

GAS SERVICE AGREEMENT

THIS GAS SERVICE AGREEMENT (this "Agreement") is entered into this ^{4th} ~~17th~~ day of ~~September~~, 2012, by and between Natural Energy Utility Corporation ("NEUC"), a Kentucky corporation, 2560 Hoods Creek Pike, Ashland, KY 41102, and Boyd County Board of Education ("BOE"), 1104 Bob McCullough Drive, Ashland, KY 41102 NEUC and BOE are sometimes hereinafter referred to as, individually, the "Party" and, collectively, the "Parties".

RECITALS

WHEREAS, NEUC is a natural gas utility regulated by the Kentucky Public Service Commission;

WHEREAS, BOE is a commercial user of natural gas located within the service territory of NEUC; and

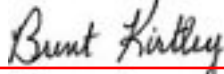
WHEREAS, BOE desires to procure from NEUC, and NEUC desires to provide to BOE, natural gas sales on a limited, stand-by basis, subject to the terms and conditions of this Agreement; and

WHEREAS, pursuant to the terms of this Agreement, NEUC intends to construct a pipeline ("Pipeline") that will provide natural gas on a limited, stand-by basis to the new Boyd County High School ("BCHS Facility"), located at (address 14375 Lions Ln.) Ashland, Boyd County, Kentucky. A true and correct map showing the location of the Pipeline is attached hereto as Exhibit A;

NOW, THEREFORE, for and in consideration of the covenants, agreements, terms, provisions and conditions hereinafter set forth and other good and valuable consideration, the receipt, sufficiency and adequacy of which the Parties hereby acknowledge, intending to be legally bound, the Parties agree as follows:

1. Gas Service. Subject to the terms and conditions of this Agreement, NEUC hereby agrees to deliver and sell stand-by gas service on an as-needed basis during periods of time during which BCHS's primary fuel service is temporarily unavailable. The quantities of natural gas delivered and sold by NEUC, and received and purchased by BOE, pursuant to this Agreement shall be those quantities of natural gas delivered to NEUC by third-party suppliers ("Local Production or Interstate-intrastate gas").

2. Quality. The natural gas delivered or sold by NEUC pursuant to this Agreement shall be blended production and/or interstate-intrastate gas. The natural gas delivered hereunder shall be of commercial quality containing no more than one (1) grain of hydrogen sulfide nor more than ten (10) grains of total sulfur per one hundred (100) cubic feet. The natural gas delivered shall contain an average total heating value for the time period hereof not less than nine hundred and fifty (950) British Thermal Units (BTU) per cubic foot; provided, however, that NEUC shall not be required to accept natural gas hereunder having a heating value of less than nine hundred and fifty (950) BTUs per cubic foot.

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3. Measurement. The natural gas delivered or sold by NEUC pursuant to this Agreement shall be measured by NEUC's meter located just upstream of the Delivery Point, as designated on Exhibit A, which is incorporated herein by reference.

4. Tariff. Attached hereto as Exhibit B and incorporated herein as if fully set forth is NEUC's current tariff as issued to it by the Kentucky Public Service Commission ("Tariff"). These Rules and Regulations, as they may be modified or amended from time to time, shall be fully binding on both NEUC and BOE to the extent the tariff provisions are not in conflict with the terms of this Agreement.

5. Price. BOE shall be charged for the purchased stand-by gas service at the current tariff rate for residential users as filed with the PSC and modified from time to time. The current price is \$7.68 per mcf, plus any sales or use tax or other taxes that may be applicable per attached Exhibit C. The cost of the service is the fair market value of this service and is one which is not usually born by the utility but by the customer/landowner.

6. Billing and Payment. For the charges set forth in Section 5 hereof, NEUC shall bill BOE each month and BOE shall make payment to NEUC no later than 10 days after receipt of NEUC's monthly invoice. Invoices may be faxed or emailed to the billing address set forth in Section 15.9.

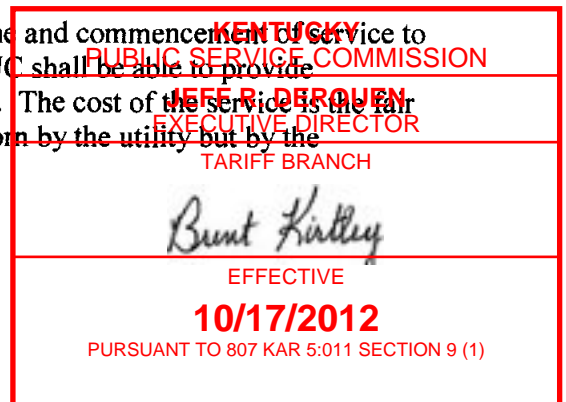
7. Right of Way Agreement. NEUC has submitted a request for a certain Right of Way with the Kentucky Department of Transportation ("ROW"). NEUC agrees that it will make reasonable and good faith efforts to secure execution of the ROW.

8. Approvals. The parties recognize and agree that this Agreement must be approved by the Department of Education (BOE) and the Public Service Commission (NEUC) ("Governmental Approvals"). The parties agree that they will make reasonable and good faith efforts to expedite any such approvals.

9. Construction. Upon execution of the ROW and the Governmental Approvals, NEUC will commence construction of a 2" natural gas pipeline, and maintain same, from its line located in Princess, Kentucky to a tie-in at BCHS in accordance with the map attached hereto as Exhibit A ("Pipeline"). NEUC shall complete the Pipeline within twenty-eight (28) days after the execution of the ROW and the Governmental Approvals.

10. Termination. If the ROW is not executed or the parties have not secured their respective Governmental Approvals within sixty (60) days of the date of execution of this Agreement, then either party may terminate this Agreement by written notice.

11. Payment by BOE. Upon completion of the Pipeline and commencement of service to BOE, BOE shall pay to NEUC the sum of \$105,000.00. NEUC shall be able to provide customer taps on the Pipeline without reimbursement to BOE. The cost of the service is the fair market value of this service and is one which is not usually born by the utility but by the customer/landowner.



12. Interruption of Service. NEUC has been advised that there are plans to widen US 60 sometime in the future. In the event that project is commenced, there may be an interruption of service. NEUC agrees that it will act in good faith to diligently work with the Department of Transportation to secure a new right of way agreement and relocate the pipeline, if necessary, to minimize disruption of service. Any costs of relocation shall be paid or incurred by NEUC.

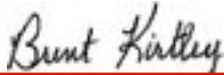
13. Warranty: NEUC warrants that it has and will have throughout the term of this Agreement good and merchantable title to natural gas delivered to BOE by NEUC and that the same is and shall be free and clear of all taxes, liens and encumbrances. NEUC shall indemnify and save BOE harmless from any and all claims in respect of the title to natural as delivered and sold by NEUC pursuant to this Agreement.

14. Force Majeure. To the extent, if any, that either Party is prevented, in whole or in part, from performing any of its obligations hereunder due to reasons of Force Majeure, such obligations (other than the obligation to make monetary payments as required under this Agreement) shall be suspended during the pendency of such event of Force Majeure. For the purpose of this Agreement, "Force Majeure" shall mean an event not anticipated as of the execution of this Agreement which is not within the reasonable control of the Party claiming suspension (the "Claiming Party"), and which by the exercise of due diligence the Claiming Party is unable to overcome or to obtain, or cause to be obtained, a commercially reasonable substitute therefor, and may include, but is not restricted to acts of God; act of public enemy; interruption of gas supplies, war; lightning; fire; violent storm; explosion; civil disturbance; public riot; labor dispute; environmental catastrophe; inability to obtain government permits, materials or similar events or occurrences; breakages of machinery or lines of pipe; labor shortage; sabotage; and action or restraint by public or governmental authority including without limitation the Kentucky Public Service Commission; change of law; and other events, whether enumerated above or not, which wholly or partially prevent the delivery, storage or sale of natural gas.

15. Miscellaneous.

15.1. Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof;

15.2. Severability. In the event that any provision of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as to reasonably effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision of this Agreement with a valid and enforceable provision.

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15.3. Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

15.4. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. Each of the parties hereto agrees that process may be served upon them in any manner authorized by the laws of the Commonwealth of Kentucky for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

15.5. Rules of Construction. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

15.6. Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

15.7. Assignment. This Agreement may be assigned by either party with the written consent of the non-assigning party, which consent will not be unreasonably withheld or delayed.

15.8. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or mailed by registered or certified mail (return receipt requested) or sent via facsimile (with acknowledgment of complete transmission) to the parties at the following address (or such other address for a party as shall be specified by like notice):

(a) If to NEUC:

Mr. Jay Freeman
Natural Energy Utility Corporation
2560 Hoods Creek Pike
Ashland, KY 41102
Telephone: 606-324-3920
Facsimile: 606-325-2991
Email: [hjfnuec@aol.com](mailto:hjfneuc@aol.com)

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(b) If to Boyd County Board of Education:

HOWARD K. OSBORNE, Superintendent
Boyd County Board of Education
Telephone: 606-928-4141
Facsimile: 606-928-4771
Email: ken.osborne@boyd.kyschools.us

15.9. Billing. All invoices shall be sent to the following address:

Boyd County Board of Education
ATTN: DON FLEU, FINANCE DIRECTOR
Telephone: 606-928-4141
Facsimile: 606-928-4771
Email: don.fleu@boyd.kyschools.us

15.10 Contingency. This Agreement is contingent upon execution of a Right of Way Agreement between the parties.

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the day and year first above written.

NATURAL ENERGY UTILITY CORPORATION
2560 Hoods Creek Pike
Ashland, Kentucky 41102

By: Mark T. Baldock
~~HARVEY J. FREEMAN~~ MARK T. BALDOCK
Its: President Secretary/Treasurer

BOYD COUNTY BOARD OF EDUCATION

By: Howard K. Osborne
Its: Superintendent
By: Robert E. Dean
Its: Chairman of the Board

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <u>Brent Kirtley</u>
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