearing").

3. The "Cure Amount" shown on **Exhibit A** attached hereto is the amount, if any, based upon the Debtor's books and records, which the Debtor believes is owed to cure defaults

(if any) existing under each Assumed Contract. The Debtor believes that any and all defaults (other than the filing of this chapter 11 case) and actual pecuniary losses in respect of particular Assumed Contracts will be cured by the payment of the Cure Amounts in respect of the particular contracts.

4. If you disagree with the Cure Amount shown for the Assumed Contract on **Exhibit A** hereto, you must file in writing with the Bankruptcy Court, an objection (a "Cure Objection") on or before **September 20, 2010**. To be considered a timely Cure Objection, the Cure Objection must be filed with the Bankruptcy Court and served upon each of the following parties: (i) Daniel J. Hunter and Richard K. Stovall, Allen Kuehnle Stovall & Neuman LLP, 17 South High Street, Suite 1220, Columbus, Ohio 43215, Phone: 614.221.8500, Fax: 614.221.5988, E-mail: hunter@aksnlaw.com; stovall@aksnlaw.com, (Debtor's Counsel); (ii) Roberta M. Rossi, Law Offices of Roberta M. Rossi, 8904 FM 2920, Spring, Texas 77379, Phone: (281) 257-1313, Fax: (281) 251-7416; Email: robby@robbyrossi.com (Counsel for Stalking Horse Bidder) and (ii) The Office of the United States Trustee, 170 North High Street, Suite 204, Columbus, Ohio 43215.

5. A Cure Objection must contain the cure amount that the objecting party believes should be paid in connection with the assumption of the particular Assumed Contract (the "Claimed Cure Amount") along with the appropriate documentation in support thereof. If a contract is assumed and assigned pursuant to the Bankruptcy Court's order approving same, then unless you properly file and serve a Cure Objection to the Cure Amount contained in this Notice, you will receive the Cure Amount set forth herein, with payment made pursuant to the terms of the APA or other applicable purchase agreement. Failure to assert any amounts in excess of the Cure Amount listed by the Debtor shall constitute the waiver of any additional amounts and such amounts shall be forever barred.

6. If you have any other objection to the Debtor's assumption and assignment of the Assumed Contract to which you may be a party (an "Assumption Objection") or an objection to the assumption and assignment of the Assumed Contract solely with respect to the Stalking Horse Bidder or Qualified Bidder's ability to provide adequate assurance of future performance under the Assumed Contract (an "Purchaser Adequate Assurance Objection"), you also must file that objection in the manner and by the date and time stated in paragraph 4; provided, however, that an objection to the assumption and assignment of the Assumed Contract solely with respect to ability of another successful Qualified Bidder (other than the Stalking Horse Bidder) to provide adequate assurance of future performance under the Assumed Contract (a "Non-Purchaser Adequate Assurance Objection" and collectively with a Purchaser Adequate Assurance Objection, an "Adequate Assurance Objection") may be raised at the Sale Hearing.

7. If an Assumption Objection, a Cure Objection and/or an Adequate Assurance Objection (collectively, a "Contract Objection") is timely filed and remains pending, a hearing with respect to that objection shall be held before the Honorable C. Kathryn Preston, United States Bankruptcy Judge for the Southern District of Ohio at the United States Bankruptcy Court for the Southern District of Ohio, 170 N. High Street, Courtroom C, Columbus, Ohio 43215 on **October 19, 2010, at 9:30 a.m. E.D.T.**

8. Unless a Contract Objection is timely filed and served (or, in the case of a Non-Purchaser Adequate Assurance Objection, timely raised), the assumption and assignment of the applicable Assumed Contract will proceed without further notice at the hearing to approve the sale of the Assets.

9. Parties that fail to file and serve timely a Contract Objection (or, in the case of a Non-Purchaser Adequate Assurance Objection, parties that fail to timely raise a Non-Purchaser Adequate Assurance Objection) shall be deemed to have waived and released any and all rights to assert against the Debtor or against the Stalking Horse Bidder or other successful Qualified Bidder, as the case may be, cure amounts different from the Cure Amounts and shall be forever barred and estopped from objecting to the assumption and assignment of the relevant Assumed Contract and/or Cure Amount and from asserting against the Debtor or against the Stalking Horse Bidder or other successful Qualified Bidder, as the case may be, any right of set-off, condition to assignment and/or any additional cure or other amount with respect to such Assumed Contract.

10. If no Cure Amounts are due under an Assumed Contract, and the non-Debtor party to such contract does not otherwise object to the Debtor's assumption and assignment of the Assumed Contract, no further action need be taken on the part of that non-Debtor party.

11. A Contract Objection based solely to the Cure Amount may not prevent or delay the Debtor's assumption and assignment of any Assumed Contract. If a party objects solely to a Cure Amount, the Stalking Horse Bidder or other successful Qualified Bidder, as the case may be, may, in its sole discretion, provide to the Debtor's counsel to be held in escrow, an amount equal to the Claimed Cure Amount, pending further order of the Bankruptcy Court or agreement between the Debtor, the successful purchaser and the objecting party regarding the Cure Amount. So long as the Debtor's Counsel holds the Claimed Cure Amount in escrow, the Debtor can, without further delay, assume and assign the Assumed Contract that is the subject of such Claimed Cure Amount objection.

12. The Debtor's decision to assume and assign to the Stalking Horse Bidder or other successful Qualified Bidder, as the case may be, the Assumed Contracts is subject to Bankruptcy Court approval and the Closing. (The Closing is also subject to the approval of applicable state, county and regulatory authorities and the Closing will be delayed until such authorities can be obtained.) Accordingly, absent such Closing, the Assumed Contracts shall not be deemed assumed, sold or assigned, and shall in all respects be subject to further administration under the Bankruptcy Code. Moreover, nothing herein, or in the APA or the Bidding Procedures, shall require the Stalking Horse Bidder or other successful Qualified Bidder, as the case may be, to assume an Assumed Contract unless the Cure Amount, as fixed by the Court, is acceptable to the Stalking Horse Bidder or other successful Qualified Bidder, as the case may be, in its sole discretion. The inclusion of any document on the list of Assumed Contracts shall not constitute or be deemed to be a determination or admission by the Debtor, the Stalking Horse Bidder or other successful Qualified Bidder, as the case may be, that such document is, in fact, an executory contract within the meaning of the Bankruptcy Code (all rights with respect thereto being expressly reserved).

Dated: _____, 2010

Respectfully submitted,

/s/ Richard K. Stovall

Richard K. Stovall (0029978)

Daniel J. Hunter (0017536)

Thomas R. Allen (0017513)

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Counsel for Debtor and Debtor in Possession

EXHIBIT A

In accordance with Fed. R. Bankr. P 6006(f) the Debtor's contracts subject to possible assumption and assignment under the Debtor's Sale Motion are arranged alphabetically below by name of the non-debtor party to such contract. You should locate your name and contract hereunder. Please note that the proposed Assignee in all cases is either the Stalking Horse Bidder (Navitas Assets LLC, or its assignee(s)) or, in the event there is a different Winning Bidder(s), the Winning Bidder(s).

	Non-Debtor Party (Last, First if non-business)	Contract Description	Contract Date	Proposed Cure Amount and Adequate Assurance of Future Performance	
1	Grider, Roger	Unfiled Contract Right of Way, requires \$400 annually (related to Albany Utility)	March 27, 1985	\$400 (for year 2009)	
2	Delgasco, Inc.	Natural Gas Sales Agreement (related to Jellico Utility)	Jan 14, 2001	\$23,309.17 less \$8,000 deposit (post-petition)	
3	Eagle Energy Partners, I, L.P.	Base Contract for Sale and Purchase of Natural Gas with Eagle Energy Partners, I, L.P., NAESG Standard Form April 19, 2002 (related to Albany, Byrdstown and Fentress Utilities)	Not dated	None	
4	The Titan Energy Group, or its assignee	Transportation Agreement to be entered into post-petition (after court approval) (related to Albany, Byrdstown and Fentress Utilities)	See description	None	

5	Spectra Energy, successor to East Tennessee Natural Gas Company	Firm Transportation Agreement, Contract # 410061R2, with November 1, 2007 Exhibit and Termination Date October 31, 2010 (related to Albany, Byrdstown and Fentress Utilities)	September 24, 2007,	None, but holding Deposit of \$14,070 for all contracts	
6	Spectra Energy, successor to East Tennessee Natural Gas Company	Firm Transportation Agreement, Contract # 17202R2, with November 1, 2007 Exhibit and Termination Date October 31, 2010 (related to Albany, Byrdstown and Fentress Utilities)	September 24, 2007	None, but holding Deposit of \$14,070 for all contracts	
7	Spectra Energy, successor to East Tennessee Natural Gas Company	Balancing Agreement, Amendment No. 1 Effective January 1, 1995 (related to Albany, Byrdstown and Fentress Utilities)	July 2, 1996	None, but holding Deposit of \$14,070 for all contracts	
8	Arco Oil Company	Gas Purchase Agreement between Gasco, Inc. and Arco Oil Company, Irvin Arnold, Contract Number TN -0010 Fentress, and Amendment (Related to Fentress Utility)	February 12, 1999	None	
9	Commonwealth of Kentucky, Transportation Cabinet, Utility Relocation-Engineering Services	Keep Cost Contract Pursuant to KRS 179.265 (with respect to Albany Utility) Entered post-petition pursuant to Order of Bankruptcy Court entered December 23, 2009. Assigned to the extent that the contract is not otherwise fully performed. (Debtor to retain rights of reimbursement under Contract.)	See description	None (Contract may be completed prior to Closing)	

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Question 20

Navitas Utility Corporation

12/31/11

Make	Model	Year	Date acquired	Life	Cost basis	Oct-11			Nov-11			Dec-11		
						Monthly expense	Accum dep're	Net book value	Monthly expense	Accum dep're	Net book value	Monthly expense	Accum dep're	Net book value
1601 - Autos & pickups														
Chevrolet	1500	2003	5/31/07	36	8,100.00	-	(8,100.00)	-	-	(8,100.00)	-	-	(8,100.00)	-
Chevrolet	1500	2003	5/31/07	36	8,100.00	-	(8,100.00)	-	-	(8,100.00)	-	-	(8,100.00)	-
Chevrolet	1500	2003	5/31/07	36	8,700.00	-	(8,700.00)	-	-	(8,700.00)	-	-	(8,700.00)	-
Nissan	Frontier-Exterraeab	2004	9/30/07	12	-	-	-	-	-	-	-	-	-	-
Chevrolet	1500	2007	9/26/07	60	24,784.00	(413.07)	(20,653.33)	4,130.67	(413.07)	(21,066.40)	3,717.60	(413.07)	(21,479.47)	3,304.53
Chevrolet	1500	2007	9/26/07	60	25,079.00	(417.98)	(20,899.17)	4,179.83	(417.98)	(21,317.15)	3,761.85	(417.98)	(21,735.13)	3,343.87
GMC	1500	2008	7/1/08	60	25,100.00	(418.33)	(16,733.33)	8,366.67	(418.33)	(17,151.67)	7,948.33	(418.33)	(17,570.00)	7,530.00
Chevrolet	1500	2009	3/5/09	60	28,453.00	(474.22)	(15,174.93)	13,278.07	(474.22)	(15,649.15)	12,803.85	(474.22)	(16,123.37)	12,329.63
Ford	F-150	2009	3/31/09	60	26,380.50	(439.68)	(14,069.60)	12,310.90	(439.68)	(14,509.28)	11,871.23	(439.68)	(14,948.95)	11,431.55
Ford	F-150	2009	4/2/09	60	23,982.00	(399.70)	(12,380.70)	11,591.30	(399.70)	(12,780.40)	11,191.60	(399.70)	(13,180.10)	10,791.90
Ford	F-150	2009	4/2/09	60	23,982.00	(399.70)	(12,380.70)	11,591.30	(399.70)	(12,780.40)	11,191.60	(399.70)	(13,180.10)	10,791.90
Ford	F-150	2009	4/11/09	60	23,975.00	(399.58)	(12,387.08)	11,587.92	(399.58)	(12,786.67)	11,188.33	(399.58)	(13,186.25)	10,788.75
Ford	F-150	2009	4/11/09	60	23,975.00	(399.58)	(12,387.08)	11,587.92	(399.58)	(12,786.67)	11,188.33	(399.58)	(13,186.25)	10,788.75
Ford	F-150	2010	4/1/10	60	25,807.00	(430.12)	(8,172.22)	17,634.78	(430.12)	(8,602.33)	17,204.67	(430.12)	(9,032.45)	16,774.55
Ford	F-150	2010	4/1/10	60	25,807.00	(430.12)	(8,172.22)	17,634.78	(430.12)	(8,602.33)	17,204.67	(430.12)	(9,032.45)	16,774.55
Chevrolet	1500	2010	4/1/10	60	28,747.00	(479.12)	(9,103.22)	19,643.78	(479.12)	(9,582.33)	19,164.67	(479.12)	(10,061.45)	18,685.55
Ford	F-150	2011	1/24/11	60	29,687.67	(494.79)	(4,947.99)	24,739.68	(494.79)	(5,442.74)	24,244.93	(494.79)	(5,937.53)	23,750.14
Ford	F-150	2011	3/4/11	60	27,723.00	(462.05)	(3,696.40)	24,026.60	(462.05)	(4,158.45)	23,564.55	(462.05)	(4,620.50)	23,102.50
Total					388,382.17	(6,058.04)	(196,077.93)	192,304.24	(6,058.04)	(202,135.96)	186,246.21	(6,058.04)	(208,194.00)	180,188.17
1602 - Trucks														
Dodge	3500 Flatbed	1998	5/31/07	36	3,300.00	-	(3,300.00)	-	-	(3,300.00)	-	-	(3,300.00)	-
GMC	3500 Flatbed	2006	5/31/07	60	17,400.00	(290.00)	(15,660.00)	1,740.00	(290.00)	(15,950.00)	1,450.00	(290.00)	(16,240.00)	1,160.00
Total					20,700.00	(290.00)	(18,960.00)	1,740.00	(290.00)	(19,250.00)	1,450.00	(290.00)	(19,540.00)	1,160.00
1603 - Heavy equipment														
Case	580L	1996	5/31/07	60	12,000.00	(200.00)	(10,800.00)	1,200.00	(200.00)	(11,000.00)	1,000.00	(200.00)	(11,200.00)	800.00
Vermeer	M-475		5/31/07	36	-	-	-	-	-	-	-	-	-	-
John Deere	4600HST	2009	6/30/08	60	15,000.00	(250.00)	(10,250.00)	4,750.00	(250.00)	(10,500.00)	4,500.00	(250.00)	(10,750.00)	4,250.00
New Holland	T2320	2009	2/27/09	60	31,349.00	(522.48)	(17,241.95)	14,107.05	(522.48)	(17,764.43)	13,584.57	(522.48)	(18,286.92)	13,062.08
Case	580SM	2009	4/22/09	60	62,940.00	(1,049.00)	(32,519.00)	30,421.00	(1,049.00)	(33,568.00)	29,372.00	(1,049.00)	(34,617.00)	28,323.00
Total					121,289.00	(2,021.48)	(70,810.95)	50,478.05	(2,021.48)	(72,832.43)	48,456.57	(2,021.48)	(74,853.92)	46,435.08

ONLY TRUCK ID TN. ASSIGNED TO TERRY WALKER.

Question 20

6/30/12

Make	Model	Year	Date acquired	Life	Cost basis	Apr-12			May-12			Jun-12		
						Monthly expense	Accum depre	Net book value	Monthly expense	Accum depre	Net book value	Monthly expense	Accum depre	Net book value
1601 - Autos & pickups														
Chevrolet	1500	2003	5/31/07	36	8,100.00	-	(8,100.00)	-	-	(8,100.00)	-	-	(8,100.00)	-
Chevrolet	1500	2003	5/31/07	36	8,100.00	-	(8,100.00)	-	-	(8,100.00)	-	-	(8,100.00)	-
Chevrolet	1500	2003	5/31/07	36	-	-	-	-	-	-	-	-	-	-
Nissan	Frontier-Extracab	2004	9/30/07	12	-	-	-	-	-	-	-	-	-	-
Chevrolet	1500	2007	9/26/07	60	24,784.00	(413.07)	(23,131.73)	1,652.27	(413.07)	(23,544.80)	1,239.20	(413.07)	(23,957.87)	826.13
Chevrolet	1500	2007	9/26/07	60	25,079.00	(417.98)	(23,407.07)	1,671.93	(417.98)	(23,825.05)	1,253.95	(417.98)	(24,243.03)	835.97
GMC	1500	2008	7/1/08	60	25,100.00	(418.33)	(19,243.33)	5,856.67	(418.33)	(19,661.67)	5,438.33	(418.33)	(20,080.00)	5,020.00
Chevrolet	1500	2009	3/6/09	60	28,453.00	(474.22)	(18,020.23)	10,432.77	(474.22)	(18,494.45)	9,958.55	(474.22)	(18,968.67)	9,484.33
Ford	F-150	2009	3/31/09	60	26,380.50	(439.68)	(16,707.65)	9,672.85	(439.68)	(17,147.33)	9,233.18	(439.68)	(17,587.00)	8,793.50
Ford	F-150	2009	4/2/09	60	23,982.00	(399.70)	(14,788.90)	9,193.10	(399.70)	(15,188.60)	8,793.40	(399.70)	(15,588.30)	8,393.70
Ford	F-150	2009	4/2/09	60	23,982.00	(399.70)	(14,788.90)	9,193.10	(399.70)	(15,188.60)	8,793.40	(399.70)	(15,588.30)	8,393.70
Ford	F-150	2009	4/11/09	60	23,975.00	(399.58)	(14,784.58)	9,190.42	(399.58)	(15,184.17)	8,790.83	(399.58)	(15,583.75)	8,391.25
Ford	F-150	2010	4/1/10	60	25,807.00	(430.12)	(10,752.92)	15,054.08	(430.12)	(11,183.03)	14,623.97	(430.12)	(11,613.15)	14,193.85
Ford	F-150	2010	4/1/10	60	25,807.00	(430.12)	(10,752.92)	15,054.08	(430.12)	(11,183.03)	14,623.97	(430.12)	(11,613.15)	14,193.85
Chevrolet	1500	2010	4/1/10	60	28,747.00	(479.12)	(11,977.92)	16,769.08	(479.12)	(12,457.03)	16,289.97	(479.12)	(12,936.15)	15,810.85
Ford	F-150	2011	12/4/11	60	29,662.67	(494.79)	(7,916.71)	21,770.96	(494.79)	(8,411.51)	21,276.16	(494.79)	(8,906.30)	20,781.37
Ford	F-150	2011	3/4/11	60	27,723.00	(462.05)	(6,468.70)	21,254.30	(462.05)	(6,930.75)	20,792.25	(462.05)	(7,392.80)	20,330.20
Total					379,682.17	(6,058.04)	(223,726.15)	155,956.02	(6,058.04)	(229,784.18)	149,897.99	(6,058.04)	(235,842.22)	143,839.95
1602 - Trucks														
Dodge	3500 Flatbed	1998	5/31/07	36	3,300.00	-	(3,300.00)	-	-	(3,300.00)	-	-	(3,300.00)	-
GMC	3500 Flatbed	2006	5/31/07	60	17,400.00	(290.00)	(17,400.00)	-	-	(17,400.00)	-	-	(17,400.00)	-
Ford	F-550	2012	1/12/12	60	43,719.00	(728.65)	(2,914.60)	40,804.40	(728.65)	(3,643.25)	40,075.75	(728.65)	(4,371.90)	39,347.10
Total					64,419.00	(1,018.65)	(23,614.60)	40,804.40	(728.65)	(24,343.25)	40,075.75	(728.65)	(25,071.90)	39,347.10
1603 - Heavy equipment														
Case	580L	1996	5/31/07	60	12,000.00	(200.00)	(12,000.00)	-	-	(12,000.00)	-	-	(12,000.00)	-
Vermeer	M-475	1996	6/30/07	36	-	-	-	-	-	-	-	-	-	-
John Deere	460HST	2009	6/30/08	60	15,000.00	(250.00)	(11,750.00)	3,250.00	(250.00)	(12,000.00)	3,000.00	(250.00)	(12,250.00)	2,750.00
New Holland	T3220	2009	2/27/09	60	31,349.00	(522.48)	(20,376.85)	10,972.15	(522.48)	(20,899.33)	10,449.67	(522.48)	(21,421.82)	9,927.18
Case	580SM	2009	4/22/09	60	62,940.00	(1,049.00)	(38,813.00)	24,127.00	(1,049.00)	(39,862.00)	23,078.00	(1,049.00)	(40,911.00)	22,029.00
Total					121,289.00	(2,021.48)	(82,939.85)	38,349.15	(1,821.48)	(84,761.33)	36,527.67	(1,821.48)	(86,582.82)	34,706.18

ONLY TRUCK IN T.N. ASSIGNED TO JERRY WALKER

Question 20

6/30/12

Make	Model	Year	Date acquired	Life	Cost basis	Apr-12			May-12			Jun-12		
						Monthly expense	Accum dep're	Net book value	Monthly expense	Accum dep're	Net book value	Monthly expense	Accum dep're	Net book value
1601 - Autos & pickups														
Chevrolet	1500	2003	5/31/07	36	8,100.00	-	(8,100.00)	-	-	(8,100.00)	-	-	(8,100.00)	-
Chevrolet	1500	2003	5/31/07	36	8,100.00	-	(8,100.00)	-	-	(8,100.00)	-	-	(8,100.00)	-
Chevrolet	1500	2003	5/31/07	36	-	-	-	-	-	-	-	-	-	-
Nissan	Frontier-Extracab	2004	9/30/07	12	-	-	-	-	-	-	-	-	-	-
Chevrolet	1500	2007	9/26/07	60	24,784.00	(413.07)	(23,131.73)	1,652.27	(413.07)	(23,544.80)	1,239.20	(413.07)	(23,957.87)	826.13
Chevrolet	1500	2007	9/26/07	60	25,079.00	(417.98)	(23,407.07)	1,671.93	(417.98)	(23,825.05)	1,253.95	(417.98)	(24,243.03)	835.97
GMC	1500	2008	7/1/08	60	25,100.00	(418.33)	(19,243.33)	5,856.67	(418.33)	(19,661.67)	5,438.33	(418.33)	(20,080.00)	5,020.00
Chevrolet	1500	2009	3/6/09	60	28,453.00	(474.22)	(18,020.23)	10,432.77	(474.22)	(18,494.45)	9,958.55	(474.22)	(18,968.67)	9,484.33
Ford	F-150	2009	3/31/09	60	26,380.50	(439.68)	(16,707.65)	9,672.85	(439.68)	(17,147.33)	9,233.18	(439.68)	(17,587.00)	8,793.50
Ford	F-150	2009	4/2/09	60	23,982.00	(399.70)	(14,788.90)	9,193.10	(399.70)	(15,188.60)	8,793.40	(399.70)	(15,588.30)	8,393.70
Ford	F-150	2009	4/2/09	60	23,982.00	(399.70)	(14,788.90)	9,193.10	(399.70)	(15,188.60)	8,793.40	(399.70)	(15,588.30)	8,393.70
Ford	F-150	2009	4/11/09	60	23,975.00	(399.58)	(14,784.58)	9,190.42	(399.58)	(15,184.17)	8,790.83	(399.58)	(15,583.75)	8,391.25
Ford	F-150	2010	4/1/10	60	25,807.00	(430.12)	(10,752.92)	15,054.08	(430.12)	(11,183.03)	14,623.97	(430.12)	(11,613.15)	14,193.85
Ford	F-150	2010	4/1/10	60	25,807.00	(430.12)	(10,752.92)	15,054.08	(430.12)	(11,183.03)	14,623.97	(430.12)	(11,613.15)	14,193.85
Chevrolet	1500	2010	4/1/10	60	28,747.00	(479.12)	(11,977.92)	16,769.08	(479.12)	(12,457.03)	16,289.97	(479.12)	(12,936.15)	15,810.85
Ford	F-150	2011	12/4/11	60	29,662.67	(494.79)	(7,916.71)	21,770.96	(494.79)	(8,411.51)	21,276.16	(494.79)	(8,906.30)	20,781.37
Ford	F-150	2011	3/4/11	60	27,723.00	(462.05)	(6,468.70)	21,254.30	(462.05)	(6,930.75)	20,792.25	(462.05)	(7,392.80)	20,330.20
Total					379,682.17	(6,058.04)	(223,726.15)	155,956.02	(6,058.04)	(229,784.18)	149,897.99	(6,058.04)	(235,842.22)	143,839.95
1602 - Trucks														
Dodge	3500 Flatbed	1998	5/31/07	36	3,300.00	-	(3,300.00)	-	-	(3,300.00)	-	-	(3,300.00)	-
GMC	3500 Flatbed	2006	5/31/07	60	17,400.00	(290.00)	(17,400.00)	-	-	(17,400.00)	-	-	(17,400.00)	-
Ford	F-550	2012	1/12/12	60	43,719.00	(728.65)	(2,914.60)	40,804.40	(728.65)	(3,643.25)	40,075.75	(728.65)	(4,371.90)	39,347.10
Total					64,419.00	(1,018.65)	(23,614.60)	40,804.40	(728.65)	(24,343.25)	40,075.75	(728.65)	(25,071.90)	39,347.10
1603 - Heavy equipment														
Case	580L	1996	5/31/07	60	12,000.00	(200.00)	(12,000.00)	-	-	(12,000.00)	-	-	(12,000.00)	-
Vermeer	M-475		6/31/07	36	15,000.00	(250.00)	(11,750.00)	3,250.00	(250.00)	(12,000.00)	3,000.00	(250.00)	(12,250.00)	2,750.00
John Deere	460HST	2009	6/30/08	60	31,349.00	(522.48)	(20,376.85)	10,972.15	(522.48)	(20,899.33)	10,449.67	(522.48)	(21,421.82)	9,927.18
New Holland	T3220	2009	2/27/09	60	62,940.00	(1,049.00)	(38,813.00)	24,127.00	(1,049.00)	(39,862.00)	23,078.00	(1,049.00)	(40,911.00)	22,029.00
Case	580SM	2009	4/22/09	60	62,940.00	(1,049.00)	(38,813.00)	24,127.00	(1,049.00)	(39,862.00)	23,078.00	(1,049.00)	(40,911.00)	22,029.00
Total					121,289.00	(2,021.48)	(82,939.85)	38,349.15	(1,821.48)	(84,761.33)	36,527.67	(1,821.48)	(86,582.82)	34,706.18

ONLY TRUCK IN T.N. ASSIGNED TO JERRY WALKER

Question 20

Care of Equipment

You are expected to demonstrate proper care when using the company's property and equipment. No property may be removed from the premises without the proper authorization of management. If you lose, break or damage any property, report it to human resources at once.

Corporate Vehicles

Operators of company vehicles are responsible for the safe operation and cleanliness of the vehicle.

Accidents involving a company vehicle must be reported to your supervisor immediately.

Employees are responsible for any moving and parking violations and fines that may result when operating a company vehicle.

Company vehicles should be operated by the employee only. Company vehicles may only be used for job-related travel and approved personal related use.

Smoking is prohibited in company vehicles.

Alcohol containers are prohibited in company vehicles even for personal transportation.

The use of seat belts is mandatory for operators and passengers of company vehicles.

Question 23

4:16 PM

09/20/12

Navitas TN NG, LLC
Customer Balance Summary
As of February 29, 2012

	<u>Feb 29, 12</u>
Navitas TN NG LLC Customers	<u>98,515.70</u>
TOTAL	<u>98,515.70</u>

23.

6:15 PM

09/19/12

Navitas TN NG, LLC
Customer Balance Summary
As of March 31, 2012

	<u>Mar 31, 12</u>
Navitas TN NG LLC Customers	<u>49,881.96</u>
TOTAL	<u>49,881.96</u>

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09/20/12

Navitas TN NG, LLC
Customer Balance Summary
As of April 30, 2012

	<u>Apr 30, 12</u>
Navitas TN NG LLC Customers	<u>32,850.81</u>
TOTAL	<u>32,850.81</u>

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09/20/12

Navitas TN NG, LLC
Customer Balance Summary
As of May 31, 2012

	<u>May 31, 12</u>
Navitas TN NG LLC Customers	<u>28,869.11</u>
TOTAL	<u>28,869.11</u>

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09/20/12

Navitas TN NG, LLC
Customer Balance Summary
As of June 30, 2012

	<u>Jun 30, 12</u>
Navitas TN NG LLC Customers	<u>19,627.48</u>
TOTAL	<u>19,627.48</u>

Question 25

4:33 PM

09/20/12

Accrual Basis

Navitas TN NG, LLC

Transactions by Account

As of June 30, 2012

Type	Date	Name	Memo	Split	Debit	Credit	Balance
1800 - OLTA							
1831 - Organizational costs							
Total 1831 - Organizational costs							195,784.89
							179,327.38
							179,327.38
1832 - Legal Costs							
Bill	1/31/2012	Navitas Utility Corp...	Legal Service...	2233 - Other	236.25		35,110.85
Bill	2/29/2012	Navitas Utility Corp...	Legal Service...	2233 - Other	3,844.09		35,347.10
Bill	3/31/2012	Navitas Utility Corp...	Legal Service...	2233 - Other	3,937.13		39,191.19
Bill	4/30/2012	Navitas Utility Corp...	Legal Service...	2233 - Other	2,933.72		43,128.32
Bill	5/31/2012	Navitas Utility Corp...	Legal Service...	2233 - Other	534.19		46,062.04
Total 1832 - Legal Costs					11,485.38		46,596.23
						0.00	46,596.23
1881 - A/A - Organizational costs							
General Journal	1/31/2012			1774 - A/D - M...		1,494.39	-15,922.26
General Journal	2/29/2012			1774 - A/D - M...		1,494.39	-17,416.65
General Journal	3/31/2012			1774 - A/D - M...		1,494.39	-18,911.04
General Journal	4/30/2012			1774 - A/D - M...		1,494.39	-20,405.43
General Journal	5/31/2012			1774 - A/D - M...		1,494.39	-21,899.82
General Journal	6/30/2012			1774 - A/D - M...		1,494.39	-23,394.21
Total 1881 - A/A - Organizational costs					0.00	8,966.34	-24,888.60
							-24,888.60
1882 - A/A - Legal Costs							
General Journal	1/31/2012			1774 - A/D - M...		589.12	-2,731.08
General Journal	2/29/2012			1774 - A/D - M...		653.19	-3,320.20
General Journal	3/31/2012			1774 - A/D - M...		718.81	-3,973.39
General Journal	4/30/2012			1774 - A/D - M...		767.70	-4,692.20
General Journal	5/31/2012			1774 - A/D - M...		776.60	-5,459.90
General Journal	6/30/2012			1774 - A/D - M...		776.60	-6,236.50
Total 1882 - A/A - Legal Costs					0.00	4,282.02	-7,013.10
							-7,013.10
Total 1800 - OLTA					11,485.38	13,248.36	194,021.91
TOTAL					11,485.38	13,248.36	194,021.91

Question 27

Name	Date of Hire	Termination	Original DOH
Richard Varner	Owner		
Thomas Hartline	Owner		
Ross Modglin	April 2, 2008		
Joe Irwin	September 1, 2009		
Chris Dodge	March 1, 2011		
Gaylord Flood	July 24, 1995		
Kevin Percy	May 1, 1983		
Javan Shaw	February 26, 1990		
Steven Yearwood	January 2, 1990		
Darrel Gregory	March 11, 1996		
Woodrow Sitton	February 27, 1995		
Bruce Lynn	July 1, 2008		June 1, 1985
John Gorman	January 28, 2008		
Jeff Fogle	April 1, 2009		October 29, 1990
John Guest	April 1, 2009		September 9, 2002
Tyelor Wade	April 1, 2009		May 7, 2007
Scott Kniess	April 1, 2009		
Chris Crenshaw	September 28, 2009		
Denton Clay	August 30, 2010		
Sam Crenshaw	January 1, 2011		
Jerry Walker	January 1, 2011		
Don Hartline	October 1, 2011		
C. Lynn	June 11, 2012		
Robert Horsmann	August 1, 2012		
Sue Yearwood	December 1, 1969		
Trenda Kelley	January 28, 2008		
Paula Lynn	July 1, 2008		June 1, 1985
Karri Crain	March 9, 2009		
Tammy Fugate	April 1, 2009		October 6, 2008
Athena Riff	April 1, 2009		May 10, 1993
Valerie King	July 1, 2010		
Joey Irwin Jr.	January 3, 2011		
Gerri Miller			
Mike Allred			
Willis Doggett			
Saundra Ramsey	May 8, 2006	1/31/08	
Dennis Mashaney	March 17, 1986	2/8/08	
Adam Nichols	May 31, 2007	6/30/09	
Jamie Boone	January 12, 2009	8/10/09	
Greg Castle	July 6, 2009	8/31/09	
Jimmy Ridgeway	March 2, 2009	11/13/09	
Brian Cushnyr	June 29, 2009	12/23/09	
Johathan Blucher	February 22, 2010		
Derick Ingram	June 22, 2009	7/23/10	
Bryan Evans	January 11, 2010	8/16/10	
Blake Wiggins			
Leon Burke			
Bill Kellogg	March 1, 2010	2/8/11	
Kalin Vance			
Jim Schimmels	May 18, 2009	8/31/11	
Helene Crawford	June 17, 2010	7/15/12	
Colton Wilson	June 20, 2011	5/4/12	

Question 29

FIRST MERCURY INSURANCE COMPANY

(A STOCK COMPANY)

STATUTORY HOME OFFICE: ONE SOUTH WACKER DRIVE, SUITE 1350, CHICAGO, IL 60606

ADMINISTRATIVE OFFICE: 26600 TELEGRAPH RD., SOUTHFIELD, MI 48033

GENERAL LIABILITY POLICY**RENEWAL DECLARATIONS**

Served by: CoverX Specialty

POLICY NUMBER TX-CGL-0000011978-01

RENEWAL OF: FMTX009039

NAMED INSURED AND MAILING ADDRESS

Navitas Utility Corporation Navitas Assets LLC Ft

BROKER NAME AND ADDRESS

CRC Insurance Services - Houston

3186D Airway Avenue
Costa Mesa, CA 9262610375 Richmond Avenue #500
Houston, TX 77042**POLICY PERIOD** From: 6/1/2012 To: 6/1/2013

AT 12:01 A.M. STANDARD TIME AT YOUR MAILING ADDRESS SHOWN ABOVE

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

LIMITS OF INSURANCE:

Each Occurrence Limit: \$1,000,000
 Personal & Advertising Injury Limit: \$1,000,000
 General Aggregate Limit: \$2,000,000
 Products-Completed Operations Aggregate Limit: \$2,000,000
 Damage To Premises Rented To You: \$100,000
 Medical Payment Limit: \$10,000

Employee Benefits Liability: Excluded
 Employee Benefits Aggregate Limit: Excluded
 Liquor Liability Limit: Excluded
 Liquor Liability Aggregate: Excluded

RETAINED LIMIT: \$5,000 Deductible Per Claim, Including LAE**PREMIUM COMPUTATION:** Premium: \$30,000 Processing Fee: \$150

Coverage for certified acts of terrorism has been rejected; exclusion attached.

(Per TRIA Disclosure Notice.)

**DEPOSIT PREMIUM:** \$30,000**DESCRIPTION OF BUSINESS:** Gas Companies-NOC**FORM OF BUSINESS:**

☐ INDIVIDUAL ☐ PARTNERSHIP ☒ ORGANIZATION, INCLUDING A CORPORATION (BUT NOT
☐ JOINT VENTURE ☐ LIMITED PARTNERSHIP INCLUDING A PARTNERSHIP, JOINT VENTURE OR LIMITED
☐ LIMITED LIABILITY COMPANY LIABILITY COMPANY)

ENDORSEMENTS ATTACHED TO THIS POLICY: See Schedule FMIC-END - Schedule of Forms and Endorsements
150.00 Processing Fee**"This insurance is issued pursuant to the CA Insurance Code, Sections 1760 through 1780, and is placed in an insurer or insurers not holding a Certificate of Authority from or regulated by the California Insurance Commissioner."****IMPORTANT!** Please carefully examine your policy as it may contain significant coverage modifications or exclusions. If this policy is a renewal, it may not contain the same precise terms and conditions as the prior policy.*M. W. P. Shing***Date:** 6/4/2012 **Authorized Representative:**

THESE DECLARATIONS, TOGETHER WITH THE COMMON POLICY CONDITIONS AND COVERAGE FORM(S) AND ANY ENDORSEMENT(S), COMPLETE THE ABOVE NUMBERED POLICY.

FMIC-GL-DS-0001 (12/10)

P.O. BOX 27469

713-660-2330

**INSURANCE**

HOUSTON, TEXAS 77227-7469

Policy Fee: \$150 + \$3,330 (Broker Fee)
 Filing Fee:
 Inspection Fee:
 Taxes: \$1,004.40
 Stamping Fee: \$83.70

EXTENSION OF DECLARATIONS

Policy Number: TX-CGL-0000011978-01

Location of Premises:


- 1 3186D AIRWAY AVENUE COSTA MESA CALIFORNIA 92626
- 2 309 MAIN STREET VELMA OKLAHOMA 73491
- 3 309 SOUTH OCHELATA PLACE OCHELATA OKLAHOMA 74051
- 4 202 N. MAIN STREET MULHALL OKLAHOMA 73063
- 5 110 N. KING STREET KINTA OKLAHOMA 74552
- 6 102 WEST BROADWAY HOLLIS OKLAHOMA 73550
- 7 121-137 EAKLY CAMPUS EAKLY OKLAHOMA 73033
- 8 605 SUNSET TRAIL JELICO TENNESSEE 37762

Classification and Premium:

Exposure Basis	Exposure Amount	Rate	Deposit Premium
Gross Sales	\$6,782,000	\$4.4235/Per \$1,000 of Gross Sales	\$30,000

RENEWAL

EFFECTIVE DATE: 06/01/2012

Policy Number: BA 3574006		Prior Policy: 3574006	
Billing Type: DIRECT BILL			
Coverage Is Provided In PEERLESS INDEMNITY INSURANCE COMPANY			
Named Insured and Mailing Address: NAVITAS UTILITY CORPORATION NAVITAS ASSETS LLC C/O THOMAS HARTLINE 3186 AIRWAY AVENUE UNIT D COSTA MESA CA 92626 REFER TO NAMED INSURED SCHEDULE		P.O. BOX 27469 713-622-2330  INSURANCE HOUSTON, TEXAS 77227-7469 330	

COMMON POLICY DECLARATIONS

In return for the payment of premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

POLICY PERIOD: From : 06/01/2012 To: 06/01/2013 at 12:01 AM Standard Time at your mailing address shown above.

FORM OF BUSINESS: CORPORATION

BUSINESS DESCRIPTION: NATURAL GAS UTILITY SERVING RURAL OKLAHOMA

policy consists of the following coverage parts for which a premium is indicated. This premium may be subject to adjustment.

	PREMIUM
Commercial Auto Coverage Part	\$ 21,332.00
Terrorism Risk Insurance Act of 2002 and 2005 Coverage	\$ 0.00
Total Policy Premium	\$ 21,332.00

FORMS AND ENDORSEMENTS

Forms and Endorsements made a part of this policy at time of issue:

Applicable Forms and Endorsements are omitted if shown in specific Coverage Part/Coverage Form Declarations

Form Number	Description
IL0003	- 0907 CALCULATION OF PREMIUM
IL0017	- 1198 COMMON POLICY CONDITIONS
IL0021	- 0702 NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT
IL0179	- 1002 OKLAHOMA CHANGES
IL0193	- 0907 OKLAHOMA EXCLUSION OF TRUSTOR AS NAMED INSURED
IL0236	- 0907 OKLAHOMA CHANGES - CANCELLATION AND NONRENEWAL
17-58	- 0694 NAMED INSURED SCHEDULE

17-57 (06/94)

RECEIVED MAY 29 2012

FIRST MERCURY INSURANCE COMPANY

(A STOCK COMPANY)

STATUTORY HOME OFFICE: ONE SOUTH WACKER DRIVE, SUITE 1350, CHICAGO, IL 60606

ADMINISTRATIVE OFFICE: 26600 TELEGRAPH RD., SOUTHFIELD, MI 48033

COMMERCIAL EXCESS LIABILITY POLICY**RENEWAL DECLARATIONS**

Served By: CoverX Specialty

POLICY NUMBER TX-EX-0000011977-01

RENEWAL OF: CETX001916

ITEM 1. NAMED INSURED AND MAILING ADDRESS

Navitas Utility Corporation Navitas Assets LLC

BROKER NAME AND ADDRESS

CRC Insurance Services - Houston

3186D Airway Avenue
Costa Mesa, CA 9262610375 Richmond Avenue #500
Houston, TX 77042**ITEM 2. POLICY PERIOD** From: 06/01/2012 To: 06/01/2013

AT 12:01 A.M. STANDARD TIME AT YOUR MAILING ADDRESS SHOWN ABOVE

ITEM 3. LIMIT OF INSURANCE:

- | | |
|--|-------------|
| A. Each Occurrence Limit | \$5,000,000 |
| B. Aggregate Limit | \$5,000,000 |
| C. Personal & Advertising Injury Limit | \$5,000,000 |

ITEM 4. SCHEDULE OF UNDERLYING INSURANCE: See Schedule of Underlying Insurance**ITEM 5. PREMIUM COMPUTATION:**

Premium	\$24,500
Policy Minimum Premium	\$6,125

Coverage for certified acts of terrorism has been rejected; exclusion attached.
(Per TRIA Disclosure Notice.)☒**TOTAL POLICY PREMIUM:**

\$24,500 , Flat Charge

ITEM 6. ENDORSEMENTS ATTACHED TO THIS POLICY: See Schedule of Forms and Endorsements

150.00 Processing Fee

"This insurance is issued pursuant to the CA Insurance Code, Sections 1760 through 1780, and is placed in an insurer or insurers not holding a Certificate of Authority from or regulated by the California Insurance Commissioner."

Policy Fee: \$150 + \$2,495(Broker Fee)

Filing Fee:

Inspection Fee:

Taxes: \$814.35

Stamping Fee: \$67.86

P.O. BOX 27469

713-622-2330

**INSURANCE**

HOUSTON, TEXAS 77227-7469

IMPORTANT! Please carefully examine your policy as it may contain significant coverage modifications or exclusions. If this policy is a renewal, it may not contain the same precise terms and conditions as the prior policy.

Countersigned: 06/06/2012
DateBy:
Authorized Representative

SCHEDULE OF UNDERLYING INSURANCE

This Schedule forms a part of your Policy No. TX-EX-0000011977-01

Coverage only applies in excess of those policies and limits scheduled below:

1. Commercial General Liability Insurance Company: First Mercury Insurance Company ☒ Primary ☐ Excess

Policy Number: TX-CGL-0000011978-01

Effective from: 6/1/2012 to 6/1/2013

\$1,000,000 Each Occurrence Limit

\$2,000,000 General Aggregate Limit (Other than Prod/Completed Ops)

\$2,000,000 Product/Completed Operations Aggregate Limit

\$1,000,000 Personal and Advertising Injury Limit

Coverage Trigger: ☒ Occurrence ☐ Claims Made Retro Date (If any):

Defense Costs: ☐ Within Limits ☒ Outside Limits

2. Automobile Liability Insurance Company: American First Insurance Company ☒ Primary ☐ Excess

Policy Number: BA3574006

Effective from: 6/1/2012 to 6/1/2013

Combined Bodily Injury & Property Damage \$1,000,000 CSL Each Accident
Single Limit



Allianz Global Corporate & Specialty®

COMMERCIAL OUTPUT POLICY – DECLARATIONS

The Company issuing this policy is indicated by the Company Code (first letter or number) in the POLICY NUMBER, as follows:

A STOCK COMPANY

POLICY NUMBER

Co. Code	Prefix	Number
054		MXI93042054

054 - ACGS Marine Insurance Company

Renewal of Policy Number

MXI93031849

AGCS Marine Insurance Company
225 W. Washington St., Suite 1800
Chicago, IL 60606

Producer Code: S-00090673
Producer or Agent Name
GEM INSURANCE AGENCIES,LP
Address:
3355 W ALABAMA, SUITE 850
HOUSTON, TX 77098

Named Insured: NAVITAS UTILITY CORPORATION
C/O THOMAS HARTLINE
(SEE NAMED INSURED ENDORSEMENT 001)
Mailing Address: 3186D AIRWAY AVENUE
COSTA MESA, CA 92626

Policy Period: From: 06/01/2012 To: 06/01/2013 at 12:01 A.M.
Standard Time at your mailing address shown above.

The Named Insured is a(n) Corporation
Business or Operations of the Named Insured: Office locations for utility provider

In return for payment of the premium and subject to all the terms of this policy, we agree with you to provide the insurance as stated in the policy.

COVERAGE FORMS AND CORRESPONDING ENDORSEMENTS ATTACHED AT INCEPTION:

CL 0700 10 06, COP100 Ed. 2.0, CL100 Ed. 2.0, CL 0162 08 06, CO 0413 08 06, CL 9603PHN 01 10, COP 2000DEC 01 10, CE 4200DEC 01 10, CE 4210 01 10, CL0620 01 08, CO 1079 11 03, CO 1295 11 03, COP101 Ed. 2.0, COP102 Ed. 2.0, COP226 Ed. 2.0, COP227 Ed. 2.0, COP228 Ed. 2.0, COP229 Ed. 2.0, COP232 Ed. 2.0, COP261 Ed. 1.0, EDP 6200DEC 05 11, EDP 6210 05 11, IM 8000 01 10, IM 8002 01 10, IM 8013 06 10, ENDORSEMENT 001, ENDORSEMENT 002, ENDORSEMENT 003, NIM 1050 01 10, TER 9020PHN 01 10

PREMIUM SUMMARY:

Estimated Annual Premium \$ 21,331 Includes Minimum Earned Premium
Premium Due at Inception \$ 21,331

- ☐ Terrorism Risk Insurance Act - Certified Acts Coverage - Covered \$
☒ Terrorism Risk Insurance Act - Certified Acts Coverage - Not Covered \$ 0

P.O. BOX 27469

713-622-2330



INSURANCE

HOUSTON, TEXAS 77227-7469

COP 2000 DEC 01 10

Page 1 of 2

Question 31

12:26 PM

09/20/12

Accrual Basis

Navitas Utility Corporation Transaction Detail By Account January through December 2011

Type	Date	Name	Memo	Split	Debit	Credit	Balance
6710 - Other income							
Invoice	2/16/2011	Deborah Lajara-Na...	Road Bore	1201 - From ...		600.00	600.00
Invoice	3/7/2011	City of Orlando	Rebuild Resi...	1251 - Other		240.00	840.00
Deposit	3/17/2011	PayChex	Tax Refund fr...	1101 - Checki...		92.74	932.74
Invoice	3/31/2011	Navitas KY NG LLC	NUC expens...	1201 - From ...		22,455.00	23,387.74
Invoice	3/31/2011	Navitas TN NG LLC	NUC expens...	1201 - From ...		91,575.00	114,962.74
General Journal	5/27/2011		Scrap metal ...	1106 - Cash D...		1,306.60	116,269.34
General Journal	7/1/2011		15% of NALL...	1802 - Invest...		18,881.00	135,150.34
General Journal	10/11/2011		Volunteer En...	1102 - Checki...		192.26	135,342.60
General Journal	10/14/2011		Cash from S...	1106 - Cash D...		1,769.60	137,112.20
General Journal	10/18/2011		Chk #5004 Fr...	1102 - Checki...		254.60	137,366.80
General Journal	10/18/2011		Chk #5004 Fr...	1201 - From ...	254.60		137,112.20
Total 6710 - Other income					254.60	137,366.80	137,112.20
TOTAL					254.60	137,366.80	137,112.20

2:29 PM
09/20/12
Accrual Basis

Navitas Utility Corporation Transaction Detail By Account January through June 2012

Type	Date	Name	Memo	Split	Debit	Credit	Balance
6710 - Other income							
Invoice	2/7/2012	Keystone Foods	40% of Phas...	1251 - Other		3,200.00	3,200.00
Invoice	2/7/2012	Keystone Foods	40% of Phas...	1251 - Other		3,600.00	6,800.00
General Journal	2/16/2012		Cash from S...	1106 - Cash D...		168.00	6,968.00
General Journal	4/5/2012		Cash from S...	1106 - Cash D...		1,430.00	8,398.00
Invoice	5/21/2012	Boy Scouts of Amer...	Week 1 of co...	1201 - From ...		520.00	8,918.00
Invoice	6/11/2012	Boy Scouts of Amer...	Week 2 of co...	1201 - From ...		1,144.00	10,062.00
General Journal	6/19/2012		To record G...	1101 - Checki...		400.00	10,462.00
Invoice	6/25/2012	Boy Scouts of Amer...	Week 3 of co...	1251 - Other		1,040.00	11,502.00
Total 6710 - Other income					0.00	11,502.00	11,502.00
TOTAL					0.00	11,502.00	11,502.00

Question 33

	Date Acq	Life	Cost basis	Mo Exps Apr-12	Accum depre Apr-12	NBV Apr-12	Mo Exps May-12	Accum depre May-12	NBV May-12	Mo Exps Jun-12	Accum depre Jun-12	NBV Jun-12
Land and land rights												
NARUC account 374												
Total 1720												
Leasehold Improvements												
Total 1656												
Mains												
NARUC account 376												
Byrdstown & County	12/31/10	480	550,595.00	(1,147.07)	(310,828.17)	239,766.83	(1,147.07)	(311,975.24)	238,619.76	(1,147.07)	(313,122.31)	237,472.69
Fentress County	12/31/10	480	3,018.00	(6.29)	(1,618.60)	1,399.40	(6.29)	(1,624.89)	1,393.11	(6.29)	(1,631.18)	1,386.83
Jellico System	12/31/10	480	1,183,700.00	(2,466.04)	(608,316.67)	575,383.33	(2,466.04)	(610,782.71)	572,917.29	(2,466.04)	(613,248.75)	570,451.25
Total 1774			1,737,313.00	(3,619.40)	(920,763.43)	816,548.57	(3,619.40)	(924,382.84)	812,930.16	(3,619.40)	(928,002.24)	809,310.76
Rebuild Byrdstown Odorant Sys	01/01/11	240	15,000.00	(62.50)	(1,000.00)	14,000.00	(62.50)	(1,062.50)	13,937.50	(62.50)	(1,125.00)	13,875.00
Total 1771			15,000.00	(62.50)	(1,000.00)	14,000.00	(62.50)	(1,062.50)	13,937.50	(62.50)	(1,125.00)	13,875.00
Services												
NARUC account 380												
Total 1775												
Service - McCreary; McCreary; Veach	10/31/11	480	1,286.25	(2.68)	(18.76)	1,267.49	(2.68)	(21.44)	1,264.81	(2.68)	(24.12)	1,262.13
Service - Dalk; Stevens	11/30/11	480	892.50	(1.86)	(11.16)	881.34	(1.86)	(13.02)	879.48	(1.86)	(14.88)	877.63
Service - Chitwood	12/31/11	480	735.00	(1.53)	(7.66)	727.34	(1.53)	(9.19)	725.81	(1.53)	(10.72)	724.28
Service - Pickett County Visitor Center	01/31/12	480	5,421.76	(11.30)	(45.18)	5,376.58	(11.30)	(56.48)	5,365.28	(11.30)	(67.77)	5,353.99
Service - Jellico Elementary	03/31/12	480	2,600.85	(5.42)	(10.84)	2,590.01	(5.42)	(16.26)	2,584.59	(5.42)	(21.67)	2,579.18
Service - David Creekmore	04/30/12	480	525.00	(1.09)	(1.08)	523.91	(1.09)	(2.19)	522.81	(1.09)	(3.28)	521.72
Service - Jellico Hospital	05/31/12	480	598.50	(1.25)	(1.25)	597.25	(1.25)	(1.25)	597.25	(1.25)	(2.49)	596.01
Service - Elter Baptist Church	05/31/12	480	2,001.30	(4.17)	(4.17)	1,997.13	(4.17)	(4.17)	1,997.13	(4.17)	(8.34)	1,992.96
Total 1772			14,061.16	(23.88)	(94.68)	11,366.68	(23.88)	(123.96)	13,937.18	(23.88)	(153.27)	13,907.89
Subtotal			1,766,374.16	(3,705.78)	(921,858.12)	841,916.24	(3,711.20)	(925,569.31)	840,804.85	(3,711.20)	(929,280.51)	837,093.65
Acquisition adjustment												
NARUC account												
Acquisition Adjustment - Jellico	12/31/10	240	(44,840.00)	186.83	2,989.33	(41,850.67)	186.83	3,176.17	(41,663.83)	186.83	3,363.00	(41,477.00)
Acquisition Adjustment - Byrdstown	12/31/10	240	(219,120.00)	913.00	14,608.00	(204,512.00)	913.00	15,521.00	(203,599.00)	913.00	16,434.00	(202,686.00)
Total 1777			(263,960.00)	1,099.83	17,597.33	(246,362.67)	1,099.83	18,697.17	(245,262.83)	1,099.83	19,797.00	(244,163.00)
Acquisition balancing entry	06/30/11	240	(592.86)	2.47	27.17	(565.69)	2.47	29.64	(563.22)	2.47	32.11	(560.75)
Total 1778			(592.86)	2.47	27.17	(565.69)	2.47	29.64	(563.22)	2.47	32.11	(560.75)
Grand total			1,501,821.30	(2,603.48)	(904,233.61)	594,987.89	(2,608.89)	(906,842.50)	594,978.80	(2,608.89)	(909,451.39)	592,369.91

Organizational cost														
Org Costs														
Date Acq	Life	Cost basis	Mo Exprns Apr-12	Accum depre Apr-12	NBV Apr-12	Mo Exprns May-12	Accum depre May-12	NBV May-12	Mo Exprns Jun-12	Accum depre Jun-12	NBV Jun-12			
			(603.33)	(9,653.33)	62,746.67	(603.33)	(10,256.67)	62,143.33	(603.33)	(10,860.00)	61,540.00			
80% of legal cost of Gasco acq	12/31/10	72,400.00	(603.33)	(9,653.33)	62,746.67	(603.33)	(10,256.67)	62,143.33	(603.33)	(10,860.00)	61,540.00			
20% of legal cost of Gasco acq Q1 '11	03/31/11	6,220.00	(51.83)	(725.67)	5,494.33	(51.83)	(777.50)	5,442.50	(51.83)	(829.33)	5,390.67			
NUC expense for TN transaction	03/31/11	91,575.00	(763.13)	(10,683.75)	80,891.25	(763.13)	(11,446.88)	80,128.13	(763.13)	(12,210.00)	79,365.00			
Legal Services for GASCO closing	06/30/11	9,132.38	(76.10)	(837.13)	8,295.25	(76.10)	(913.24)	8,219.14	(76.10)	(989.34)	8,143.04			
Total 1881		179,327.38	(1,494.39)	(21,899.88)	157,427.50	(1,494.39)	(23,394.28)	155,933.10	(1,494.39)	(24,888.67)	154,438.71			
Rate Case														
Legal Services for Rate Tariff	06/30/11	5,750.33	(95.84)	(1,054.23)	4,696.10	(95.84)	(1,150.07)	4,600.26	(95.84)	(1,245.90)	4,504.43			
Legal Services for Rate Tariff	07/31/11	6,608.28	(110.14)	(1,101.38)	5,506.90	(110.14)	(1,211.52)	5,396.76	(110.14)	(1,321.66)	5,286.62			
Legal Services for Rate Tariff	08/31/11	7,196.79	(119.95)	(1,079.52)	6,117.27	(119.95)	(1,199.47)	5,997.33	(119.95)	(1,319.41)	5,877.38			
Legal Services for Rate Tariff	09/30/11	6,586.13	(109.77)	(878.15)	5,707.98	(109.77)	(987.92)	5,598.21	(109.77)	(1,097.69)	5,488.44			
Legal Services for Rate Tariff	10/31/11	6,092.63	(101.54)	(710.81)	5,381.82	(101.54)	(812.35)	5,280.28	(101.54)	(813.89)	5,176.74			
Legal Services for Rate Tariff	11/30/11	479.85	(8.00)	(47.99)	431.87	(8.00)	(55.98)	423.87	(8.00)	(63.98)	415.87			
Legal Services for Rate Tariff	12/31/11	2,396.84	(39.95)	(199.74)	2,197.10	(39.95)	(239.68)	2,157.16	(39.95)	(279.63)	2,117.21			
Legal Services for Rate Tariff	01/31/12	236.25	(3.94)	(15.75)	220.50	(3.94)	(19.69)	216.56	(3.94)	(23.63)	212.63			
Legal Services for Rate Tariff	02/29/12	3,844.09	(64.07)	(192.20)	3,651.89	(64.07)	(256.27)	3,587.82	(64.07)	(320.34)	3,523.75			
Legal Services for Jellico Franchise	03/31/12	3,937.13	(65.62)	(131.24)	3,805.89	(65.62)	(196.86)	3,740.27	(65.62)	(262.48)	3,674.65			
Legal Services for Jellico Franchise	04/30/12	2,933.72	(48.90)	(48.90)	2,884.82	(48.90)	(97.79)	2,835.93	(48.90)	(146.69)	2,787.03			
Legal Services for Jellico Franchise	05/31/12	534.19				(8.90)	(8.90)	525.29	(8.90)	(17.81)	516.38			
Total 1882		46,596.23	(767.70)	(5,459.89)	40,602.15	(767.60)	(6,236.50)	40,359.73	(776.60)	(7,013.10)	39,583.13			
Grand total														
		1,727,744.91	(4,865.57)	(931,593.39)	793,017.53	(4,879.89)	(936,473.28)	791,271.63	(4,879.89)	(941,353.17)	786,391.74			