



5500 South Quebec Street
Greenwood Village, CO 80111
800-542-8072
www.cobank.com

July 9, 2010

Michael Ernest
President & Chief Executive Officer
Summit Utilities Inc.
7810 Shaffer Parkway, Suite 120
Littleton, CO 80127

Rick Lawler
Chief Financial Officer
Summit Utilities Inc.
7810 Shaffer Parkway, Suite 120
Littleton, CO 80127

Dear Mike and Rick:

We (CoBank, ACB) appreciate the opportunity to provide a "*high confidence*" letter with regards to obtaining internal credit approval for the formal financing proposal made in June 2010 by CoBank, ACB to Summit Utilities, Inc. for the benefit of wholly-owned, subsidiary, Missouri Gas Utility Inc.

Please see the attached (updated) *Summary of Terms and Conditions* for the details regarding the proposed, Senior Secured Term Loan Facility for Missouri Gas Utility Inc. We remain committed to seeking internal credit approval for a Term Loan Facility of (up to) \$15 million. We will work UMB Bank, N.A. to ensure an appropriate path to Closing suitable to all parties involved.

We are pleased to provide the below timeline for execution between now and expected Closing. This is a good faith estimate and while we expect a seamless process, we must remain cognizant that this will be a fluid process. Nonetheless, we are comfortable with Summit Utilities, Inc. sharing this letter with Missouri Public Service Commission (MPSC) at this time.

Timeline

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We are within days of determining lender counsel, and it is expected that lender counsel will immediately commence existing documentation review and, shortly thereafter, commence documentation work relative to the proposed financing. This work can be performed simultaneous to the CoBank, ACB due diligence and credit approval processes for maximum efficiency.

Estimated '*draft*' document availability is targeted for August 6, 2010.

Sincerely yours,

Brent Knight
Vice President
Energy Services Group
CoBank, ACB



Confidential**Summit Utilities, Inc.****EXHIBIT I****SUMMARY OF TERMS AND CONDITIONS
MISSOURI GAS UTILITY, INC.
SENIOR SECURED TERM LOAN FACILITY**

This Summary of Terms and Conditions ("term sheet") is not a commitment to make any loan nor is this term sheet intended as a comprehensive statement of all the terms and conditions of any loans or loans UMB Bank, N.A. (or any such partnering Lender) and CoBank, ACB may commit to make. This term sheet is meant to be the basis on which the parties may commence discussions. The terms and conditions of any loan or loans must be contained in definitive documentation duly authorized, executed and delivered by UMB Bank, N.A. (or any such partnering Lender) and CoBank, ACB. UMB Bank, N.A. (or any such partnering Lender) and CoBank, ACB are unable to make any commitment to lend until UMB Bank, N.A. (or any such partnering Lender) and CoBank, ACB have completed a credit and legal due diligence review of Missouri Gas Utility, Inc. and Summit Utilities, Inc., the financing documentation, and related issues, and have received approval and authorization from the respective credit committees of both UMB Bank, N.A. (or any such partnering Lender) and CoBank, ACB.

BORROWER: Missouri Gas Utility, Inc. (a Colorado Corporation) (the "Borrower").

GUARANTOR: Summit Utilities, Inc. (a Colorado Corporation) (the "Guarantor").

JOINT LEAD ARRANGERS: UMB Bank, N.A. (or any such partnering Lender) and CoBank, ACB ("CoBank")

ADMINISTRATIVE AGENT: UMB Bank, N.A. (or any such partnering Lender) (the "Administrative Agent" or "UMB Bank") will act as sole and exclusive Administrative Agent.

FACILITY: Up to \$15,000,000 Senior Secured Term Loan Facility (the "Term Loan Facility"), which will coincide with the existing (extended, increased and provided separately) \$15,000,000 Senior Secured Letter of Credit Facility (the "Letter of Credit Facility").

PURPOSE: The proceeds of the Term Loan Facility shall be used (i) to refinance a portion of the indebtedness under the existing Letter of Credit Facility provided by UMB Bank (or any such partnering Lender), as Administrative Agent, as evidenced under the Reimbursement and Pledge Agreement dated as of October 28, 2009, among the Borrower, Guarantor, and (ii) to satisfy 100% of the approximate incremental capital needs for 2010, and a portion of the capital needs for 2011.



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CLOSING: The execution of definitive loan documentation is currently expected to occur on or before August 31, 2010 ("Closing").

AVAILABILITY: Closing until December 31, 2011

INTEREST RATES: As set forth in Addendum I.

FEES AND EXPENSES As set forth in Addendum I.

MATURITY: The Term Loan Facility shall terminate and all amounts outstanding thereunder shall be due and payable in full on the twentieth annual anniversary of Closing ("Maturity").

**AMORTIZATION
START DATE:** December 31, 2011

SECURITY: **(To be discussed)** The Term Loan Facility shall be secured jointly with the Letter of Credit Facility (to the extent possible) via the Amending and Restating of the General Security Agreement and Mortgage, Security Agreement, Assignment of Profits and Proceeds, Financing Statement and Fixture Filing.

**OPTIONAL PREPAYMENTS
AND COMMITMENT
REDUCTIONS (COST AND
YIELD PROTECTION):** **(To be discussed)** The Borrower may prepay the Term Loan Facility in whole or in part at any time (resulting in Commitment Reductions) subject to certain penalties, which may include, but are not limited to, reimbursement of the Lenders' breakage and redeployment costs in the case of prepayment of LIBOR borrowings (inclusive of potential LIBOR swap 'unwind' costs) and fixed-rate borrowings, etc. *(to be discussed)*. Otherwise, customary for transactions and facilities of this type, including, without limitation, changes in capital adequacy and capital requirements or their interpretation, illegality, unavailability, reserves without proration or offset and payments free and clear of withholding or other taxes.

CALL PROTECTION: **(To be discussed)** The Borrower may prepay the Term Loan Facility in whole or in part at any time subject to certain penalties (as evidenced in the *Optional Prepayments and Commitment Reductions* discussion above) subject to the following call protection measures: 1) Year 1 (25.0 basis points); 2) Year 2 (25.0 basis points) and Year 3 (25.0 basis points), in addition to subject penalties (as evidenced in the *Optional Prepayments and Commitment Reductions* discussion above).



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CONDITIONS PRECEDENT
TO CLOSING/FUNDING:

(To be discussed) The Closing (and the initial funding) of the Term Loan Facility will be subject to satisfaction of the conditions precedent deemed appropriate by the Administrative Agent and CoBank, including, but not limited to, the following: (i) The negotiation, execution and delivery of definitive documentation (including, without limitation, satisfactory legal opinions, corporate formation and authority documents and other customary closing documents) for the Term Loan Facility satisfactory to UMB Bank *(or any such partnering Lender)*, the Administrative Agent, and CoBank; (ii) No event or condition shall have occurred since March 31, 2010 in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) of the Borrower and Guarantor taken as a whole that has had or would be reasonably expected to have a material adverse effect; (iii) Receipt and satisfactory review by the Administrative Agent and CoBank of such financial information regarding the Borrower and Guarantor as they may reasonably request; (iv) Payment of all fees and expenses required to be paid on or before Closing; (v) The absence of material litigation, subject to certain exceptions previously disclosed to UMB Bank and CoBank; (vi) The Borrower and Guarantor shall be in compliance with all existing material financial obligations; (vii) The Borrower and Guarantor shall make certain representations and warranties regarding itself, its members/ownership, and regulatory jurisdiction/oversight.

REPRESENTATIONS
AND WARRANTIES:

(To be discussed) Usual and customary for transactions of this type, and substantially similar to those set forth in the Existing Reimbursement and Pledge Agreement dated as of October 28, 2009 to include without limitation: (i) corporate existence and status; (ii) corporate power and authority/enforceability; (iii) no violation of law or contracts or organizational documents; (iv) no material litigation (other than litigation disclosed in the Borrower's Audited Financial Statements); (v) correctness of specified Audited Financial Statements; (vi) representations and warranties regarding Operating Public Utility status; (vii) no required governmental or third party approvals, or if such approval is required, such approval is obtained by the Public Service Commission of the State of Missouri ("MPSC"); (viii) no default; (ix) secured indebtedness; (x) compliance with laws; (xi) solvency; (xii) insurance; (xiii) franchises, licenses and permits; (xiv) corporate structure/subsidiaries; (xv) use of proceeds/compliance with margin regulations; (xvi) status under Investment Company Act and Federal Power Act; (xvii) ERISA matters; (xviii) environmental matters; (xix) payment of taxes; and (xx) accuracy of disclosure.



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COVENANTS:

(To be discussed) Usual and customary for transactions of this type, and substantially similar to those set forth in the Existing Reimbursement and Pledge Agreement dated as of October 28, 2009 to include without limitation: (i) delivery of financial statements, compliance certificates, government reports and notices of default, material litigation and material governmental and environmental proceedings; (ii) compliance with laws (including environmental laws and ERISA matters) and material contractual obligations; (iii) payment of taxes; (iv) maintenance of insurance; (v) preservation of existence and franchises; (vi) maintenance of books and records/inspection rights; (vii) use of proceeds; (viii) limitation on liens, mergers and sales of assets; (ix) limitation on transactions with affiliates; (x) limitation on changes to nature of business, fiscal year and organizational documents; (xi) limitations on indebtedness identical to those in the Existing Reimbursement and Pledge Agreement (*to be discussed*); and (xii) providing notice of material changes.

Financial Covenants:

(To be discussed) Similar to those set forth in the Existing Reimbursement and Pledge Agreement dated as of October 28, 2009 to include without limitation, maintenance of a: 1) (*Annual*) Historical and Prospective Debt Service Coverage Ratio ($> 1.50x$), *subject to discussion given the introduction of the Term Loan Facility proposed herein*; 2) (*Any Fiscal Year*) Dividend Pay-Out Cap ($< 80.0\%$ of Net Income); 3) (*Annual*) Restricted Cash Test (\$500,000); and *possibly* 4) (*Continuous*) Ratio of Indebtedness to Capitalization ($< 65\%$).

EVENTS OF DEFAULT:

(To be discussed) Usual and customary in transactions of this type and substantially similar to those set forth in the Existing Reimbursement and Pledge Agreement dated as of October 28, 2009 to include without limitation: (i) nonpayment of principal, interest, fees or other amounts, (ii) violation of covenants (with cure periods as applicable), (iii) inaccuracy of representations and warranties, (iv) cross-default to Borrower's Letter of Credit Facility and to other indebtedness (*to be discussed*) and cross default to Borrower's default in the performance of any material obligations of any contract is such default results in a material adverse effect to the Borrower and Guarantor, (v) bankruptcy and other insolvency events, (vi) material judgments, (vii) ERISA matters, (viii) actual or asserted invalidity of any loan documentation or security interests and (ix) default in the performance of any payment obligations whereby such default or defaults exceeds a certain (\$) dollar amount (*to be discussed*) and such default or defaults have continued for thirty (30) days beyond any applicable cure period with respect thereto.

ASSIGNMENTS AND PARTICIPATIONS:

UMB Bank (*or any such partnering Lender*) and CoBank will be permitted to make assignments in acceptable minimum amounts to financial institutions; provided that the consent of the Borrower will be required unless (i) an Event



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of Default has occurred and is continuing or (ii) the assignment is to a Lender, an affiliate of a Lender or an Approved Fund (as such term shall be defined in the loan documentation). The consent of the Administrative Agent will be required for any assignment to an entity that is not a Lender, an affiliate of such Lender or an Approved Fund. Lenders will be permitted to sell participations with voting rights limited to significant matters such as changes in amount, rate and maturity date. An assignment fee in the amount of \$3,500 will be charged with respect to each assignment unless waived by the Administrative Agent in its sole discretion

**WAIVERS AND
AMENDMENTS:**

(To be discussed) Amendments and waivers of the provisions of the financing documents and other definitive credit documentation will require the approval of UMB Bank *(or any such partnering Lender)* and CoBank, or effectively Lenders holding loans and commitments representing more than 50% of the aggregate amount of loans and commitments under the combination of the Term Loan Facility and Letter of Credit Facility, except that the consent of all the Lenders affected thereby shall be required with respect to (i) increases in the commitment of any Lender, (ii) reductions of principal, interest or fees, and (iii) extensions of scheduled maturities or times for payment.

INDEMNIFICATION:

The Borrower shall indemnify the Administrative Agent, and CoBank and their respective affiliates (the "Indemnified Parties") from and against all losses, liabilities, claims, damages or expenses arising out of or relating to the Term Loan Facility, the Borrower's use of loan proceeds or the commitments, including, but not limited to, reasonable attorneys' fees and settlement costs, unless and only to the extent that, as to any Indemnified Party, it shall be determined in a final, nonappealable judgment by a court of competent jurisdiction that such losses, liabilities, claims, damages or expenses resulted from the (i) gross negligence or willful misconduct of such Indemnified Party or (ii) a claim brought by the Borrower against the Indemnified Party for breach in bad faith of such Indemnified Party's obligations under the loan documents. This indemnification shall survive and continue for the benefit of the indemnitees at all times after the Borrower's acceptance of CoBank's proposal for the Term Loan Facility, notwithstanding any failure of the Term Loan Facility to close.

GOVERNING LAW:

Colorado

FEES/EXPENSES:

As set forth in Addendum I.

OTHER:

This Summary of Terms and Conditions is intended as an outline of certain of the material terms of the Term Loan Facility and does not purport to



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summarize all of the conditions, covenants, representations, warranties and other provisions which would be contained in definitive documentation for the Term Loan Facility contemplated hereby. The Borrower and Guarantor and UMB Bank (*or any such partnering Lender*) shall waive their respective rights to a trial by jury.



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ADDENDUM I

INTEREST RATES: *See below.*

Option #1 – (to be discussed); LIBOR Swap Option (+ Applicable Margin): one, 10-year LIBOR swap rate, which will be fixed to Maturity.

Option #2 – (to be discussed); LIBOR Swap Option (+ Applicable Margin): one, 20-year LIBOR swap rate, which will be fixed for 20 years*.

Option #1

* Note: LIBOR Swap Rates may be higher (versus those offered to Colorado Natural Gas, Inc. based on length of Availability (from Closing until December 31, 2011))

LIBOR Swap Option + Applicable Margin

10-year LIBOR Swap Rate + Credit Spread* + 2.00%

(As of July 8, 2010)

* Credit Spread: .175%

LIBOR Swap Rate + .175%: 3.25%

Option #2

LIBOR Swap Option + Applicable Margin

20-year LIBOR Swap Rate + Credit Spread* + 2.00%

(As of July 8, 2010)

* Credit Spread: .290%

LIBOR Swap Rate + .290%: 3.70%

ISDA (MASTER AGREEMENT)

AND ISDA SCHEDULE: To evidence the LIBOR Swap Option, CoBank and the Borrower will enter into a standard ISDA (Master Agreement) and ISDA Schedule, which will be afforded the same security for the Term Loan Facility as evidenced in the *Security* section above.

STRUCTURING FEE: Option #1: \$200,000
Option #2: None

UNUSED COMMITMENT FEE: 1.00% of Unused Portion of the Term Loan Facility until end of Availability

FACILITY FEE: Not applicable to Term Loan Facility



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UTILIZATION FEE:	Not applicable to Term Loan Facility
LETTER OF CREDIT FEES:	Not applicable to Term Loan Facility
INTEREST RATES:	<p>The Term Loan Facility will bear interest at LIBOR plus the Applicable Margin in accordance with the pricing discussion above. The Borrower may select only the interest periods of 3 months for LIBOR loans, for the purposes of the LIBOR Swap, subject to availability. In the event of an interest rate termination, the Term Loan Facility will also contain a Base Rate option (to be defined as the higher of (a) the CoBank (or UMB Bank (<i>or any such partnering Lender</i>)) prime rate, (b) the Federal Funds rate plus .50%, or LIBOR plus 1.00%). Interest shall be payable at the end of the selected interest period, but no less frequently than quarterly, with respect to the Base Rate option. A default rate shall apply on all loans in the event of default under the Term Loan Facility at a rate per annum of 2% above the applicable interest rate.</p>
CALCULATION OF INTEREST AND FEES:	<p><u>LIBOR</u>: calculation of interest shall be made on the basis of actual number of days elapsed in a 360 day year. <u>Base Rate</u>: calculation of interest shall be made on the basis of actual number of days elapsed in a 365/366 day year;</p>
EXPENSES:	<p>The Borrower and Guarantor will pay all reasonable costs and expenses associated with the preparation, due diligence, administration, syndication and enforcement of all documentation executed in connection with the Term Loan Facility, including without limitation, the legal fees of counsel to the Administrative Agent and CoBank regardless of whether or not the Term Loan Facility is closed. The Borrower and Guarantor will also pay the expenses of each Lender in connection with the enforcement of any loan documentation for the Term Loan Facility.</p>



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