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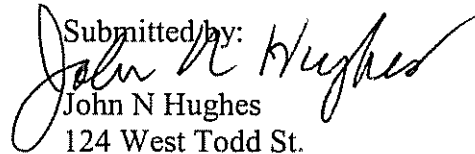
September 29, 2008

Stephanie Stumbo
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Case No. 2008-00394

Dear Ms. Stumbo:

Attached is a revised Exhibit 7 that should be substituted for the exhibit attached to the petition filed on September 24th, which contained a minor error. If there are any questions about this matter, please contact me.

Submitted by:

John N Hughes
124 West Todd St.
Frankfort, KY 40601
502 227-7270
Attorney for Kentucky Frontier Gas,
LLC

ASSETS PURCHASE AGREEMENT

THIS ASSETS PURCHASE AGREEMENT ("Agreement") is made as of the 24th ~~September~~ day of ~~September~~, 2008 (the "Effective Date") by and between (i) **KENTUCKY FRONTIER GAS, LLC**, a Colorado limited liability company, authorized to conduct business within the Commonwealth of Kentucky as a foreign limited liability company, with its principal office located at 4891 Independence Street, Suite 200, Wheat Ridge, Colorado 80033 ("**Purchaser**") and (ii) **COMMONWEALTH OF KENTUCKY, DEPARTMENT FOR LOCAL GOVERNMENT**, a political entity of the Commonwealth of Kentucky (the "Commonwealth"), with its business office located at 1024 Capital Center Drive, Suite 340, Frankfort, Kentucky 40601 (the "**Seller**").

RECITALS:

A. Seller has heretofore issued "**Loan Portfolios**" regarding natural gas systems located in Eastern Kentucky pursuant to the Commonwealth's **Gas System Restoration Project ("GSRP")**. GSRP is a **Revolving Loan Fund ("RLF")** established in 1979 to provide low interest, long-term loans to seriously deteriorated natural gas systems in the Commonwealth. The original purpose of the GSRP was to assist and bring those systems into compliance with all applicable state and federal pipeline safety standards and to otherwise mitigate threatened job losses at firms dependant on the gas supply in such communities. Some of the loans have been re-paid in full or are performing (collectively, the "**Performing Loan Portfolios**"). Others, collectively constituting the "**Non-Performing Loan Portfolios**" of the "**Five Natural Gas Systems**", are in default.

B. Seller, pursuant to its issued "Request for Proposals" regarding the "Sale of Loan Portfolio" dated June, 2007, now desires to convey and/or assign any and all such Non-Performing Loan Portfolios to Purchaser with respect to the Five Natural Gas Systems listed on EXHIBIT A, and otherwise all pursuant to the terms and conditions set forth in this Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of these premises and the mutual covenants, the parties agree as follows:

1. **Purchase and Sale of Assets**. Upon the terms and conditions contained in this Agreement, Seller shall sell to Purchaser, and Purchaser shall acquire from Seller, as of the Effective Date, all of Seller's assets, tangible and intangible, wherever situated specifically listed below (the assets and properties to be purchased and sold are collectively referred to as the "Acquired Assets"):

(a) **Non-Performing Loan Portfolios**. All of Seller's rights, title and interest under, in, and to all Non-Performing Loan Portfolios regarding the Five Natural Gas Systems as scheduled in **EXHIBIT A** including, but not limited to, mortgages, promissory notes, security agreements and/or recorded security interests with respect to such Non-Performing Loan Portfolios, to the extent assignable or transferable by law.

All of the Acquired Assets shall be conveyed by Seller to Purchaser free and clear of any and all liens and/or encumbrances whatsoever, strictly on an "as is, where is" basis, without any warranties of merchantability and/or fitness for a specific purpose with respect to the Five Natural Gas Systems, or regarding any warranties of collection regarding the Non-Performing Loan Portfolios, or otherwise, all without recourse against Seller whatsoever.

Seller states that the outstanding loan amounts, interest rates and balances due for each of the Five Natural Gas Systems contained in the Request for Proposals attached to Exhibit A of this Agreement and any other information provided by Seller is complete and accurate to the best of its ability as reflected in the available records of Seller and Seller will provide to Purchaser prior to closing the current loan arrearages of each of the Five Natural Gas Systems and a verified statement that each of the Five Natural Gas Systems is currently in default of its loan obligations to Seller.

2. **Excluded Assets.** The assets to be conveyed from Seller to Purchaser shall *exclude* all of Seller's cash on hand and/or deposits with respect to any funds held by Seller regarding the Non-Performing Loan Portfolios as of the Effective Date (the "**Excluded Assets**").

3. **Purchase Price; Document Preparation and Recordation.** The Purchase Price (the "Purchase Price") to be paid by Purchaser for all of the Acquired Assets in cash or immediately available funds shall be lump sum of \$800,000.00 (Eight Hundred Thousand Dollars and no cents). Subject to the prior approval of Seller, Purchaser's legal counsel, on the Effective Date, shall be responsible for preparing and recording any and all documentation regarding the transfer, conveyance, assignment, releases and/or termination of the Non-Performing Loan Portfolios within the Commonwealth, as applicable, to the extent as required by law, with respect to promissory notes, existing mortgages, security agreements and/or security interests involving the five named Gas Systems pursuant to the Request for Proposals. Seller shall assist to the extent necessary with the preparation of any necessary documents and shall provide Purchaser with all documents required for the transfer of the Assets. Seller shall assist with any necessary matters related to the Johnson County Gas bankruptcy and any authorizations or approvals required of the bankruptcy court or any other court to approve or validate the transfer of the assignment.

4. **Allocation of Purchase Price.** The Purchase Price shall be allocated by DLG among the Acquired Assets and as scheduled in **EXHIBIT B**. No allocations shall be required of or made by Frontier. The parties agree to report, to the extent reporting is required by law, the transactions which are the subject of this Agreement for federal and state tax purpose in accordance with such allocation of the Purchase Price.

5. **Liabilities Assumed by Purchaser; No Liabilities Retained by Seller.** Purchaser shall (i) assume no liabilities regarding the Non-Performing Loan Portfolios, *if any*; Seller warrants that it is aware of no liabilities as to the Assets (ii) Purchaser and/or any of its agents and/or representatives, and their respective successors and assigns, under circumstances of default, foreclosure or abandonment, shall not be responsible for or assume assurance of uninterrupted and continuous gas service and/or utility services to all paying customers of the Five Natural Gas Systems. There are no debts or obligations of Seller or of the Five Natural Gas Systems to any lending institution or bank or other creditor, secured or unsecured, that shall be

assumed by Purchaser, or that otherwise encumber any of the Acquired Assets. No liabilities with respect to the Non Performing Loan Portfolios shall be retained by Seller including, but not limited to, the continuance of providing gas and/or utility services to all customers of the Five Natural Gas Systems.

6. **No Warranties of Collection.** Purchaser acknowledges that there are no assurances that the amounts due from the Non-Performing Loan Portfolios will, in fact, be collectable, without any recourse against Seller.

7. **Taxes.** Purchaser shall pay any and all sales, use, or other transfer taxes or fees with respect to the transactions, *to the extent applicable*. Seller shall be responsible for payment of its own income taxes, *if any*, as a consequence of this transaction.

8. **Representations and Warranties of Seller.** Seller represents and warrants that (i) Seller has the legal status and authority to enter into this Agreement; (ii) the Non-Performing Loan Portfolios, to the best of the knowledge and belief of Seller, as identified in the Request for Proposals, have been issued in compliance with, all laws and governmental regulations and are assignable; and (iii) Seller grants no further warranties of any nature.

9. **Representations and Warranties of Purchaser.** Purchaser represents and warrants that (i) Purchaser has the legal status and authority to enter into this Agreement; (ii) there is no threatened or pending litigation, administrative proceedings or claims against Purchaser which would interfere with the contemplated transactions; and (iii) Purchaser is either a natural gas utility, independent natural gas operator, natural gas system management services company or any other entity that has been appropriately certified by any State Public Service Commission, Federal Office of Pipeline Safety, Federal Energy Regulatory Commission, or other regulatory bodies that hold jurisdiction over the activities of Purchaser; (iv) Purchaser, in accordance with all state, federal and/or local laws, ordinances and/or regulations, has successfully and safely provided natural gas distribution utility services, similar to those listed in **EXHIBIT A**, for a minimum period of one year and has an industry acceptable credit rating, solvency and financial capacity; (v) Purchaser acknowledges that the Request for Proposals is generally sufficient to indicate and convey sufficient facts for Purchaser to make an informed decision to submit a proposal for the Assets; (vi) Purchaser is entering into this transaction on its own behalf and not for the benefit of any undisclosed person, firm or entity; (vii) Purchaser has not directly or indirectly induced or solicited any other third party to submit a false or sham proposal with respect to the Request for Proposals; (viii) Purchaser has not solicited or induced any other third party to refrain from submitting a proposal with respect to the Request for Proposals; and (ix) Purchaser, pursuant to all of the terms and conditions of its executed "**Noncollusion Affidavit**" dated July 19, 2007, has not sought by collusion or otherwise to obtain for itself any advantage over any other third party with respect to the Request for Proposals. All representations, warranties and covenants of Purchaser shall be effective as of, and shall survive the Effective Date.

10. **Remedies.** Both parties expressly reserve the right to pursue any and all remedies at law and equity, to be cumulatively enforced, including the right of specific performance in the

event of any breach of any conditions, representations, provisions or warranties of either party contained herein.

11. **Closing.** Closing shall occur on or before thirty (30) calendar days after Public Service Commission approval of Kentucky Frontier's application for financing and transfer of the affected utilities and their respective loan portfolios.

12. **Choice of Law; Successors and Assigns.** This Agreement shall be governed by the laws of the Commonwealth of Kentucky without regard to its choice of law provisions. This Agreement shall be binding upon the respective parties' successors, assigns, heirs and/or representatives. Nothing in this Agreement shall prevent or preclude Purchaser from transferring, selling or otherwise disposing of the Acquired Assets at any time without the knowledge, consent or agreement of Seller.

13. **Entire Agreement; Modification; Waiver.** This Agreement constitutes the entire agreement among the parties pertaining to the subject matter of this Agreement and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all parties hereto. No waiver of any of the provisions of this Agreement will be deemed, or will constitute, a waiver of any other provision, whether or not similar, nor will any waiver constitute a continuing waiver. No waiver will be binding unless executed in writing by the party making the waiver.

14. **Notices.** All notices, demands, requests, offers, counteroffers or other communications required or permitted under this Agreement shall be in writing and either (i) delivered by personal delivery to such intended recipient, which personal delivery shall be evidenced by a written receipt there for signed by such recipient or (ii) sent by United States certified, registered or express mail, return receipt requested, postage prepaid, or by reputable express delivery service (such as Federal Express, UPS, Airborne, Purolator, or DHL), fees prepaid, addressed to the intended recipient thereof, at the address listed for such party in the preamble of this Agreement.

15. **Further Assurances.** Each of the parties hereby agrees to execute and deliver all of the agreements, documents and instruments required to be executed and delivered by such party under this Agreement and to execute and deliver such additional instruments and documents and to take such additional actions as may reasonably be required from time to time in order to effectuate the transactions contemplated by this Agreement.

16. **Severability of Provisions.** The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

The parties hereto recognize the possibility that one or more of the five (5) loans referenced in Exhibit A could be paid in full or part on or before the date of closing. Should a payoff be received prior to closing, the parties recognize that Seller may not decline to accept the "cure" amount as per the loan documents. Paragraph 2 notwithstanding, once this Agreement is

executed, if a full or partial payoff is received prior to closing then the funds would be held in escrow. Should Seller receive a payoff in full or part of one or more of the loans, it then becomes Purchaser's option to either accept the loan proceeds and become the holder of the remaining loans or elect to withdraw from the contract without penalty.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

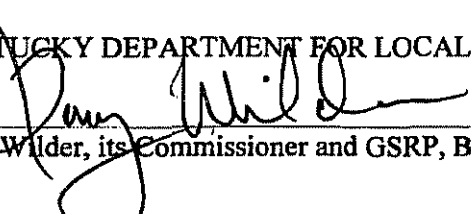
PURCHASER

KENTUCKY FRONTIER GAS, LLC

By: 
Robert J. Oxford, its Member/Manager

SELLER:

KENTUCKY DEPARTMENT FOR LOCAL GOVERNMENT:

By: 
Tony Wilder, its Commissioner and GSRP, Board Chairman

EXHIBITS TO BE ATTACHED AND MADE PART OF THIS AGREEMENT:

EXHIBIT A: Non-Performing Loan Portfolios Regarding Five Natural Gas Systems

LIST AND ATTACH ALL LOAN DOCUMENTS BEING ACQUIRED AND TRANSFERRED AND VERIFIED STATEMENT OF PAYMENTS AND DEFAULT

EXHIBIT B: Allocation of Purchase Price

EXHIBIT B:

Allocation of Purchase Price

1.	B&H Gas Company (Floyd County, Kentucky)	\$160,000
2.	Elam Utility Company (Wolfe County, Kentucky)	\$160,000
3.	Floyd County Gas System (Floyd County, Kentucky)	\$160,000
4.	Johnson County Gas System (Johnson County, Kentucky)	\$160,000
5.	Mike Little Gas Company (Floyd County, Kentucky)	\$160,000