

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 16 2012

PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY FRONTIER GAS )  
LLC FOR APPROVAL OF TRANSFER )CASE NO. 2012-  
OF ASSETS OF THE FORMER B.T.U.GAS COMPANY )  
AND APPROVAL OF FINANCING OF ACQUISITION )

**PETITION FOR TRANSFER AND APPROVAL OF FINANCING**

Kentucky Frontier Gas, LLC (Frontier), by counsel, petitions for an order approving the transfer of the assets of the former B.T.U. Gas Company pursuant to KRS 278.020. This petition also requests approval of financing of the acquisitions pursuant to KRS 278.300.

In support of its petition the following information is provided.

1. Kentucky Frontier Gas, LLC is a Colorado company authorized to do business in Kentucky. Its address is 4891 Independence St., Wheat Ridge CO 80033. Managing partners are Robert Oxford, Larry Rich and Steven Shute. A copy of its articles organization and its certificate to operate in Kentucky were filed in Case No. 2008-00394. A current Certificate of Existence is attached as exhibit 1. It owns and operates East Kentucky Gas (Floyd County Gas), Belfry Gas, Alert Gas Farm Tap System, Mike Little Gas Company pursuant to the order in Case No. 2008-00394 issued on November 25, 2008. It also owns the stock of Auxier Road Gas Company, which was approved in Case No. 2009-00442. It acquired the assets of Cow Creek Gas Company (formerly Sigma Gas Company) and Dema Gas Company in Case 2010-00076.

2. Frontier seeks approval of the transfer and financing of the assets of B.T.U. Gas Company (BTU). BTU is the subject of a Chapter 7 bankruptcy

proceeding in the U.S. Bankruptcy Court, Eastern District of KY, Pikeville Division, Case No. 10-70767-TNA. The debtors, Richard Dow Williams and Pamela Jean Williams owned the stock and assets of BTU before transfer to the Bankruptcy Trustee. The Trustee is now in possession of the assets of BTU. As part of the bankruptcy proceedings, the assets were offered for sale at a public auction by the Bankruptcy Trustee. Frontier was the successful bidder for the assets and a Notice of Sale was entered by the Trustee on February 21, 2012. A copy of the Notice is attached as exhibit 2.

3. The purchase price of the assets is \$255,000. PSC approval of this acquisition is required by KRS 278.020 and by the Notice of Sale.

4. Under KRS 278.020(5), no person may acquire or transfer control of a utility until the Commission has determined that the acquirer has the financial, technical, and managerial abilities to provide reasonable service. In addition, under KRS 278.020(6), no individual may acquire control of a utility unless the Commission has determined that the acquisition is made in accordance with the law, for a proper purpose, and is consistent with the public interest.

The Commission has previously determined that a transfer is in the "public interest" if it does not adversely affect the existing level of utility service or rates or that any potentially adverse effects can be avoided through the Commission's imposition of reasonable conditions on the acquiring party.

5. KRS 278.020(4) provides that no person shall acquire or transfer ownership or control of a utility with Commission approval. KRS 278.010 defines person as natural persons, partnerships or corporations. Federal bankruptcy courts and trustees are not included in the definition of persons. Frontier believes that under the circumstances of this proceeding, it is the only applicant required to participate in this application. The Notice of Sale of the Trustee is evidence of his intent to dispose of the assets and is the only document required for Frontier to

proceed with this application.

BTU is not the seller of the assets and is not a party to this application. Its ability to dispose of the assets is restricted by the rules of the bankruptcy proceeding and it is not a participant in the transfer process. In a similar case involving the sale of bankrupt utility facilities, the acquiring utility was the only applicant. See Case No. 2007-00419, Application of DLR Enterprises to Acquire Sigma Gas Company.

6. The transfer will have no effect on the ability of Frontier to continue to operate or finance the operations of its natural gas service in Kentucky. Frontier's present management, office and field personnel will operate the facilities of the companies, with the addition of one field employee and one office employee. Frontier has adequate gas supply agreements to continue to purchase gas and to assure continued adequate supply. The transfers will have no impact on the current financial, managerial or technical ability of the company to operate. Frontier's operating procedures, personnel and management qualifications were included in Case No. 2008-00394 and are incorporated by reference.

7. No rate change is being requested at this time. Frontier proposes to adopt the currently approved General Rates and tariffs of BTU. Frontier anticipates these rates will stay in effect at least until the company consolidates the rates and operations of its other gas utilities. An adoption notice is attached as exhibit 3.

8. Frontier has the technical, managerial and financial ability to operate the company as reflected in its current Kentucky gas operations. It was most recently found to satisfy these requirements in Case No. 2010-0076. Its current financial activities are reflected on the attached financial operating statements - exhibit 4.

9. The transfer of the assets and customers is in accord with law, is in the

public interest and is for a proper purpose. Frontier asserts that the public interest standard is met by improved management and operational service by experienced, competent management and that the uncertainty that has surrounded the utility during the bankruptcy will finally be resolved. All customers will be metered and billed regularly at approved tariff rates. Free and unmetered service will be eliminated. Customers will have access to Frontier business and service personnel during regular business hours and for emergency purposes. Gas supply and pressure will meet Commission standards as will all safety standards. The financial stability of the company will be improved, which will allow for stable rates, access to capital for infrastructure repairs and extensions.

Given the history of BTU, the management, financial stability and technical experience of Frontier will be a significant improvement to the overall operations of the company and the service to the customers.

10. Frontier proposes to transfer the assets of BTU into the existing Cow Creek system on an interim basis. Frontier has found BTU to be a disconcerted jumble of lines that is not configured like a utility. There are about 68 miles of lines that have been located as being part of BTU versus 82 miles reported to PSC and US DOT by BTU previously. Some of these lines have contested ownership. These pipelines are mostly gathering in nature with scattered customers. There are a few distribution segments like Royalton with customer density more like a distribution system. There are miles of pipe with no customers and no strategic purpose. Frontier will roll all of these assets into Cow Creek Gas to establish service under an existing utility, but will retain the existing BTU Gas rates pending a consolidating rate case. A diagram of the location of customers identified to date and a pipeline inventory compiled by Frontier are attached as exhibit 5.

Frontier plans to consolidate Cow Creek with its other area utilities in 2012. At the time of consolidation, Frontier may propose to the Commission an alternative

plan for some BTU assets, including the sale of some lines as gathering lines to DLR Inc. or others. Frontier would continue to service customers as farm taps. Until there is more operating history with BTU, Frontier is not ready to make those distinctions.

11. Kentucky Frontier's is seeking a loan from Community Trust Bank of Pikeville, KY debt to acquire BTU. Frontier has proposed terms and supplied financial data to the bank to support the loan request. See exhibit 6. Approval of this financing is required by KRS 278.300. When the Bank approves the loan, the terms and conditions will be submitted to the Commission.

12. The proceeds of the financing will be used to acquire assets, facilities and customers reflected in the Notice of Sale.

13. The proceeds of the financing are not being used to refund any outstanding obligations.

14. Kentucky Frontier's business plan is generally reflected in the loan statements, description of proposed operations and other information provided in this application.

15. A description of the original cost of the BTU property to be acquired by Frontier can be found in the PSC Annual Reports, which are incorporated by reference. Frontier has no additional or more substantive information about the system cost of BTU. Most financial records of BTU are lost, destroyed or otherwise unavailable to Frontier. The cost to Kentucky Frontier of the property is described above.

16. Kentucky Frontier is an LLC and has no stock.

17. No stock is to be issued in conjunction with this financing.

18. The proposed debt to be issued, amount, interest rate and security are described in exhibit 6.

19. The proceeds of the financing are not being used to refund any

outstanding obligations.

20. There is no preferred stock issued.
21. There are no mortgages.
22. There are no bonds issued or to be issued by Kentucky Frontier.
23. Notes are described in exhibit 4.
24. There are no other debts.
25. No dividends have been paid by Kentucky Frontier in the last five

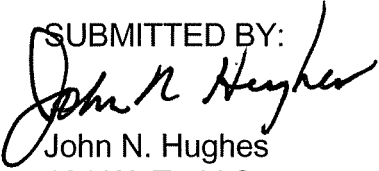
years.

26. A balance sheet and income statement is attached as exhibit 4.
27. USoA accounts and journal entries will be provided after closing.

Frontier has the financial, technical and managerial ability to continue to operate these facilities. It is in the public interest for this transfer of assets, customers and facilities and related financing to be approved.

For these reasons, Frontier requests that the transfer be approved pursuant to KRS 278.020 and the financing be approved pursuant to KRS 278.300.

SUBMITTED BY:



John N. Hughes  
124 W. Todd St.  
Frankfort, KY 40601  
502-227-7270

Attorney for  
Applicant

AFFIDAVIT

County of Floyd

Commonwealth of Kentucky

Affiant, Robert Oxford, after being sworn, states that he is a managing member of Kentucky Frontier Gas, LLC and that the information contained in this Application is true and correct to the best of his knowledge.



Robert Oxford

Sworn and subscribed before me by Robert Oxford, the      day of March, 2012.



Pamela A. Oxford  
Notary Public

My commission expires: 12-30-12

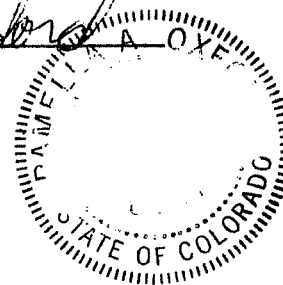


EXHIBIT 1



Commonwealth of Kentucky  
Alison Lundergan Grimes, Secretary of State

2/22/2012

Division of Corporations  
Business Filings  
P. O. Box 718  
Frankfort, KY 40602  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Authorization**

Authentication Number: 122870

Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**KENTUCKY FRONTIER GAS, LLC**

, a limited liability company organized under the laws of the state of Colorado, is authorized to transact business in the Commonwealth of Kentucky and received the authority to transact business in Kentucky on August 25, 2005.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that an application for certificate of withdrawal has not been filed; and that the most recent annual report required by KRS 275.190 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 22nd day of February, 2012.



*Alison Lundergan Grimes*

Alison Lundergan Grimes  
Secretary of State  
Commonwealth of Kentucky  
122870/0620382

## EXHIBIT 2

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF KENTUCKY  
PIKEVILLE DIVISION**

**IN RE:**

**CASE NO. 10-70767  
Chapter 7**

**RICHARD DOW WILLIAMS  
PAMELA JEAN WILLIAMS  
DEBTORS**

**REPORT OF PUBLIC AUCTION SALE/  
B.T.U GAS COMPANY OF SALYERSVILLE**

\* \* \* \* \*

James R. Westenhoefer respectfully represents that he is the duly appointed and qualified Trustee of the estate of the above-named debtors and that on February 17, 2012, at approximately 11:00 A.M., (local time), a well-advertised Courtroom auction sale was conducted by trustee, James R. Westenhoefer.

Your trustee states that the assets of B.T.U Gas Company of Salyersville were sold at auction for the sum of \$255,000.00 to Kentucky Frontier Gas, LLC. The trustee collected ten percent (10%) or \$25,500.00 on that day.

The sale is subject to approval by the Kentucky Public Service Commission.

The balance of the purchase price is due upon approval by the PSC and will be netted against documented out-of-pocket expenses incurred by Kentucky Frontier Gas, LLC under the terms and conditions of the Operating Agreement between the estate and Kentucky Frontier Gas, LLC.

/s/ James R. Westenhoefer  
JAMES R. WESTENHOEFER, TRUSTEE  
212 South Third Street  
Richmond, KY 40475  
859/624-0145

## EXHIBIT 3

ADOPTION NOTICE

The undersigned  Kentucky Frontier Gas LLC  
(Name of Utility) System

of  Prestonsburg, KY hereby adopts, ratifies, and makes its  
own, in every respect as if the same had been originally filed and posted by it, all tariffs  
and supplements containing rates, rules and regulations for furnishing  
 natural gas service at  Magoffin County, KY area  
(Nature of Service)


in the Commonwealth of Kentucky, filed with the Public Service Commission of  
Kentucky by  B.T.U. Gas Company of Magoffin County, KY  
(Name of Predecessor)

and in effect on the  16 day of  March, 2012, the date on which  
the public service business of the said  B.T.U. Gas Company  
(Name of Predecessor)

was ordered by the U.S. Bankruptcy Court operated by Kentucky Frontier Gas, LLC.

This notice is issued on the  16 day of  March, 2012, in  
conformity with 807 KAR 5:011, Section 11, of the Regulations for the filing of Tariffs of  
Public Utilities with the Public Service Commission of Kentucky.

Kentucky Frontier Gas LLC

By  Robert Oxford  


## EXHIBIT 4

## **KFG Financial Statements**

**Balance sheet**

**Income statement**

**Debt schedule**

**Consolidated income statement**

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 03/15/12  
 Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Balance Sheet**  
 As of December 31, 2011

|  | Dec 31, 11    |
|--|---------------|
| <b>ASSETS</b>                                    |               |
| <b>Current Assets</b>                            |               |
| <b>Checking/Savings</b>                          |               |
| 131 · Cash - Bank Accounts                       |               |
| 131.1 · CityWide Bank Oper # 000980029           | 1,229.68      |
| 131.2 · Comm Trust Bank Oper 4002506337          | 3,571.79      |
| 131.3 · Comm Trust Payroll #4002507509           | 17,681.49     |
| <b>Total 131 · Cash - Bank Accounts</b>          | 22,482.96     |
| <b>Total Checking/Savings</b>                    | 22,482.96     |
| <b>Accounts Receivable</b>                       |               |
| 142 · Customer Accounts Receivable               | 140,735.60    |
| <b>Total Accounts Receivable</b>                 | 140,735.60    |
| <b>Other Current Assets</b>                      |               |
| 141 · Notes Receivable                           |               |
| 141.3 · N/R- BTU                                 | 2,832.81      |
| <b>Total 141 · Notes Receivable</b>              | 2,832.81      |
| 173 · Organizational Account                     |               |
| <b>Start Up Costs</b>                            |               |
| SBA Origination Fees                             | 40,390.63     |
| USDA Origination Fees                            | 17,464.00     |
| 115 · Accumulated Amort - Start Up               | -9,038.29     |
| Start Up Costs - Other                           | 298.98        |
| <b>Total Start Up Costs</b>                      | 49,115.32     |
| <b>Total 173 · Organizational Account</b>        | 49,115.32     |
| <b>Total Other Current Assets</b>                | 51,948.13     |
| <b>Total Current Assets</b>                      | 215,166.69    |
| <b>Fixed Assets</b>                              |               |
| 101 · Utility Plant                              |               |
| 101.1 · East Kentucky Utility Plant              |               |
| <b>Distribution Plant Assets</b>                 |               |
| 374.1 · Land & Land Rights                       | 10,936.00     |
| 376.1 · Mains                                    | 993,848.00    |
| 378.1 · Meas & Reg Sta Equip                     | 17,643.00     |
| 381.1 · Meters                                   | 19,484.00     |
| 383.1 · House Regulators                         | 45,860.00     |
| <b>Total Distribution Plant Assets</b>           | 1,087,771.00  |
| <b>General Plant</b>                             |               |
| 394.1 · Tools, Shop & Garage Equip               | 4,025.00      |
| <b>Total General Plant</b>                       | 4,025.00      |
| 108.1 · Accumulated Depreciation                 | -1,102,031.00 |
| 114.1 · Gas Plant Acquisition Adj                |               |
| 376.11 · Mains                                   | 4,289.88      |
| 380.11 · Services                                | 3,086.06      |
| 381.11 · Meters                                  | 208.84        |
| 382.11 · New Meter Install                       | 475.05        |
| 114.1 · Gas Plant Acquisition Adj - Other        | 955,369.74    |
| <b>Total 114.1 · Gas Plant Acquisition Adj</b>   | 963,429.57    |
| 115.1 · Accumulated Provision for Amort          | -106,883.00   |
| <b>Total 101.1 · East Kentucky Utility Plant</b> | 846,311.57    |
| 101.2 · Mike Little Gas Plant                    |               |
| <b>Distribution Plant Assets</b>                 |               |
| 376.2 · Mains                                    | 170,344.94    |
| 380.2 · Services                                 | 31,889.00     |
| 381.2 · Meters                                   | 6,510.00      |
| 383.2 · House Regulators                         | 18,779.00     |



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Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Balance Sheet**  
As of December 31, 2011

|  | Dec 31, 11  |
|--|-------------|
| <b>Total Distribution Plant Assets</b>             | 227,522.94  |
| <b>General Plant Assets</b>                        |             |
| 389.2 · Land Rights                                | 569.00      |
| 392.22 · Transportation Equip - MLG                | 58,577.00   |
| 394.2 · Tools, Shop & Garage Equip                 | 2,579.00    |
| 396.2 · Power Equip                                | 3,535.00    |
| <b>Total General Plant Assets</b>                  | 65,260.00   |
| <b>Transmission Plant</b>                          |             |
| 367.2 · Mains                                      | 16,268.00   |
| 369.2 · Meas & Reg Sta Equip                       | 8,229.00    |
| <b>Total Transmission Plant</b>                    | 24,497.00   |
| 108.2 · Accumulated Depreciation                   | -334,856.00 |
| 114.2 · Gas Plant Acquisition Adj                  |             |
| 376.22 · Mains                                     | 15,111.11   |
| 380.22 · Services                                  | 969.96      |
| 381.22 · Meters                                    | 87.01       |
| 114.2 · Gas Plant Acquisition Adj - Other          | 481,044.76  |
| <b>Total 114.2 · Gas Plant Acquisition Adj</b>     | 497,212.84  |
| 115.2 · Accum Prov for Amort of Gas PI             | -49,144.00  |
| <b>Total 101.2 · Mike Little Gas Plant</b>         | 430,492.78  |
| <b>101.3 · Belfry Utility Plant</b>                |             |
| <b>Distribution Plant Assets</b>                   |             |
| 376.3 · Mains                                      | 17,534.66   |
| 380.3 · Services                                   | 1,029.75    |
| 381.3 · Meters                                     | 83,694.00   |
| <b>Total Distribution Plant Assets</b>             | 102,258.41  |
| <b>Transmission Plant</b>                          |             |
| 365.3 · Land & Land Rights                         | 4,498.00    |
| 367.3 · Mains                                      | 270,168.00  |
| <b>Total Transmission Plant</b>                    | 274,666.00  |
| 108.3 · Accumulated Depreciation                   | -485,627.00 |
| 114.3 · Gas Plant Acquisition Adj                  |             |
| 108.31 · Accum Depr - Flood Damage Const           | -7,109.00   |
| 108.32 · Accum Depr - Mains                        | -1,010.00   |
| 376.33 · Mains                                     | 63,255.40   |
| 376.331 · Mains - Comp Const                       | 28,661.96   |
| 380.33 · Services                                  | 4,419.36    |
| 381.33 · Meters                                    | 121.81      |
| 382.22 · New Meter Installation                    | 1,925.25    |
| 114.3 · Gas Plant Acquisition Adj - Other          | 480,342.00  |
| <b>Total 114.3 · Gas Plant Acquisition Adj</b>     | 570,606.78  |
| 115.3 · Accum Prov for Amort of Gas PI             | -51,128.00  |
| <b>Total 101.3 · Belfry Utility Plant</b>          | 410,776.19  |
| <b>101.4 · Alert Farm Taps Utility Plant</b>       |             |
| 114.4 · Gas Plant Acquisition Adj                  |             |
| 376.44 · Mains                                     | 2,600.29    |
| 380.44 · Services                                  | 560.10      |
| 381.44 · Meters                                    | 162.42      |
| 382.44 · New Meter Installation                    | 111.00      |
| 114.4 · Gas Plant Acquisition Adj - Other          | 250,000.00  |
| <b>Total 114.4 · Gas Plant Acquisition Adj</b>     | 253,433.81  |
| 115.4 · Accum Prov for Amort of Gas PI             | -26,075.00  |
| <b>Total 101.4 · Alert Farm Taps Utility Plant</b> | 227,358.81  |
| <b>101.8 · Peoples Gas Utility Plant</b>           |             |
| <b>Distribution Plant</b>                          |             |
| 376.8 · Mains                                      | 87,970.70   |

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|   | Dec 31, 11   |
|---|--------------|
| <b>Total Distribution Plant</b>                     | 87,970.70    |
| <b>General Plant</b>                                |              |
| 392.8 · Vehicles                                    | 25,000.00    |
| <b>Total General Plant</b>                          | 25,000.00    |
| 108.8 · Accum Depreciation - Gas Plant              | -96,669.00   |
| 114.8 · Gas Plant Acq Adjust                        | 7,785.00     |
| 114.81 · Gas Plant Acq Adj - KFG                    |              |
| 376.88 · Mains                                      | 8,037.72     |
| 380.88 · Services                                   | 855.43       |
| 382.88 · New Meter Install                          | 114.75       |
| 114.81 · Gas Plant Acq Adj - KFG - Other            | 6,420.00     |
| <b>Total 114.81 · Gas Plant Acq Adj - KFG</b>       | 15,427.90    |
| 115.8 · Accum Amortization - Acquisitio             | -5,453.00    |
| 115.88 · Accumulated Depr - KFG                     | -798.00      |
| <b>Total 101.8 · Peoples Gas Utility Plant</b>      | 33,263.60    |
| <b>Total 101 · Utility Plant</b>                    | 1,948,202.95 |
| <b>154 · INVENTORY</b>                              | 77,465.56    |
| <b>380 · General Plant Assets</b>                   |              |
| <b>391 · Office Furniture &amp; Equipment</b>       |              |
| 391.1 · Office Furniture & Equipment                | 1,162.20     |
| 391.11 · Office Equip - Folder/Inserter             | 10,270.34    |
| <b>Total 391 · Office Furniture &amp; Equipment</b> | 11,432.54    |
| <b>392 · Transportation Equipment</b>               |              |
| 108 · Gen Utility Plant - Accum Depr                | -8,527.00    |
| 392.1 · 1996 Ford F-150                             | 5,300.00     |
| 392.2 · 2005 Toyota                                 | 12,500.00    |
| 392 · Transportation Equipment - Other              | 1,675.00     |
| <b>Total 392 · Transportation Equipment</b>         | 10,948.00    |
| <b>394 · Tools, Shop &amp; Garage Equip</b>         | 7,888.19     |
| <b>396 · Power Operated Equipment</b>               |              |
| 396.3 · CAT MINI EXCAVATOR                          | 33,780.90    |
| <b>Total 396 · Power Operated Equipment</b>         | 33,780.90    |
| <b>397 · Tools &amp; Equipment</b>                  | 2,460.32     |
| <b>380 · General Plant Assets - Other</b>           | 137.51       |
| <b>Total 380 · General Plant Assets</b>             | 66,647.46    |
| <b>Total Fixed Assets</b>                           | 2,092,315.97 |
| <b>Other Assets</b>                                 |              |
| <b>123 · Investment in Subsidiary Compan</b>        |              |
| <b>123.1 · Investment - Auxier Rd</b>               |              |
| 376.77 · Mains                                      | 2,734.92     |
| 380.7 · Services                                    | 1,048.50     |
| 381.77 · Meters                                     | 163.41       |
| 382.7 · New Meter Installation                      | 1,103.25     |
| 123.1 · Investment - Auxier Rd - Other              | 1,695,459.23 |
| <b>Total 123.1 · Investment - Auxier Rd</b>         | 1,700,509.31 |
| <b>123.2 · Investment - Cow Creek</b>               |              |
| 376.9 · Mains                                       | 4,756.28     |
| 380.9 · Services                                    | 2,158.88     |
| 382.9 · Meters                                      | 3,087.00     |
| 123.2 · Investment - Cow Creek - Other              | 530,000.00   |
| <b>Total 123.2 · Investment - Cow Creek</b>         | 540,002.16   |
| <b>123.3 · Investment - DEMA</b>                    | 10,000.00    |
| <b>123.4 · Investment - Interstate FT</b>           | 10,000.00    |
| <b>Total 123 · Investment in Subsidiary Compan</b>  | 2,260,511.47 |

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**Kentucky Frontier Gas, LLC**  
**Balance Sheet**  
 As of December 31, 2011

|  | Dec 31, 11          |
|--|---------------------|
| Total Other Assets                             | 2,260,511.47        |
| <b>TOTAL ASSETS</b>                            | <b>4,567,994.13</b> |
| <b>LIABILITIES &amp; EQUITY</b>                |                     |
| <b>Liabilities</b>                             |                     |
| <b>Current Liabilities</b>                     |                     |
| <b>Accounts Payable</b>                        |                     |
| 232 · Accounts Payable                         | 452,508.93          |
| <b>Total Accounts Payable</b>                  | 452,508.93          |
| <b>Other Current Liabilities</b>               |                     |
| 223 · Notes Payable to Assoc Co - IGS          | 27,505.60           |
| 223.1 · Note Payable - B Branham               | 20,000.00           |
| 233.2 · NOTES PAYABLE-DLR                      | 10,000.00           |
| 235 · Customer Deposits/Retainers              |                     |
| 237 · Accrued Interest Deposits                | 1,591.04            |
| 235 · Customer Deposits/Retainers - Other      | 49,549.91           |
| <b>Total 235 · Customer Deposits/Retainers</b> | 51,140.95           |
| 236 · Payroll Liabilities                      | 13,077.74           |
| 241 · Sales Tax Payable                        | 4,212.14            |
| 242 · Utility Tax Payable                      | 1,570.33            |
| <b>Total Other Current Liabilities</b>         | 127,506.76          |
| <b>Total Current Liabilities</b>               | 580,015.69          |
| <b>Long Term Liabilities</b>                   |                     |
| 224 · Long Term Liability                      |                     |
| 224.1 · Community Trust Bank Loan              | 1,115,204.62        |
| 224.2 · USDA Loan #1                           | 1,455,850.21        |
| 224.3 · USDA Loan #2                           | 161,810.61          |
| 224.4 · COMMUNITY TRUST BANK(EXCAVATOR)        | 17,287.66           |
| <b>Total 224 · Long Term Liability</b>         | 2,750,153.10        |
| <b>Total Long Term Liabilities</b>             | 2,750,153.10        |
| <b>Total Liabilities</b>                       | 3,330,168.79        |
| <b>Equity</b>                                  |                     |
| 211.1 · Partner One Equity - RJO               |                     |
| 208.1 · Partner One Investments                | 322,500.00          |
| <b>Total 211.1 · Partner One Equity - RJO</b>  | 322,500.00          |
| 211.2 · Partner Two Equity - SS                |                     |
| 208.2 · Partner Two Investments                | 430,000.00          |
| <b>Total 211.2 · Partner Two Equity - SS</b>   | 430,000.00          |
| 211.3 · Partner Three Equity - LR              |                     |
| 208.3 · Partner Three Investments              | 209,805.15          |
| <b>Total 211.3 · Partner Three Equity - LR</b> | 209,805.15          |
| 211.4 · Partner Four Equity - IGS              |                     |
| 208.4 · Partner Four Investments               | 107,500.00          |
| <b>Total 211.4 · Partner Four Equity - IGS</b> | 107,500.00          |
| 216 · Retained Earnings                        | -193,515.35         |
| Net Income                                     | 361,535.54          |
| <b>Total Equity</b>                            | 1,237,825.34        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>          | <b>4,567,994.13</b> |

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**Kentucky Frontier Gas, LLC**  
**Profit & Loss**  
 January through December 2011

|   | Jan - Dec 11        |
|---|---------------------|
| <b>Income</b>                                     |                     |
| 418.1 · Equity in earnings of subsid co           | 351,941.57          |
| 419.1 · ALLOW FUNDS USED FOR CONSTR               | 18,228.00           |
| 421 · Misc Nonoperating Income                    | 1,800.00            |
| 480 · Residential Sales                           | 1,102,269.36        |
| 481 · Commercial & Industrial Sales               | 234,245.03          |
| 482 · Commercial Tax Exempt                       | 147,312.79          |
| 487 · Penalties & Forfeited Discounts             | 24,707.47           |
| 488 · Miscellaneous Service Revenues              |                     |
| 488.4 · Service Charges                           | 75.00               |
| 488 · Miscellaneous Service Revenues - Other      | 25.00               |
| <b>Total 488 · Miscellaneous Service Revenues</b> | <b>100.00</b>       |
| 488.5 · BTU Contract                              | 123,037.99          |
| 489 · Sales Tax Commission                        | 119.13              |
| <b>Total Income</b>                               | <b>2,003,761.34</b> |
| <b>Cost of Goods Sold</b>                         |                     |
| 800 · Gas Supply Expenses                         |                     |
| 804 · Natural Gas Purchases & Transp              | 798,300.59          |
| <b>Total 800 · Gas Supply Expenses</b>            | <b>798,300.59</b>   |
| <b>Total COGS</b>                                 | <b>798,300.59</b>   |
| <b>Gross Profit</b>                               | <b>1,205,460.75</b> |
| <b>Expense</b>                                    |                     |
| 408 · Taxes Other Than Income Taxes               |                     |
| 408.1 · Payroll Taxes Expenses                    | 17,411.63           |
| 408.3 · Property Tax                              | -1,366.31           |
| 408.4 · Annual PSC Assessment                     | 7,682.02            |
| 408 · Taxes Other Than Income Taxes - Other       | 175.00              |
| <b>Total 408 · Taxes Other Than Income Taxes</b>  | <b>23,902.34</b>    |
| 409 · Income Taxes                                |                     |
| 409.3 · Other State Income Taxes                  | 1,257.61            |
| <b>Total 409 · Income Taxes</b>                   | <b>1,257.61</b>     |
| 427 · Interest on Long-Term Debt                  | 42,060.45           |
| 431 · Other Interest Expense                      | 435.22              |
| 768 · CONTRACT LABOR                              | 226.00              |
| 870 · DISTRIBUTION EXPENSES                       |                     |
| 871 · DISTRIBUTION OPERATION                      |                     |
| 872 · Comp Station Labor & Exp                    | 636.00              |
| 874 · Mains & Services Expenses                   | 47,752.71           |
| 878 · Meter & House Regulator Exp                 | 17,761.19           |
| 879 · Customer Installations Exp                  | 50.00               |
| 880 · Other Expenses                              |                     |
| 880.1 · DOT Physicals                             | 370.00              |
| 880.2 · Travel for Tech Training                  | 1,438.23            |
| 880.3 · Drug Testing                              | 368.00              |
| 880.4 · Licenses & Permits                        | 1,173.89            |
| 880.5 · Travel for Members                        |                     |
| Meals   | 13.68               |
| 880.5 · Travel for Members - Other                | 15,432.25           |
| <b>Total 880.5 · Travel for Members</b>           | <b>15,445.93</b>    |
| 880.6 · Training                                  | 6,599.58            |
| 880.8 · EASEMENTS                                 | 721.03              |
| <b>Total 880 · Other Expenses</b>                 | <b>26,116.66</b>    |
| <b>Total 871 · DISTRIBUTION OPERATION</b>         | <b>92,316.56</b>    |
| 884 · DISTRIBUTION MAINTENANCE                    |                     |
| 887 · Maintenance of Mains                        | 33,630.94           |
| 892 · Maintenance of Services                     | 33,189.16           |
| 893 · Maint of Meters & House Reg                 | 530.72              |
|   |                     |

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**Kentucky Frontier Gas, LLC**  
**Profit & Loss**  
 January through December 2011

|   | Jan - Dec 11 |
|---|--------------|
| <b>Total 884 · DISTRIBUTION MAINTENANCE</b>           | 67,350.82    |
| <b>Total 870 · DISTRIBUTION EXPENSES</b>              | 159,667.38   |
| <b>900 · CUSTOMER ACCOUNTS EXPENSES</b>               |              |
| <b>900.1 · CUSTOMER ACCT OPERATION</b>                |              |
| 902 · Meter Reading Exp                               | 27,061.72    |
| 903 · Customer Records & Collec Exp                   | 38,523.61    |
| 905 · Misc Customer Accounts Exp                      |              |
| 905.1 · Travel for Customer Accounts                  | 403.11       |
| 905.2 · Postage and Delivery                          | 11,025.93    |
| 905.3 · Printing and Reproduction                     | 42.96        |
| <b>Total 905 · Misc Customer Accounts Exp</b>         | 11,472.00    |
| <b>Total 900.1 · CUSTOMER ACCT OPERATION</b>          | 77,057.33    |
| <b>900 · CUSTOMER ACCOUNTS EXPENSES - Other</b>       | 336.86       |
| <b>Total 900 · CUSTOMER ACCOUNTS EXPENSES</b>         | 77,394.19    |
| <b>906 · CUSTOMER SERVICE &amp; INFORMATION</b>       |              |
| <b>906.1 · C S &amp; I OPERATION</b>                  |              |
| 907 · Supervision                                     | 13,050.02    |
| 909 · Inform & Instruc Advert Exp                     |              |
| 909.1 · Web Support                                   | 1,289.60     |
| 909.2 · PUBLIC AWARENESS EXPENSE                      | 387.25       |
| <b>Total 909 · Inform &amp; Instruc Advert Exp</b>    | 1,676.85     |
| 910 · Misc Cust Serv & Infor Exp                      | 976.51       |
| 906.1 · C S & I OPERATION - Other                     | -330.00      |
| <b>Total 906.1 · C S &amp; I OPERATION</b>            | 15,373.38    |
| <b>Total 906 · CUSTOMER SERVICE &amp; INFORMATION</b> | 15,373.38    |
| <b>918 · ADMINISTRATIVE &amp; GENERAL EXP</b>         |              |
| <b>919 · ADMIN &amp; GEN OPERATION</b>                |              |
| 920 · Admin & General Salaries                        |              |
| 920.1 · Gen Admin Salaries - Leave, etc               | 94,745.85    |
| 920.2 · Payroll Administration Expenses               | 4,129.64     |
| 920 · Admin & General Salaries - Other                | -3,525.60    |
| <b>Total 920 · Admin &amp; General Salaries</b>       | 95,349.89    |
| 921 · Office Supplies and Expenses                    |              |
| 921.1 · Office Equipment                              | 1,486.95     |
| 921.2 · Office Supplies                               | 4,757.44     |
| 921.3 · Bank Service Charges                          | 2,819.22     |
| 921.4 · Computer Software                             | 2,482.73     |
| 921.5 · Cleaning/Janitorial                           | 1,718.00     |
| 921.7 · Dues and Subscriptions                        | 1,540.31     |
| 921.8 · Telephone and Fax                             | 5,752.85     |
| 921.9 · Utilities                                     | 10,395.29    |
| 921 · Office Supplies and Expenses - Other            | 3,516.88     |
| <b>Total 921 · Office Supplies and Expenses</b>       | 34,469.67    |
| 923 · Outside Services Employed                       |              |
| 923.1 · Outside Services - Manager                    | 39,430.50    |
| 923.2 · Outside Services - Accounting                 | 26,200.55    |
| 923.3 · Outside Services - Engineering                | 5.60         |
| 923.4 · Outside Services - Legal                      | 7,991.34     |
| 923 · Outside Services Employed - Other               | 334.25       |
| <b>Total 923 · Outside Services Employed</b>          | 73,962.24    |
| 924 · Insurance                                       |              |
| 924.1 · Auto Insurance                                | 4,886.73     |
| 924.2 · General Liability Insurance                   | 4,589.40     |
| 924.3 · Life Insurance                                | 1,362.91     |
| 924.4 · Property Insurance                            | 611.34       |
| 924.5 · Worker's Compensation                         | 5,443.95     |

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**Kentucky Frontier Gas, LLC**  
**Profit & Loss**  
January through December 2011

|   | <u>Jan - Dec 11</u> |
|---|---------------------|
| 924.6 · Health Insurance                            | 13,236.08           |
| <b>Total 924 · Insurance</b>                        | <b>30,130.41</b>    |
| 927 · Franchise Requirements                        | 28.28               |
| 928 · Regulatory Commission Expenses                | 9,425.00            |
| 930.2 · Miscellaneous General Expenses              |                     |
| 930.21 · Reconciliation Discrepancies               | 0.02                |
| 930.2 · Miscellaneous General Expenses - Other      | 1,268.53            |
| <b>Total 930.2 · Miscellaneous General Expenses</b> | <b>1,268.55</b>     |
| 931 · Rents   | 18,084.00           |
| <b>Total 919 · ADMIN &amp; GEN OPERATION</b>        | <b>262,718.04</b>   |
| <b>Total 918 · ADMINISTRATIVE &amp; GENERAL EXP</b> | <b>262,718.04</b>   |
| 932 · MAINTENANCE OF GENERAL PLANT                  |                     |
| 932.0 · Maint of General Plant - Garage             | 2,256.34            |
| 932.1 · Repairs                                     |                     |
| Building Repairs                                    | 282.00              |
| Computer Repairs                                    | 1,143.18            |
| Equipment Repairs                                   |                     |
| Transportation Equipment                            | 2,701.73            |
| <b>Total Equipment Repairs</b>                      | <b>2,701.73</b>     |
| 932.1 · Repairs - Other                             | 12,586.39           |
| <b>Total 932.1 · Repairs</b>                        | <b>16,713.30</b>    |
| 932.3 · Tools & Equipment                           | 398.27              |
| 932.4 · Transportaion Equipment Fuel                | 37,140.36           |
| 932 · MAINTENANCE OF GENERAL PLANT - Other          | 8.27                |
| <b>Total 932 · MAINTENANCE OF GENERAL PLANT</b>     | <b>56,516.54</b>    |
| 981 · Interest Expense-Meter Deposit                | 395.58              |
| <b>Total Expense</b>                                | <b>639,946.73</b>   |
| <b>Net Income</b>                                   | <b>565,514.02</b>   |



## Loan Note Detail

**Report created:** 03/15/2012 04:36:52 PM (ET)  
**Current as of:** 03/15/2012 04:36:52 PM (ET)  
**Loan ABA:** 042102694  
**Loan account:** \*3313  
**Loan description:** SBA Loan  
**Note ID:** 3

### Note Description

**Issued date:** 12/30/2008  
**Maturity date:** 12/30/2018  
**Interest rate:** 3.75%  
**Original balance:** \$222,000.00  
**Current balance:** \$1,095,003.58  
**Commitment ID:** N/A  
**Commitment available balance:** N/A

### Payment Due Information

**Next payment due date:** 03/30/2012  
**Amount due:** \$15,322.11  
**Next interest payment amount due:** \$0.00  
**Per diem increase amount:** \$112.19  
**Estimated payoff amount:** \$1,096,684.03

### Payment History Information

**Last payment amount:** \$15,322.11  
**Last payment date:** 02/27/2012  
**Interest paid year-to-date:** \$6,950.27  
**Interest paid last year:** \$44,808.34

### Collateral Information

**Collateral description:** ALL ASSETS OF BORROWER (SEE UCC) / GUARANTORS \*\*\*\*  
 MULTIPLE COLL \*\*\*\*



## Loan Note Detail

**Report created:** 03/15/2012 04:30:32 PM (ET)  
**Current as of:** 03/15/2012 04:30:32 PM (ET)  
**Loan ABA:** 042102694  
**Loan account:** \*4401  
**Loan description:** KENTUCKY FRONTIER GAS LLC  
**Note ID:** 3

### Note Description

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|                               |                |
|-------------------------------|----------------|
| Issued date:                  | 04/13/2010     |
| Maturity date:                | 04/13/2025     |
| Interest rate:                | 6.00%          |
| Original balance:             | \$1,571,760.00 |
| Current balance:              | \$1,435,854.03 |
| Commitment ID:                | N/A            |
| Commitment available balance: | N/A            |

### Payment Due Information

---

|                                   |                |
|-----------------------------------|----------------|
| Next payment due date:            | 04/13/2012     |
| Amount due:                       | \$13,500.00    |
| Next interest payment amount due: | \$0.00         |
| Per diem increase amount:         | \$239.31       |
| Estimated payoff amount:          | \$1,493,766.81 |

### Payment History Information

---

|                             |             |
|-----------------------------|-------------|
| Last payment amount:        | \$13,500.00 |
| Last payment date:          | 03/13/2012  |
| Interest paid year-to-date: | \$22,003.82 |
| Interest paid last year:    | \$90,946.10 |

### Collateral Information

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|                         |  |
|-------------------------|--|
| Collateral description: | *MULTIPLE COLL / GUARANTORS *CROSS-COLLATERALIZED WITH NOTE#4* |
|-------------------------|--|

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## Loan Note Detail

**Report created:** 03/15/2012 04:35:00 PM (ET)  
**Current as of:** 03/15/2012 04:35:00 PM (ET)  
**Loan ABA:** 042102694  
**Loan account:** \*4401  
**Loan description:** KENTUCKY FRONTIER GAS LLC  
**Note ID:** 4

### Note Description

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|                               |              |
|-------------------------------|--------------|
| Issued date:                  | 04/13/2010   |
| Maturity date:                | 04/13/2025   |
| Interest rate:                | 6.00%        |
| Original balance:             | \$174,640.00 |
| Current balance:              | \$160,430.59 |
| Commitment ID:                | N/A          |
| Commitment available balance: | N/A          |

### Payment Due Information

---

|                                   |              |
|-----------------------------------|--------------|
| Next payment due date:            | 03/13/2012   |
| Amount due:                       | \$1,500.00   |
| Next interest payment amount due: | \$0.00       |
| Per diem increase amount:         | \$26.74      |
| Estimated payoff amount:          | \$167,676.70 |

### Payment History Information

---

|                             |             |
|-----------------------------|-------------|
| Last payment amount:        | \$1,500.00  |
| Last payment date:          | 02/13/2012  |
| Interest paid year-to-date: | \$1,669.46  |
| Interest paid last year:    | \$10,105.12 |

### Collateral Information

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|                         |  |
|-------------------------|--|
| Collateral description: | *MULTIPLE COLL / GUARANTOR *CROSS-COLLATERALIZED WITH NOTE #3* |
|-------------------------|--|

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## Loan Note Detail

**Report created:** 03/15/2012 04:38:14 PM (ET)  
**Current as of:** 03/15/2012 04:38:14 PM (ET)  
**Loan ABA:** 042102694  
**Loan account:** \*1956  
**Loan description:** KY FRONTIER GAS  
**Note ID:** 3

### Note Description

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**Issued date:** 04/14/2011  
**Maturity date:** 04/14/2013  
**Interest rate:** 5.00%  
**Original balance:** \$25,500.00  
**Current balance:** \$14,135.52  
**Commitment ID:** N/A  
**Commitment available balance:** N/A

### Payment Due Information

---

**Next payment due date:** 04/14/2012  
**Amount due:** \$1,119.67  
**Next interest payment amount due:** \$0.00  
**Per diem increase amount:** \$1.96  
**Estimated payoff amount:** \$14,137.34

### Payment History Information

---

**Last payment amount:** \$1,119.67  
**Last payment date:** 03/13/2012  
**Interest paid year-to-date:** \$206.87  
**Interest paid last year:** \$745.02

### Collateral Information

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**Collateral description:** \*MULTIPLE COLLATERAL

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**KENTUCKY FRONTIER GAS LLC**  
**CONSOLIDATED INCOME/EXPENSE 2011**

3/16/2012

|  | 1/1/2011       | 2/28/2011       | 3/31/2011       | 4/30/2011       | 5/31/2011       | 6/30/2011       |
|--|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>OPERATING REVENUES:</b>             |                |                 |                 |                 |                 |                 |
| Gas Sales Revenues                     | 737,365        | 498,617         | 381,245         | 222,142         | 146,360         | 100,439         |
| Other Revenues                         | 2,116          | 4,393           | 3,501           | 1,790           | 774             | 19,745          |
| <b>TOTAL REVENUES</b>                  | <b>739,482</b> | <b>503,010</b>  | <b>384,745</b>  | <b>223,932</b>  | <b>147,133</b>  | <b>120,184</b>  |
| <b>OPERATING EXPENSES:</b>             |                |                 |                 |                 |                 |                 |
| Natural Gas Purchases                  | 395,275        | 287,671         | 185,192         | 123,326         | 101,211         | 48,038          |
| Maintenance Expense                    | 21,738         | 21,878          | 27,231          | 24,967          | 19,411          | 31,238          |
| Office Supplies                        | 5,235          | 2,263           | 5,550           | 4,644           | 2,989           | 3,714           |
| Outside Services                       | 12,851         | 9,043           | 10,364          | 8,150           | 10,200          | 12,663          |
| Customer Records, etc                  | 9,697          | 8,864           | 10,595          | 15,836          | 10,476          | 9,160           |
| Meter Reading Labor                    | 3,512          | 3,690           | 3,924           | 2,359           | 2,283           | 4,974           |
| Admin Salaries                         | 6,935          | 4,913           | 6,625           | 4,144           | 7,467           | 6,876           |
| Pensions & Benefits                    | 1,886          | 1,886           | 5,431           | (281)           | 1,873           | 2,206           |
| Property Insurance                     | 2,067          | 7,971           | 2,447           | 2,447           | 1,200           | 1,200           |
| Other/Misc Expenses                    | 452            | (125)           | 963             | 37              | 235             |                 |
| Depreciation                           | 15,446         | 15,446          | 15,446          | 15,446          | 15,446          | 15,446          |
| Tax Expense - Other                    | 2,509          | 2,303           | 2,102           | 1,990           | 2,847           | 7,188           |
| Income Tax Expense                     |                | 1,258           |                 | 875             | 0               |                 |
| <b>TOTAL OPERATING EXPENSE</b>         | <b>477,603</b> | <b>367,060</b>  | <b>275,870</b>  | <b>203,939</b>  | <b>175,638</b>  | <b>142,703</b>  |
| <b>NET OPERATING INCOME</b>            | <b>261,878</b> | <b>135,950</b>  | <b>108,875</b>  | <b>19,993</b>   | <b>(28,505)</b> | <b>(22,520)</b> |
| <b>OTHER INCOME &amp; DEDUCTIONS</b>   |                |                 |                 |                 |                 |                 |
| Interest on L-T Debt                   | 4,004          | 12,456          | 11,669          | 12,556          | 12,195          | 12,518          |
| Amortization Expense                   |                |                 |                 |                 |                 |                 |
| <b>Subtotal - Deductions</b>           | <b>4,004</b>   | <b>12,456</b>   | <b>11,669</b>   | <b>12,556</b>   | <b>12,195</b>   | <b>12,518</b>   |
| <b>Subtotal - Income</b>               |                |                 |                 |                 |                 |                 |
| <b>Total Other Income &amp; Deduct</b> | <b>(4,004)</b> | <b>(12,456)</b> | <b>(11,669)</b> | <b>(12,556)</b> | <b>(12,195)</b> | <b>(12,518)</b> |
| <b>NET INCOME</b>                      | <b>257,875</b> | <b>123,495</b>  | <b>97,206</b>   | <b>7,437</b>    | <b>(40,700)</b> | <b>(35,038)</b> |

**KENTUCKY FRONTIER GAS LLC**  
**CONSOLIDATED INCOME/EXPENSE 2011**

3/16/2012

|  | 7/31/2011       | 8/31/2011       | 9/30/2011       | 10/31/2011      | 11/30/2011      | 12/31/2011      | TOTALS           |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| OPERATING REVENUES:                    |                 |                 |                 |                 |                 |                 | <b>0</b>         |
| Gas Sales Revenues                     | 91,725          | 94,867          | 105,979         | 163,618         | 274,757         | 384,714         | <b>3,201,827</b> |
| Other Revenues                         | 270             | 779             | 17,629          | 22,866          | 49,323          | 63,033          | <b>186,220</b>   |
| <b>TOTAL REVENUES</b>                  | <b>91,995</b>   | <b>95,646</b>   | <b>123,608</b>  | <b>186,484</b>  | <b>324,080</b>  | <b>447,747</b>  | <b>3,388,047</b> |
| OPERATING EXPENSES:                    |                 |                 |                 |                 |                 |                 |                  |
| Natural Gas Purchases                  | 56,523          | 49,853          | 55,569          | 85,716          | 153,766         | 196,221         | <b>1,738,360</b> |
| Maintenance Expense                    | 23,539          | 35,768          | 23,274          | 24,441          | 26,092          | 51,998          | <b>331,575</b>   |
| Office Supplies                        | 4,500           | 6,144           | 3,670           | 4,756           | 7,267           | 5,875           | <b>56,607</b>    |
| Outside Services                       | 9,098           | 8,638           | 11,050          | 3,883           | 12,150          | 2,387           | <b>110,476</b>   |
| Customer Records, etc                  | 14,047          | 11,751          | 9,284           | 16,089          | 10,309          | 15,493          | <b>141,602</b>   |
| Meter Reading Labor                    | 5,819           | 2,793           | 3,706           | 4,441           | 3,327           | 5,590           | <b>46,420</b>    |
| Admin Salaries                         | 14,364          | 21,383          | 15,927          | 18,340          | 23,500          | 12,140          | <b>142,614</b>   |
| Pensions & Benefits                    | 3,279           | 2,576           | 2,909           | 2,576           | 1,877           | 2,242           | <b>28,461</b>    |
| Property Insurance                     | 11,069          | 1,200           | 1,200           | 1,235           | 3,377           | 2,303           | <b>37,717</b>    |
| Other/Misc Expenses                    | 38              | 728             | 6               | 195             | 100             |                 | <b>2,627</b>     |
| Depreciation                           | 15,446          | 15,446          | 15,446          | 15,446          | 15,446          | 15,446          | <b>185,352</b>   |
| Tax Expense - Other                    | 6,764           | 2,316           | 690             | (23)            | 8,474           | 31,586          | <b>68,745</b>    |
| Income Tax Expense                     |                 |                 | 4,522           |                 |                 | 511             | <b>7,166</b>     |
| <b>TOTAL OPERATING EXPENSE</b>         | <b>164,485</b>  | <b>158,596</b>  | <b>147,254</b>  | <b>177,096</b>  | <b>265,685</b>  | <b>341,791</b>  | <b>2,897,722</b> |
| <b>NET OPERATING INCOME</b>            | <b>(72,490)</b> | <b>(62,950)</b> | <b>(23,646)</b> | <b>9,388</b>    | <b>58,396</b>   | <b>105,956</b>  | <b>490,326</b>   |
| OTHER INCOME & DEDUCTIONS              |                 |                 |                 |                 |                 |                 |                  |
| Interest on L-T Debt                   | 12,051          | 12,387          | 12,370          | 11,844          | 12,144          | 11,694          | <b>137,887</b>   |
| Amortization Expense                   |                 |                 |                 |                 |                 |                 | <b>0</b>         |
| <b>Subtotal - Deductions</b>           | <b>12,051</b>   | <b>12,387</b>   | <b>12,370</b>   | <b>11,844</b>   | <b>12,144</b>   | <b>11,694</b>   | <b>137,887</b>   |
| <b>Subtotal - Income</b>               |                 |                 |                 |                 |                 |                 | <b>0</b>         |
| <b>Total Other Income &amp; Deduct</b> | <b>(12,051)</b> | <b>(12,387)</b> | <b>(12,370)</b> | <b>(11,844)</b> | <b>(12,144)</b> | <b>(11,694)</b> | <b>(137,887)</b> |
| <b>NET INCOME</b>                      | <b>(84,541)</b> | <b>(75,337)</b> | <b>(36,016)</b> | <b>(2,456)</b>  | <b>46,252</b>   | <b>94,261</b>   | <b>352,438</b>   |

## **BTU Gas Income Statement**

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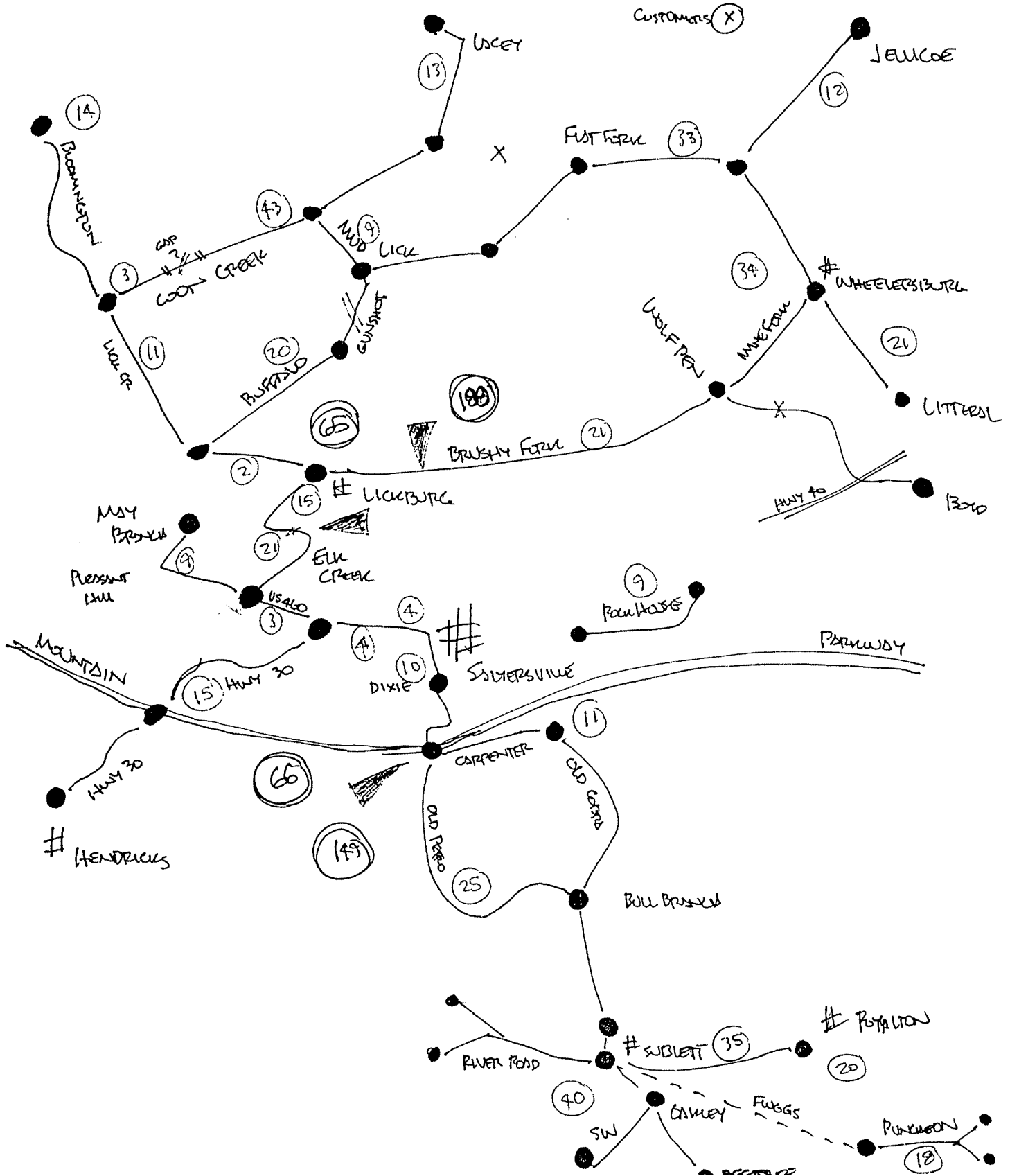
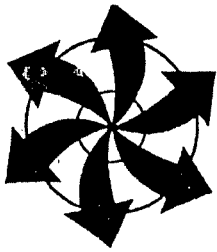
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Accrual Basis

**B T U GAS COMPANY, INC.**  
**Profit & Loss**  
**January through December 2011**

|   | <u>Jan - Dec 11</u>       |
|---|---------------------------|
| <b>Income</b>                                   |                           |
| 480 · RESIDENTIAL SALES                         | 70,342.75                 |
| 481 · COMMERCIAL SALES                          | 2,130.76                  |
| 482 · COMMERCIAL NONTAXABLE                     | 22,025.43                 |
| 487 · PENALTIES                                 | 287.94                    |
| <b>Total Income</b>                             | <u>94,786.88</u>          |
| <b>Cost of Goods Sold</b>                       |                           |
| 804 · GAS PURCHASES                             |                           |
| 80401 · GAS PURCHASE - SPIRIT ENERGY            | 98,190.00                 |
| 80402 · GAS PURCHASES - GIBRALTAR               | 6,935.37                  |
| 80403 · GAS PURCH-TACKETT&SONS DRILLING         | 7,528.00                  |
| 80404 · GAS PURCH - KENTUCKY RESERVES           | 25,596.00                 |
| 80405 · GAS PURCH- DAVID WALKER                 | 426.00                    |
| <b>Total 804 · GAS PURCHASES</b>                | <u>138,675.37</u>         |
| <b>Total COGS</b>                               | <u>138,675.37</u>         |
| <b>Gross Profit</b>                             | -43,888.49                |
| <b>Expense</b>                                  |                           |
| 874 · SERVICE SUPPLIES AND EXPENSE              | 22,008.05                 |
| 887 · Mains Maintenance                         | 4,769.85                  |
| 892 · Services Maintenance                      | 10,603.24                 |
| 902 · Meter Reading                             | 2,602.76                  |
| 903 · Customer Records/Billing                  | 10,490.95                 |
| 907 · Supervision/Management                    | 61,065.00                 |
| 920 · Payroll Expenses                          | 2,344.48                  |
| 921 · OFFICE SUPPLIES AND EXPENSES              |                           |
| 92101 · OFFICE SUPPLIES AND EXP                 | 2,699.93                  |
| 92102 · TELEPHONE                               | 1,843.82                  |
| <b>Total 921 · OFFICE SUPPLIES AND EXPENSES</b> | <u>4,543.75</u>           |
| 923 · Legal                                     | 2,656.50                  |
| 924 · Insurance                                 | 1,176.12                  |
| 930 · MISCELLANEOUS GEN EXPENSE                 | 11,229.20                 |
| 933 · TRANSPORTATION EXPENSE                    |                           |
| 93303 · TRANSPORTATION EXP                      | 2,514.02                  |
| <b>Total 933 · TRANSPORTATION EXPENSE</b>       | <u>2,514.02</u>           |
| <b>Total Expense</b>                            | <u>136,003.92</u>         |
| <b>Net Income</b>                               | <u><u>-179,892.41</u></u> |

## EXHIBIT 5





**Kentucky Frontier Gas**  
BTU Gas pipeline inventory

| Pipe Size in.   |                            | Total Feet                                   | Total Miles  | inch-miles   | Meters       | Details   |
|---|----------------------------|--|--------------|--------------|--------------|---|
| <b>Line Segments</b>  |                            | <i>per SES msmts on Google Earth 2/25/12</i> |              |              |              |   |
| <i>Northwest Section, north of US 460, W of Lickburg-CoonCr-Buffalo-Lacey</i> |                            |  |              |              |              |   |
| 2   | Lacey Branch               | 13,930                                       | 2.64         | 5.3          | 13           | Lacey Br well to 1081 Coon Cr                   |
| 2   | Lacey connector            | 5,850  | 1.11         | 2.2          |              | on CR 1081 Lacey Br to Mud Lick                 |
| 2   | Coon Creek                 | 21,750                                       | 4.12         | 8.2          | 43           | (1mi? missing) all Coon Cr from Lacey to LickCr |
| 2   | Bloomington                | 8,160  | 1.55         | 3.1          | 14           | NW of Coon Cr to Bloomgtn to Dora Lee Rd        |
| 1   | Bloomington                | 4,500  | 0.85         | 0.9          |              | off Bloom latl: GansHwd-N.River-DoraLee         |
| 2   | Mud Lick connector         | 1,250  | 0.24         | 0.5          |              | Mud Lick short from Coon Creek to Buffalo       |
| 2   | Flat Fork - Mud Lick       | 5,240  | 0.99         | 2.0          | 9            | Mud Lick from Buffalo E to Caudill Cem          |
| 2   | Flat Fork - Gunshot        | 2,740  | 0.52         | 1.0          |              | upper Mud Lick to Flat Fk 1081 (abd 2012 shot)  |
| 3   | Lick Creek                 | 4,580  | 0.87         | 2.6          | 14           | CR 1081 from Buff Ch to Coon Creek end          |
| 3   | Buffalo Cr                 | 18,800                                       | 3.56         | 10.7         | 20           | Buffalo Church up Buff Cr to Mud Lick           |
| 3   | Lickburg connector         | 3,020  | 0.57         | 1.7          | 2            | Lickburg to Buffalo Church on CR                |
| 3   | Elk Creek                  | 15,670                                       | 2.97         | 8.9          | 36           | CR 2019 Lickburg to US 460                      |
|   |                            | <b>105,490</b>                               | <b>19.98</b> | <b>47.1</b>  | <b>151</b>   |   |
|   |                            |  |              | <b>28.8%</b> | <b>31.8%</b> |   |
| <i>Northeast Section, north of US 460, Lickburg-Brushy-MineFrk-FlatFrk</i>    |                            |  |              |              |              |   |
| 2   | Jellicoe ext               | 10,680                                       | 2.02         | 4.0          | 12           | from Flat Fork                                  |
| 3   | Flat Fork                  | 4,580  | 0.87         | 2.6          | 33           | Flat Fork to Jellicoe                           |
| 2   | Mine Fork N                | 5,940  | 1.13         | 2.3          |              | along CR 1087 to Wheelersburg                   |
| 2   | Litteral ext               | 3,550  | 0.67         | 1.3          | 21           | Wheelersburg SE on CR 1437                      |
| 2   | Mine Fork S                | 16,220                                       | 3.07         | 6.1          | 34           | Wheelersburg S over hills to Wolfpen            |
| 2   | Boyd well Hwy 40           | 11,000                                       | 2.08         | 4.2          |              | Boyd well near Hwy 40 adj 1081 to Lick Cr       |
| 3   | Brushy Fork                | 14,950                                       | 2.83         | 8.5          | 21           | Wolfpen to Lickburg                             |
|   |                            | <b>66,920</b>                                | <b>12.67</b> | <b>29.0</b>  | <b>121</b>   |   |
|   |                            |  |              | <b>17.8%</b> | <b>25.5%</b> |   |
| <i>Middle Section, US 460 &amp; Salyersville</i>                              |                            |  |              |              |              |   |
| 2   | May Branch & Pleasant Hill | 7,900  | 1.50         | 3.0          | 9            | School W then up May Br                         |
| 3   | School US 460 connector    | 4,850  | 0.92         | 2.8          | 3            | US 460 connector Elk Cr 2019 to Hwy 30          |
| 2   | Hwy 30 N                   | 10,620                                       | 2.01         | 4.0          | 15           | US 460 connector Elk Cr to Hwy 30               |
| 2   | Hwy 30 S                   | 8,200  | 1.55         | 3.1          |              | along Hwy 30 from Parkway to Hendricks          |
| 3   | Salyersville W             | 5,770  | 1.09         | 3.3          | 8            | Hwy 30 through Salyersvl to Auxier Br Rd        |
| 3   | Salyersville S             | 5,100  | 0.97         | 2.9          | 10           | Auxier Br Rd S to Parkway                       |
| 2   | Auxier Branch              | 5,600  | 1.06         | 2.1          |              | in Salyersville to Courthouse (now Frontier)    |

**Kentucky Frontier Gas**  
*BTU Gas pipeline inventory*

| Pipe Size in.   |                          | Total Feet     | Total Miles  | inch-miles   | Meters       | Details                                    |
|---|--------------------------|----------------|--------------|--------------|--------------|--|
| 4   | Rockhouse Rd             | 7,400          | 1.40         | 5.6          | 9            | E of Salyersville to New US 460 (isolated) |
|   |                          | <b>55,440</b>  | <b>10.50</b> | <b>26.8</b>  | <b>54</b>    |  |
|   |                          |                |              | <b>16.4%</b> | <b>11.4%</b> |  |
| <i>South Section, Parkway-Sublett-Royalton-Puncheon</i> |                          |                |              |              |              |  |
| 4   | Old Petro Line           | 17,830         | 3.38         | 13.5         | 25           | Parkway-Licking Riv-Lakeville-Bull Br      |
| 2   | Carpenter well connector | 5,270          | 1.00         | 2.0          |              | on CR 1090 from Petro to Rte 7             |
| 3   | Old Cobra line           | 14,900         | 2.82         | 8.5          | 11           | Rte 7 Parkway to Bull Branch               |
| 3   | RC May line              | 8,500          | 1.61         | 4.8          |              | Bull Br to Wms property                    |
| 4   | Bull Branch              | 8,800          | 1.67         | 6.7          |              | Bull Br to Sublett                         |
| 3   | Royalton                 | 11,000         | 2.08         | 6.3          | 55           | Sublett through Royalto                    |
| 2   | Oakley connector         | 1,000          | 0.19         | 0.4          |              | short to Oakley wye                        |
| 2   | River Road               | 15,200         | 2.88         | 5.8          | 40           | Oakley wye W along Licking River           |
| 2   | Oakley                   | 4,000          | 0.76         | 1.5          |              | lateral south                              |
| 2   | Oakley SW                | 5,000          | 0.95         | 1.9          |              | extension SW (Thompson claim 2011)         |
| 2   | Oakley - Bee Branch      | 15,500         | 2.94         | 5.9          |              | extension S (Thompson claim 2011)          |
| 2   | Puncheon lateral         | 9,000          | 1.70         | 3.4          | 18           | off FWGGS (isolated)                       |
|   |                          | <b>116,000</b> | <b>21.97</b> | <b>60.5</b>  | <b>149</b>   |  |
|   |                          |                |              | <b>37.0%</b> | <b>31.4%</b> |  |
| <b>Total BTU System</b>                                 |                          | <b>343,850</b> | <b>65.12</b> | <b>163.4</b> | <b>475</b>   |  |
|   |                          |                |              | <b>100%</b>  | <b>100%</b>  |  |
| <b><i>BTU Gas system</i></b>                            |                          |                |              |              |              |  |
| 1-inch  |                          | 4,500          | <b>0.85</b>  | <i>0.85</i>  | <i>0.5%</i>  | by diam-inch-mile                          |
| 1.25-inch   |                          | 1              | <b>0.00</b>  | <i>0.00</i>  |              |  |
| 2-inch  |                          | 193,600        | <b>36.67</b> | 73.3         | 44.9%        |  |
| 3-inch  |                          | 111,720        | <b>21.16</b> | 63.5         | 38.8%        |  |
| 4-inch  |                          | 34,030         | <b>6.45</b>  | 25.8         | 15.8%        |  |
| <b>Totals</b>   |                          | <b>343,851</b> | <b>65.12</b> | <b>163.4</b> |              |  |
| <i>miles</i>  |                          |                |              |              |              |  |
| <i>Fontaine-Wms Gas Gathering System</i>                |                          |                |              |              |              |  |
| 8   | FWGGS                    | 115,310        | 21.84        | 174.7        |              | Royalton to David near Martin              |

EXHIBIT 6



March 14, 2012

Mr. Terry Spear  
Community Trust Bank Inc.

Re: Loan Application  
BTU Gas System Purchase

Dear Terry:

In phone conferences with you and Steve Belcher we discussed the feasibility of a loan with CTBI, perhaps through the SBA, for the purchase of the assets of BTU Gas Company. Kentucky Frontier Gas, LLC is the successful bidder, by order of the bankruptcy court, for the purchase of BTU's assets. Frontier is in the process of filing an application with the Kentucky PSC for approval of the transfer of the utility to Frontier. As a part of the application we need a loan commitment letter for the portion of the acquisition that we want to finance.

Therefore, Frontier requests a commitment letter from CTBI which will contain the following:

1. Loan amount of \$250,000 for the purchase of BTU assets. (Frontier's bid was \$255,000. A payment of \$25,500 was made by Frontier to the bankruptcy trustee on February 17, 2012. Frontier has operated the system since August 15, 2011 under a Service Agreement with the trustee. Frontier has invoiced the trustee for over \$200,000 through February 29, 2012 for actual operating costs, including gas purchases from gas producers. The trustee will pay Frontier \$25,500 toward the invoiced amount, but has no other funds available until the closing on the sale of assets. Frontier expects the total amount billed for services will be between \$255,000 and \$300,000 by June 1. BTU's assets consist of over 70 miles of 1" to 4" pipe and over 500 customers. Frontier's valuation guideline of \$1000 per customer indicates a value of \$500,000.)

BTU annual sales volume has been, and is projected to continue at or above 35,000 MCF. The current approved tariff for BTU provides for a margin of \$3.90 for the first MCF, and \$2.97 per MCF for addition volumes each month. This projects to annual gross revenue of \$110,000. This is incremental income added to Frontier's current operations. Frontier will add two employees (technician and office clerk), one vehicle, and expenses for billing and other incidentals such as postage for 500 bills, which will total \$79,000 per year.

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Kentucky Frontier Gas, LLC  
4891 Independence Street, Suite 200, Wheat Ridge, CO 80033  
igsinc@att.net 303-422-3400 Fax 303-422-6105

We will send by mail the following documents:

1. Current financials for each Frontier member, signed and dated.
2. Personal Income Tax returns for 2010, signed and dated.
3. Frontier Income Tax returns for 2010, signed and dated.
2. Frontier Balance Sheet and P&L for 2011, signed and dated.
3. Frontier debt schedule.

Kentucky Frontier Gas, LLC was formed in Colorado in 2005, by its members, Steven E. Shute (40%), Robert J. Oxford (30%), Larry J. Rich (20%), and Industrial Gas Services, Inc. (10%). Frontier acquired, effective December 1, 2008, 100% ownership in the Floyd County Gas system (aka East Kentucky Utilities), Mike Little Gas Company, Belfry Gas system, and the farm taps of Kinzer Drilling Company and Alert Gas and Oil Company. Frontier has operated the gas systems of these companies and served their former residential and commercial customers, numbering over 2000, for over three years.

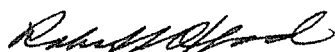
Frontier acquired Auxier Road Gas Company, Cow Creek Gas Company, Dema Gas Company, and Farm Taps from Interstate Gas Company in early 2010. In January 2010, Frontier moved into ARGC's office building and shop under a lease from Sallye Branham at the market rate of \$18,000 per year. Total customers presently number over 3500.

Frontier projects a net profit of over \$200,000 through December, 2012 on gross revenue of over \$1,500,000. Customer stability is strong, with the usual dip in numbers during the summer and the usual reconnections in the fall. Frontier now has seven full time technicians and an office staff of four. Frontier's hourly wages for technicians, administrators, clerks are above average. The company personnel handbook outlines the benefits provided to employees. The Member-owners provide management for the company and have a four bedroom townhouse in Stone Crest that provides lodging and executive offices for them in Prestonsburg.

Frontier purchases its gas from Quality Gas (a Kinzer company), Cumberland Valley, NYTIS, and Columbia. BTU gas supply comes from local producers in Magoffin County. The Kentucky Public Service Company allows gas distributors to pass through to their customers the actual cost of gas from their suppliers. Gas costs are adjusted quarterly.

Please furnish us with a loan commitment letter as soon as possible so that we can file our application with the KPSC. Thank you for your assistance and continued support.

Sincerely,  
Kentucky Frontier Gas, LLC



Robert J. Oxford, Member Manager